

**Froch Enterprise Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Froch Enterprise Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's financial statements as of and for the year ended December 31, 2021 is as follows:

#### Revenue Recognition

The Company's export sales revenue is affected by the distance or convenience of connection with customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2021 increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

Our audit procedures performed in respect of revenue recognition included the following:

1. We obtained an understanding of the internal controls and evaluated the design and tested the continuous effectiveness of the implementation of internal controls related to the recognition of sales revenue and the operating procedures of sales collection during the year.
2. We obtained and selected samples of the export sales revenue receipts and vouched the documents to sales order and delivery of goods related to sales revenue and verified the occurrence of the sales revenue.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ting-Chien Su and Lie-Dong Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2022

Notice to Readers

*The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent 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. 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' report and financial statements shall prevail.*

# FROCH ENTERPRISE CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 495,862	4	\$ 447,342	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,095	-	16,357	-
Notes receivable (Notes 4, 8 and 17)	226,943	2	133,242	1
Trade receivables from unrelated parties (Notes 4, 8 and 17)	1,004,586	8	637,495	6
Trade receivables from related parties (Notes 4, 17 and 23)	24,504	-	1,090	-
Other receivables (Note 23)	66,873	-	31,343	1
Current tax assets (Notes 4 and 19)	14	-	2,439	-
Inventories (Notes 4, 5 and 9)	4,941,126	37	3,189,398	30
Prepayments	37,344	-	38,939	1
Other current assets	818	-	543	-
Total current assets	<u>6,814,165</u>	<u>51</u>	<u>4,498,188</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 10)	3,025,506	23	2,695,408	26
Property, plant and equipment (Notes 4, 11 and 24)	3,219,692	24	3,215,921	30
Right-of-use asset (Notes 4, 12 and 23)	90,502	1	33,180	-
Deferred tax assets (Notes 4 and 19)	15,375	-	31,837	-
Prepayments for equipment	94,648	1	61,366	1
Refundable deposits (Note 23)	15,066	-	13,106	-
Total non-current assets	<u>6,460,789</u>	<u>49</u>	<u>6,050,818</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 13,274,954</u>	<u>100</u>	<u>\$ 10,549,006</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 13)	\$ 4,059,635	31	\$ 2,628,726	25
Contract liabilities - current (Notes 4 and 17)	250,280	2	129,417	1
Notes payable to unrelated parties	48,930	-	10,959	-
Trade payables to unrelated parties	135,265	1	102,639	1
Trade payables to related parties (Note 23)	-	-	24,558	-
Other payables (Notes 14 and 23)	272,754	2	166,591	2
Current tax liabilities (Notes 4 and 19)	214,947	2	-	-
Lease liability - current (Notes 4, 12 and 23)	33,774	-	17,806	-
Current portion of long-term borrowings (Notes 13 and 24)	465,094	3	456,895	5
Other current liabilities	5,425	-	3,410	-
Total current liabilities	<u>5,486,104</u>	<u>41</u>	<u>3,541,001</u>	<u>34</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 13 and 24)	2,393,905	18	2,760,529	26
Deferred tax liabilities (Notes 4 and 19)	325,671	3	256,360	2
Lease liability - non-current (Notes 4, 12 and 23)	57,345	1	15,927	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	56,116	-	65,085	1
Guarantee deposits (Note 23)	962	-	735	-
Total non-current liabilities	<u>2,833,999</u>	<u>22</u>	<u>3,098,636</u>	<u>29</u>
Total liabilities	<u>8,320,103</u>	<u>63</u>	<u>6,639,637</u>	<u>63</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Ordinary shares	2,805,260	21	2,805,260	27
Capital surplus	463,471	3	463,471	4
Retained earnings				
Legal reserve	208,546	2	198,107	2
Special reserve	230,890	2	246,961	2
Unappropriated earnings	1,496,652	11	426,460	4
Other equity	(249,968)	(2)	(230,890)	(2)
Total equity	<u>4,954,851</u>	<u>37</u>	<u>3,909,369</u>	<u>37</u>
<b>TOTAL</b>	<u>\$ 13,274,954</u>	<u>100</u>	<u>\$ 10,549,006</u>	<u>100</u>

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

## FROCH ENTERPRISE CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 11,540,839	100	\$ 7,745,032	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>9,389,280</u>	<u>81</u>	<u>7,127,009</u>	<u>92</u>
GROSS PROFIT	<u>2,151,559</u>	<u>19</u>	<u>618,023</u>	<u>8</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	722,875	6	410,493	5
General and administrative expenses	<u>181,287</u>	<u>2</u>	<u>125,151</u>	<u>2</u>
Total operating expenses	<u>904,162</u>	<u>8</u>	<u>535,644</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,247,397</u>	<u>11</u>	<u>82,379</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	244	-	453	-
Other income (Notes 18 and 23)	8,773	-	7,522	-
Other gains and losses (Note 18)	(3,134)	-	(8,279)	-
Finance costs (Notes 18 and 23)	(94,210)	(1)	(96,712)	(1)
Share of profit or loss of subsidiaries accounted for using the equity method (Notes 4 and 10)	<u>349,176</u>	<u>3</u>	<u>155,166</u>	<u>2</u>
Total non-operating income and expenses	<u>260,849</u>	<u>2</u>	<u>58,150</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,508,246	13	140,529	2
INCOME TAX EXPENSE (Notes 4 and 19)	<u>303,686</u>	<u>3</u>	<u>32,178</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,204,560</u>	<u>10</u>	<u>108,351</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	329	-	(4,955)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(66)</u>	<u>-</u>	<u>991</u>	<u>-</u>
	263	-	(3,964)	-

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## FROCH ENTERPRISE CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ <u>(19,078)</u>	<u>-</u>	\$ <u>16,071</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(18,815)</u>	<u>-</u>	<u>12,107</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ <u>1,185,745</u>	<u>10</u>	\$ <u>120,458</u>	<u>2</u>
EARNINGS PER SHARE (Note 20)				
Basic	\$ <u>4.29</u>		\$ <u>0.38</u>	
Diluted	\$ <u>4.29</u>		\$ <u>0.38</u>	

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

(Concluded)

**FROCH ENTERPRISE CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	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
Appropriation of 2019 earnings								
Legal reserve	-	-	26,990	-	(26,990)	-	-	-
Special reserve	-	-	-	102,001	(102,001)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(143,263)	-	-	(143,263)
Net profit for the year ended December 31, 2020	-	-	-	-	108,351	-	-	108,351
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,964)	16,071	-	12,107
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	104,387	16,071	-	120,458
Buy-back of ordinary shares	-	-	-	-	-	-	(61,175)	(61,175)
Cancellation of treasury shares	(60,000)	(1,175)	-	-	-	-	61,175	-
BALANCE AT DECEMBER 31, 2020	2,805,260	463,471	198,107	246,961	426,460	(230,890)	-	3,909,369
Appropriation of 2020 earnings								
Legal reserve	-	-	10,439	-	(10,439)	-	-	-
Special reserve	-	-	-	(16,071)	16,071	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(140,263)	-	-	(140,263)
Net profit for the year ended December 31, 2021	-	-	-	-	1,204,560	-	-	1,204,560
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	263	(19,078)	-	(18,815)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,204,823	(19,078)	-	1,185,745
BALANCE AT DECEMBER 31, 2021	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ -	\$ 4,954,851

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

# FROCH ENTERPRISE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,508,246	\$ 140,529
Adjustments for:		
Depreciation expense	156,417	146,178
Expected credit loss recognized on trade receivables	3,720	484
Net gain on fair value changes of financial assets at fair value through profit or loss	(258)	(820)
Finance costs	94,210	96,712
Interest income	(244)	(453)
Share of profit of subsidiaries	(349,176)	(155,166)
Gain on disposal of property, plant and equipment	(125)	-
Reversal of write-down of inventories	(3,198)	(45,279)
Net loss (gain) on foreign currency exchange	2,290	(9,829)
Gain on lease modification	(56)	-
Changes in operating assets and liabilities		
Notes receivable	(94,647)	(26,897)
Trade receivables	(393,992)	32,074
Other receivables	(35,537)	(7,037)
Inventories	(1,748,530)	(308,985)
Prepayments	1,595	(13,244)
Other current assets	(275)	6,307
Contract liabilities	120,863	61,279
Notes payable	37,971	(8,535)
Trade payables	7,960	(10,845)
Other payables	85,656	29,351
Other current liabilities	2,015	565
Net defined benefit liabilities	(8,640)	(6,315)
Cash used in operations	(613,735)	(79,926)
Interest received	244	453
Interest paid	(93,795)	(97,056)
Income tax paid	(607)	(2,829)
Net cash used in operating activities	<u>(707,893)</u>	<u>(179,358)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(14,019)	(18,070)
Proceeds from sale of financial assets at fair value through profit or loss	14,539	15,476
Payments for property, plant and equipment	(58,994)	(298,479)
Proceeds from disposal of property, plant and equipment	125	-
Increase in refundable deposits	(1,960)	-
Decrease in refundable deposits	-	980
Increase in prepayments for equipment	(79,822)	(37,142)
Net cash used in investing activities	<u>(140,131)</u>	<u>(337,235)</u>

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## FROCH ENTERPRISE CO., LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,432,889	\$ 280,697
Proceeds from long-term borrowings	100,000	900,000
Repayments of long-term borrowings	(458,425)	(370,126)
Proceeds from guarantee deposits received	227	-
Refund of guarantee deposits received	-	(255)
Repayment of the principal portion of lease liabilities	(34,442)	(35,224)
Dividends paid to owners of the Company	(140,263)	(143,263)
Payments for buy-back of ordinary shares	<u>-</u>	<u>(61,175)</u>
Net cash generated from financing activities	<u>899,986</u>	<u>570,654</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(3,442)</u>	<u>4,362</u>
NET INCREASE IN CASH	48,520	58,423
CASH AT THE BEGINNING OF THE YEAR	<u>447,342</u>	<u>388,919</u>
CASH AT THE END OF THE YEAR	<u>\$ 495,862</u>	<u>\$ 447,342</u>

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

(Concluded)

# FROCH ENTERPRISE CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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 financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 17, 2022.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: 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 financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

The 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 an 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 an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries and branches in other countries ) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

In preparing the financial statements, assets and liabilities of the Company's foreign operations are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated into the New Taiwan dollar at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work-in-progress and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Profits or losses resulting from downstream transactions is eliminated in full only in the parent company's financial statements. Profit or loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company's financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost include professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### a. Measurement categories

##### 1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 22.

##### 2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes receivable at amortized cost, trade receivables, other receivables, and other financial assets - current and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred: significant financial difficulty of the issuer or the borrower; breach of contract, such as a default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

b. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit loss (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

a. Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

j. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of various stainless steel tube. Sales of various stainless steel tube are recognized as revenue and trade receivables when the primary responsibility for sales to future customers has been transferred according to the transaction terms agreed with individual customers. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

k. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

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

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

**6. CASH**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 760	\$ 760
Bank deposits	<u>495,102</u>	<u>446,582</u>
	<u>\$ 495,862</u>	<u>\$ 447,342</u>

**7. FINANCIAL INSTRUMENTS AT FVTPL**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets - current</u>		
Mutual funds	<u>\$ 16,095</u>	<u>\$ 16,357</u>

**8. NOTES RECEIVABLE AND TRADE RECEIVABLES**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 229,235	\$ 134,588
Less: Allowance for impairment loss	<u>(2,292)</u>	<u>(1,346)</u>
	<u>\$ 226,943</u>	<u>\$ 133,242</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,008,351	\$ 638,486
Less: Allowance for impairment loss	<u>(3,765)</u>	<u>(991)</u>
	<u>\$ 1,004,586</u>	<u>\$ 637,495</u>

a. Notes receivable

The aging of notes receivable is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Not past due	\$ 229,235	\$ 134,588
Past due	<u>-</u>	<u>-</u>
	<u>\$ 229,235</u>	<u>\$ 134,588</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 Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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 Company'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 Company's different customer base.

The Company 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 Company 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:

	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	Total
<u>December 31, 2021</u>								
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%
Gross carrying amount	\$ 949,711	\$ 40,711	\$ 7,446	\$ 8,110	\$ 437	\$ 538	\$ 9	\$ 1,389
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(407)</u>	<u>(373)</u>	<u>(1,217)</u>	<u>(131)</u>	<u>(242)</u>	<u>(6)</u>	<u>(1,389)</u>
Amortized cost	<u>\$ 949,711</u>	<u>\$ 40,304</u>	<u>\$ 7,073</u>	<u>\$ 6,893</u>	<u>\$ 306</u>	<u>\$ 296</u>	<u>\$ 3</u>	<u>\$ 1,004,586</u>
<u>December 31, 2020</u>								
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%
Gross carrying amount	\$ 630,743	\$ -	\$ 5,872	\$ 482	\$ -	\$ 1,389	\$ -	\$ 638,486
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(294)</u>	<u>(72)</u>	<u>-</u>	<u>(625)</u>	<u>-</u>	<u>(991)</u>
Amortized cost	<u>\$ 630,743</u>	<u>\$ -</u>	<u>\$ 5,578</u>	<u>\$ 410</u>	<u>\$ -</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ 637,495</u>

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

The movements of the loss allowance of trade receivables and notes receivable were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,337	\$ 2,176
Add: Net remeasurement of loss allowance	3,720	484
Less: Amounts written off	<u>-</u>	<u>(323)</u>
Balance at December 31	<u>\$ 6,057</u>	<u>\$ 2,337</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Finished goods	\$ 1,503,645	\$ 978,317
Work in progress	757,897	744,785
Raw materials	2,232,636	1,232,192
Supplies	61,117	35,665
Inventory in transit	<u>385,831</u>	<u>198,439</u>
	<u>\$ 4,941,126</u>	<u>\$ 3,189,398</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$9,389,280 thousand and \$7,127,009 thousand, respectively. The cost of goods sold included reversal of write-downs inventory of \$3,198 thousand and \$45,279 thousand, respectively. Inventory write-downs were reversed as a result of increased selling prices in certain markets.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<b>Investee</b>	<b>December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Century Nova Steel Co., Ltd.	\$ 2,411,087	100	\$ 2,205,362	100
Froch Enterprise International Co., Ltd.	459,937	100	415,152	100
Froch Stainless Co., Ltd.	<u>154,482</u>	100	<u>74,894</u>	100
	<u>\$ 3,025,506</u>		<u>\$ 2,695,408</u>	

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements which have been audited for the same years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Assets used by the Company	\$ 3,065,857	\$ 3,058,627
Assets leased under operating leases	<u>153,835</u>	<u>157,294</u>
	<u>\$ 3,219,692</u>	<u>\$ 3,215,921</u>

### a. Assets used by the Company

	<u>For the Year Ended December 31, 2021</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassified</u>	<u>Ending Balance</u>
<u>Cost</u>					
Land	\$ 1,321,622	\$ 822	\$ -	\$ -	\$ 1,322,444
Buildings	767,552	18,891	-	21,360	807,803
Machinery and equipment	2,388,277	42,801	(13,224)	43,888	2,461,742
Transportation equipment	72,389	9,007	(350)	-	81,046
Other equipment	649,253	1,938	-	6,392	657,583
Property under construction	<u>28,009</u>	<u>5,627</u>	<u>-</u>	<u>(25,100)</u>	<u>8,536</u>
	<u>5,227,102</u>	<u>\$ 79,086</u>	<u>\$ (13,574)</u>	<u>\$ 46,540</u>	<u>5,339,154</u>
<u>Accumulated depreciation</u>					
Buildings	240,907	\$ 14,618	\$ -	\$ -	255,525
Machinery and equipment	1,554,987	79,538	(13,224)	-	1,621,301
Transportation equipment	63,554	2,521	(350)	-	65,725
Other equipment	<u>309,027</u>	<u>21,719</u>	<u>-</u>	<u>-</u>	<u>330,746</u>
	<u>2,168,475</u>	<u>\$ 118,396</u>	<u>\$ (13,574)</u>	<u>\$ -</u>	<u>2,273,297</u>
	<u>\$ 3,058,627</u>				<u>\$ 3,065,857</u>
	<u>For the Year Ended December 31, 2020</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassified</u>	<u>Ending Balance</u>
<u>Cost</u>					
Land	\$ 1,269,527	\$ 52,095	\$ -	\$ -	\$ 1,321,622
Buildings	617,367	26,003	-	124,182	767,552
Machinery and equipment	2,247,416	93,780	(2,572)	49,653	2,388,277
Transportation equipment	72,053	355	(19)	-	72,389
Other equipment	543,990	88,590	(45)	16,718	649,253
Property under construction	<u>144,133</u>	<u>23,524</u>	<u>-</u>	<u>(139,648)</u>	<u>28,009</u>
	<u>4,894,486</u>	<u>\$ 284,347</u>	<u>\$ (2,636)</u>	<u>\$ 50,905</u>	<u>5,227,102</u>
<u>Accumulated depreciation</u>					
Buildings	229,008	\$ 11,899	\$ -	\$ -	240,907
Machinery and equipment	1,483,251	74,308	(2,572)	-	1,554,987
Transportation equipment	60,716	2,857	(19)	-	63,554
Other equipment	<u>289,982</u>	<u>19,090</u>	<u>(45)</u>	<u>-</u>	<u>309,027</u>
	<u>2,062,957</u>	<u>\$ 108,154</u>	<u>\$ (2,636)</u>	<u>\$ -</u>	<u>2,168,475</u>
	<u>\$ 2,831,529</u>				<u>\$ 3,058,627</u>

In September 2005, the Company 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 Company. Since the land belongs to agricultural and animal husbandry land classification and its ownership was registered in the name of the chairman of the board, the Company has performed some necessary procedures to acquire the related rights.

The above items of property, plant and equipment used by the Company 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	4-15 years
Other equipment	3-60 years

Property, plant and equipment used by the Company and pledged as collateral for bank borrowings are set out in Note 24.

b. Assets leased under operating leases

	<b>For the Year Ended December 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	19,275	-	19,275
	<u>211,588</u>	<u>\$ -</u>	<u>211,588</u>
<u>Accumulated depreciation</u>			
Land improvement	2,620	\$ 86	2,706
Buildings	40,280	2,076	42,356
Other equipment	11,394	1,297	12,691
	<u>54,294</u>	<u>\$ 3,459</u>	<u>57,753</u>
	<u>\$ 157,294</u>		<u>\$ 153,835</u>
	<b>For the Year Ended December 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	13,373	5,902	19,275
	<u>205,686</u>	<u>\$ 5,902</u>	<u>211,588</u>
<u>Accumulated depreciation</u>			
Land improvement	2,534	\$ 86	2,620
Buildings	38,203	2,077	40,280
Other equipment	10,741	653	11,394
	<u>51,478</u>	<u>\$ 2,816</u>	<u>54,294</u>
	<u>\$ 154,208</u>		<u>\$ 157,294</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>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 2,743	\$ 2,743
Year 2	2,743	2,743
Year 3	2,743	2,743
Year 4	2,743	2,743
Year 5	1,829	2,743
Year 6 onwards	<u>-</u>	<u>1,829</u>
	<u>\$ 12,801</u>	<u>\$ 15,544</u>

The above items of property, plant and equipment leased under operating leases 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 24.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 90,502	\$ 30,120
Buildings	<u>-</u>	<u>3,060</u>
	<u>\$ 90,502</u>	<u>\$ 33,180</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Addition to right-of-use assets	<u>\$ 96,462</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 34,354	\$ 34,420
Buildings	<u>208</u>	<u>788</u>
	<u>\$ 34,562</u>	<u>\$ 35,208</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Current	\$ 33,774	\$ 17,806
Non-current	<u>\$ 57,345</u>	<u>\$ 15,927</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.67%	1.67%
Buildings	1.67%	1.67%

c. Material leasing activities and terms - as lessee

The Company leases certain land and buildings for the use of factories and offices with lease terms of 3 to 10 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to low-value asset leases	\$ 668	\$ 667
Total cash outflow for leases	<u>\$ (36,164)</u>	<u>\$ (36,775)</u>

The Company's leases of certain assets qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

### 13. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured borrowings		
Letter of credit borrowings	\$ 2,209,635	\$ 1,228,726
Line of credit borrowings	<u>1,850,000</u>	<u>1,400,000</u>
	<u>\$ 4,059,635</u>	<u>\$ 2,628,726</u>
<u>Interest rates</u>		
Letter of credit borrowings	0.85%-1.39%	1.25%-1.35%
Line of credit borrowings	0.85%-1.25%	0.88%-1.41%

b. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Mortgage borrowings (with maturity date from December 2025 to December 2035)	\$ 2,858,999	\$ 3,217,424
Less: Current portion	<u>(465,094)</u>	<u>(456,895)</u>
Long-term borrowings	<u>\$ 2,393,905</u>	<u>\$ 2,760,529</u>
<u>Interest rates</u>		
Mortgage borrowings	1.25%-1.96%	1.25%-1.96%

Mortgage borrowings are secured by the Company's land and buildings. See Note 24.

In December 2018, the Company signed a syndicated loan contract with a syndicate 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 depreciation, amortization and interest expense, 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 meet 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 lead bank, it shall be adjusted within 3 months through capital increase by cash or such other means as the lead bank agrees. 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Payables for freight	\$ 87,042	\$ 37,034
Payables for salaries or bonuses	83,231	69,369
Payables for compensation of employees and remuneration of directors	30,780	2,868
Payables for purchases of equipment	22,108	2,016
Payables for commission	886	830
Others	<u>48,707</u>	<u>54,474</u>
	<u>\$ 272,754</u>	<u>\$ 166,591</u>

#### 15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 143,883	\$ 146,188
Fair value of plan assets	<u>(87,767)</u>	<u>(81,103)</u>
Net defined benefit liabilities	<u>\$ 56,116</u>	<u>\$ 65,085</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	\$ 146,188	\$ (81,103)	\$ 65,085
Service cost			
Net interest expense (income)	430	(238)	192
Recognized in profit or loss	430	(238)	192
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,210)	(1,210)
Actuarial (gain) loss			
Changes in demographic assumptions	304	-	304
Changes in financial assumptions	(4,860)	-	(4,860)
Experience adjustments	5,437	-	5,437
Recognized in other comprehensive income (loss)	881	(1,210)	(329)
Contributions from the employer	-	(8,832)	(8,832)
Benefits paid	(3,616)	3,616	-
Balance at December 31, 2021	\$ 143,883	\$ (87,767)	\$ 56,116
Balance at January 1, 2020	\$ 140,381	\$ (73,936)	\$ 66,445
Service cost			
Net interest expense (income)	1,041	(551)	490
Recognized in profit or loss	1,041	(551)	490
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,341)	(2,341)
Actuarial loss			
Changes in demographic assumptions	65	-	65
Changes in financial assumptions	5,739	-	5,739
Experience adjustments	1,492	-	1,492
Recognized in other comprehensive income (loss)	7,296	(2,341)	4,955
Contributions from the employer	-	(6,805)	(6,805)
Benefits paid	(2,530)	2,530	-
Balance at December 31, 2020	\$ 146,188	\$ (81,103)	\$ 65,085

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.70%	0.30%
Expected rate(s) of salary increase	2%	2%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	\$ (2,949)	\$ (3,235)
0.10% increase	(1,192)	(1,308)
0.10% decrease	1,207	1,326
0.25% decrease	3,409	3,350
Expected rate(s) of salary increase		
0.25% increase	3,002	3,285
0.25% decrease	(2,919)	(3,190)

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 2,316</u>	<u>\$ 2,208</u>
Average duration of the defined benefit obligation	8 years	9 years

## 16. EQUITY

- a. Ordinary shares

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

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

b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Issuance of ordinary shares	\$ 370,809	\$ 370,809
Treasury share transactions	<u>92,662</u>	<u>92,662</u>
	<u>\$ 463,471</u>	<u>\$ 463,471</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 dividends 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 been taken into account. The distributable earnings shall be allocated with not less than 50% distributed as dividends to shareholders; however, dividends may not be distributed if the total dividends are less than 10% of the Company's paid-in capital; the distribution of dividends to shareholders shall be allowed by cash or stock, and the cash dividends shall not be less than 20% of the total dividends.

Appropriations of earnings to 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 approved in the shareholders' meetings in August 19, 2021 and June 12, 2020, respectively, were as follows:

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

The appropriations of earnings for 2021 proposed by the Company's board of directors in March 2022 were as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 120,482
Special reserve	19,078
Cash dividends	561,052
Cash dividends per share (NT\$)	2

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held in June 2022.

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	6,000
Decrease during the year	<u>(6,000)</u>
Number of shares at December 31, 2020	<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 Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 11,518,206	\$ 7,727,374
Other operating revenue		
Revenue from sale of electricity	22,176	17,349
Revenue from processing service	<u>457</u>	<u>309</u>
	<u>\$ 11,540,839</u>	<u>\$ 7,745,032</u>

a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable and trade receivables	<u>\$ 1,256,033</u>	<u>\$ 771,827</u>	<u>\$ 772,450</u>
Contract liabilities - current			
Sale of goods	<u>\$ 250,280</u>	<u>\$ 129,417</u>	<u>\$ 68,138</u>

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

b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Asia	\$ 6,290,092	\$ 4,049,583
America	2,273,497	1,392,745
Europe	1,244,906	1,039,153
Middle East	833,710	777,075
Others	<u>876,001</u>	<u>468,818</u>
	<u>\$ 11,518,206</u>	<u>\$ 7,727,374</u>

**18. COMPREHENSIVE INCOME FOR THE YEAR**

Net profit comprised of the following items:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income (Note 23)	\$ 3,943	\$ 3,143
Others	<u>4,830</u>	<u>4,379</u>
	<u>\$ 8,773</u>	<u>\$ 7,522</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain on disposal of property, plant and equipment	\$ 125	\$ -
Fair value changes of financial assets at FVTPL	258	820
Net foreign exchange losses	(3,455)	(8,709)
Others	<u>(62)</u>	<u>(390)</u>
	<u>\$ (3,134)</u>	<u>\$ (8,279)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 93,380	\$ 98,752
Interest on lease liabilities	1,054	884
Less: Capitalized interest	<u>(224)</u>	<u>(2,924)</u>
	<u>\$ 94,210</u>	<u>\$ 96,712</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	\$ 224	\$ 2,924
Capitalization rate	1.60%	1.60%-1.95%

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 133,825	\$ 122,746
Operating expenses	<u>22,592</u>	<u>23,432</u>
	<u>\$ 156,417</u>	<u>\$ 146,178</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Salary expenses	\$ 485,985	\$ 406,109
Labor and health insurance costs	41,763	37,442
Post-employment benefits		
Defined contribution plan	16,445	15,758
Defined benefit plans (Note 15)	192	490
Remuneration of directors	15,390	1,434
Other employee benefits	<u>21,625</u>	<u>15,598</u>
Total employee benefits expense	<u>\$ 581,400</u>	<u>\$ 476,831</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 337,227	\$ 308,101
Operating expenses	<u>244,173</u>	<u>168,730</u>
	<u>\$ 581,400</u>	<u>\$ 476,831</u>

The average number of employees in 2021 and 2020 was 666 and 651, respectively. The average number of directors who were not employees was 3 in both years. The number of employees and directors is based on the records of employee benefits..

The average employee benefit expense in 2021 and 2020 was \$854 and \$734 thousand, respectively, and the average employee salary expense was \$733 and \$627 thousand, respectively. The average employee salary increase was 17%.

The company did not have supervisors for the years ended December 31, 2021 and 2020. Therefore, there was no compensation to the supervisor.

The remuneration, emoluments and business execution expenses of the directors of the Company are based on the industry norm, the attendance situation of the directors and the Company's Articles; the remuneration of managers and employees included salaries, retirement pensions, bonuses and compensation. The remuneration is determined in accordance with the individual contributions, qualifications, operating performance, degree of responsibility and industry norm. The remuneration of directors and key executives, according to the Company's Articles, is determined by the board of directors and the remuneration committee based on the Company's overall operation performance, future trends, the individual participation in the Company's operation and the contribution value. Relevant performance appraisal and remuneration reasonableness are reviewed in a timely manner and submitted to the remuneration committee and the board of directors, in order to achieve a balance between the Company's sustainable operation and risk control.

f. Compensation of employees and remuneration of directors and supervisors

If the Company makes a profit in the year, 1% of the profit should be allocated for the compensation of employees, which should be resolved by the board of directors and distributed in the form of stock dividends or cash dividends. The employees of the Company and its subsidiaries who meet certain requirements will receive the compensation. Less than 3% of the profit will be allocated for the remuneration of directors and supervisors; the allocation should be resolved by the board of directors. The compensation of employees and remuneration of directors and supervisors should be reported to the shareholders' regular meeting. However, if the Company has accumulated losses, any profit should be first used to offset losses before making allocation for the compensation and remuneration according to the above-mentioned percentage.

The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors in March 2022 and 2021, respectively, were as follows:

Cash	For the Year Ended December 31			
	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	1%	\$ 15,390	1%	\$ 1,434
Remuneration of directors and supervisors	1%	15,390	1%	1,434

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

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

Information on the compensation of employees and remuneration of directors and supervisors 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 income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 214,947	\$ -
Adjustments for prior year	3,032	4,031
Deferred tax		
In respect of the current year	86,621	28,147
Adjustments for prior year	<u>(914)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 303,686</u>	<u>\$ 32,178</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 1,508,246</u>	<u>\$ 140,529</u>
Income tax expense calculated at the statutory rate (20%)	\$ 301,649	\$ 28,106
Nondeductible expenses in determining taxable income	15	125
Tax-exempt income	(96)	(84)
Unrecognized loss carryforwards	(914)	-
Adjustments for prior years' tax	<u>3,032</u>	<u>4,031</u>
Income tax expense recognized in profit or loss	<u>\$ 303,686</u>	<u>\$ 32,178</u>

### b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Prepaid income tax	\$ -	\$ 57
Tax refund receivable	<u>14</u>	<u>2,382</u>
	<u>\$ 14</u>	<u>\$ 2,439</u>
Current tax liabilities		
Income tax payable	<u>\$ 214,947</u>	<u>\$ -</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

<b>For the Year Ended December 31, 2021</b>				
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 8,331	\$ (639)	\$ -	\$ 7,692
Defined benefit obligations	9,477	(1,728)	(66)	7,683
	17,808	(2,367)	(66)	15,375
Tax losses	14,029	(14,029)	-	-
	<u>\$ 31,837</u>	<u>\$ (16,396)</u>	<u>\$ (66)</u>	<u>\$ 15,375</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 210,012	\$ 69,835	\$ -	\$ 279,847
Land appreciation tax	45,775	-	-	45,775
Others	573	(524)	-	49
	<u>\$ 256,360</u>	<u>\$ 69,311</u>	<u>\$ -</u>	<u>\$ 325,671</u>
<b>For the Year Ended December 31, 2020</b>				
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 17,387	\$ (9,056)	\$ -	\$ 8,331
Defined benefit obligations	9,749	(1,263)	991	9,477
Others	1,468	(1,468)	-	-
	28,604	(11,787)	991	17,808
Tax losses	-	14,029	-	14,029
	<u>\$ 28,604</u>	<u>\$ 2,242</u>	<u>\$ 991</u>	<u>\$ 31,837</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 178,979	\$ 31,033	\$ -	\$ 210,012
Land appreciation tax	45,775	-	-	45,775
Others	1,217	(644)	-	573
	<u>\$ 225,971</u>	<u>\$ 30,389</u>	<u>\$ -</u>	<u>\$ 256,360</u>

d. Income tax assessments

The Company's income tax returns through 2019 have been assessed by the tax authorities.

## 20. EARNINGS PER SHARE

	<b>Amount (Numerator)</b>	<b>Number of Shares Denominator (In Thousands)</b>	<b>EPS (NT\$)</b>
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 1,204,560	280,526	<u>\$ 4.29</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>544</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 1,204,560</u>	<u>281,070</u>	<u>\$ 4.29</u>
<u>For the year ended December 31, 2020</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 108,351	282,795	<u>\$ 0.38</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>174</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 108,351</u>	<u>282,969</u>	<u>\$ 0.38</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company 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 per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (borrowings offset by cash) and equity of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

The key management personnel of the Company review the capital structure regularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

## 22. 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 are close to fair value or the fair value cannot 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>December 31, 2021</u>				
Financial assets at FVTPL				
Mutual funds	\$ 16,095	\$ -	\$ -	\$ 16,095
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Mutual funds	\$ 16,357	\$ -	\$ -	\$ 16,357

There were no transfers between Level 1 and Level 2 in 2021 and 2020.

### c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 16,095	\$ 16,357
Financial assets at amortized cost (1)	1,833,834	1,263,618
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	7,376,545	6,151,632

1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables 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 Company's major financial instruments include notes receivable and payable, trade receivables and payables, borrowings and lease liabilities. The Company'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 Company 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 Company 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 the Company's 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 Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company 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 Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including monetary items that have been written off in the financial statements) are set out in Note 27.

Sensitivity analysis

The Company 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 before tax would have changed by \$3,231 thousand and \$4,940 thousand respectively for the years ended December 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 Company is exposed to interest rate risk because the Company borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<u>December 31</u>	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 91,119	\$ 33,733
Cash flow interest rate risk		
Financial assets	495,042	446,522
Financial liabilities	6,918,634	5,846,150

#### Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates of 25 basis point (0.25%) would have resulted in a decrease in the interest expense before tax by approximately \$16,059 thousand and \$13,499 thousand for the years ended December 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 Company. At the end of the year, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure of the counterparty to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

#### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company'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 Company's short-, medium- and long-term funding and liquidity management requirements. The Company 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 December 31, 2021 and 2020, the Company 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 Company'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 Company 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 year.

<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>December 31, 2021</u>					
Non-interest bearing	\$ 450,099	\$ 6,850	\$ -	\$ 462	\$ 500
Lease liabilities	2,920	5,840	26,280	58,280	-
Variable interest rate liabilities	<u>550,330</u>	<u>705,774</u>	<u>3,268,625</u>	<u>1,774,278</u>	<u>619,627</u>
	<u>\$ 1,003,349</u>	<u>\$ 718,464</u>	<u>\$ 3,294,905</u>	<u>\$ 1,833,020</u>	<u>\$ 620,127</u>
<u>December 31, 2020</u>					
Non-interest bearing	\$ 299,196	\$ 5,551	\$ -	\$ 235	\$ 500
Lease liabilities	3,009	6,018	10,881	13,728	2,858
Variable interest rate liabilities	<u>250,330</u>	<u>436,213</u>	<u>2,399,078</u>	<u>2,077,647</u>	<u>682,882</u>
	<u>\$ 552,535</u>	<u>\$ 447,782</u>	<u>\$ 2,409,959</u>	<u>\$ 2,091,610</u>	<u>\$ 686,240</u>

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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>
<u>December 31, 2021</u>				
Lease liabilities	\$ 35,040	\$ 58,280	\$ -	\$ -
Variable interest rate liabilities	<u>4,524,729</u>	<u>1,774,278</u>	<u>425,200</u>	<u>194,427</u>
	<u>\$ 4,559,769</u>	<u>\$ 1,832,558</u>	<u>\$ 425,200</u>	<u>\$ 194,427</u>
<u>December 31, 2020</u>				
Lease liabilities	\$ 19,908	\$ 13,728	\$ 2,858	\$ -
Variable interest rate liabilities	<u>3,085,621</u>	<u>2,077,647</u>	<u>438,306</u>	<u>244,576</u>
	<u>\$ 3,105,529</u>	<u>\$ 2,091,375</u>	<u>\$ 441,164</u>	<u>\$ 244,576</u>

b) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Amount used	\$ 7,363,536	\$ 6,022,475
Amount unused	<u>5,929,822</u>	<u>7,067,504</u>
	<u>\$ 13,293,358</u>	<u>\$ 13,089,979</u>

## 23. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

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

b. Sales of goods

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Sales	Others	\$ 607,791	\$ 433,015
	Subsidiary	<u>4,949</u>	<u>5,848</u>
		<u>\$ 612,740</u>	<u>\$ 438,863</u>

There was no significant difference in sales prices and terms between related and third parties. The term of payment is generally 60 days from the date of the transaction. Ordinary customers were required to make payment according to the period agreed in the contract, and a few important customers have a collection period within 60 to 90 days.

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Others		
Santorics Metals Co., Ltd.	\$ 1,693,290	\$ 596,549
Others	<u>495,342</u>	<u>243,636</u>
	<u>\$ 2,188,632</u>	<u>\$ 840,185</u>

The terms of purchases from related parties were payments by L/C within 45 to 50 days and have no significant difference with the third parties.

d. Rental income

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Rental income	Others		
	Santorics Metals Co., Ltd.	<u>\$ 2,743</u>	<u>\$ 2,743</u>

The above rental income is based on the factory lease agreement signed between the Company and the related party, and the contract period is from September 1, 2014 to August 31, 2026. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The related party provided a guarantee deposit of \$500 thousand as deposit for the lease.

e. Receivables from related parties

Line Item	Related Party Category	December 31	
		2021	2020
Trade receivables	Others	\$ 23,708	\$ -
	Subsidiary	<u>796</u>	<u>1,090</u>
		<u>\$ 24,504</u>	<u>\$ 1,090</u>
Other receivables	Others	\$ 1,522	\$ 1,786
	Subsidiary	<u>3,080</u>	<u>1,182</u>
		<u>\$ 4,602</u>	<u>\$ 2,968</u>

f. Payables to related parties

Line Item	Related Party Category	December 31	
		2021	2020
Notes payable	Others	\$ -	\$ 24,558
Other payables	Others	<u>11</u>	<u>5</u>
		<u>\$ 11</u>	<u>\$ 24,563</u>

g. Lease arrangements as lessee

Line Item	Related Party Category/Name	December 31	
		2021	2020
Acquisition of right-of-use assets	Others		
	Beittia Metals Co., Ltd.	\$ 94,737	\$ -
	Others	<u>1,725</u>	<u>-</u>
		<u>\$ 96,462</u>	<u>\$ -</u>
Lease liabilities	Others		
	Beittia Metals Co., Ltd.	\$ 79,276	\$ 16,359
	Santorics Metals Co., Ltd.	11,843	14,263
	Others	<u>-</u>	<u>3,075</u>
		<u>\$ 91,119</u>	<u>\$ 33,697</u>

Related Party Category	For the Year Ended December 31	
	2021	2020
<u>Finance costs</u>		
Others	<u>\$ 1,054</u>	<u>\$ 883</u>

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 September 30, 2024. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The Company provided a refundable deposit of \$5,000 thousand as deposit for the lease.

- h. Endorsements and guarantees : Refer to Table 2
- i. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	<u>\$ 33,017</u>	<u>\$ 15,282</u>

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

#### **24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	<u>\$ 1,760,405</u>	<u>\$ 1,774,997</u>

#### **25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials amounted to approximately \$436,573 thousand and \$167,460 thousand, respectively.
- b. Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment	<u>\$ 26,423</u>	<u>\$ 102,982</u>

#### **26. OTHER ITEMS**

Due to the impact of the COVID-19 pandemic, which has evolved globally and currently in Taiwan, resulting in a substantial decline in operating revenue in 2020. With the easing of the epidemic and loosening of government policies, the operations have returned to normal.

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

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the Company and the related exchange rates between foreign currencies and the functional currency were as follows:

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 28,446	27.68	\$ 787,385	\$ 20,443	28.48	\$ 582,217
Investments accounted for using the equity method						
USD	109,348	27.68	3,026,753	94,674	28.48	2,696,316
<u>Financial liabilities</u>						
Monetary items						
USD	16,775	27.68	464,332	3,098	28.48	88,231

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

	For the Year Ended December 31			
	2021		2020	
	Foreign Currency	Exchange Rate	Exchange Rate	Net Foreign Exchange Losses
USD	28.009 (USD:NTD)	<u>\$ (3,455)</u>	29.549 (USD:NTD)	<u>\$ (8,709)</u>

## 28. 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) Information on investees: Table 6.
- 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 7.
  - 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: Table 4.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.
    - 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 on 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 shareholder. See Table 8.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
 FOR THE YEAR ENDED DECEMBER 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)	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	\$ 234,292	\$ 167,860	0.2%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 459,937 (Note 1)	\$ 459,937 (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 at the exchange rate on the balance sheet date.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 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	\$ 2,378,328	\$ 1,169,935	\$ 1,134,880	\$ 885,760	\$ -	23	\$ 2,378,328	Yes	-	Yes	
1	Century Nova Steel Co., Ltd. - CN	Froch Metal (suzhou) co., Ltd.	1	526,847	21,937	21,707	712	-	1	1,053,694	-	-	Yes	
		Froch Stainless Co., Ltd. - CN	1	526,847	21,937	21,707	145	-	1	1,053,694	-	-	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 at the exchange rate on the balance sheet date.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 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	DECEMBER 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	\$ 1,949	-	\$ 1,949	
	TCB US Short Duration High Yield Bond Fund A USD (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,997	-	2,997	
	Schroder All Cycle Income Fund A (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,976	-	2,976	
	TCB Global Healthcare M-A Income Fund A (NTD)	None	Financial assets measured at FVTPL - current	500,000	5,020	-	5,020	
	PineBridge ESG Quantitative Equity Fund A (NTD)	None	Financial assets measured at FVTPL - current	300,000	3,153	-	3,153	

Note 1: The term “securities” as used in this table refers to the securities derived from stocks, bonds, beneficiary's notes and the above items which fall within the scope of IFRS No. 9 “Financial Instruments”.

Note 2: For information on investment subsidiaries, refer to Notes 6 and 7.

## 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 YEAR ENDED DECEMBER 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	\$ (607,791)	( 5)	Note 1	Note 1	Note 1	\$ 23,708	2	
			Purchase	1,693,290	19	Note 1	Note 1	Note 1	-	-	
Froch Enterprise Co., Ltd.	Beittia Metals Co., Ltd.	Others	Purchase	495,342	6	Note 1	Note 1	Note 1	-	-	
Century Nova Steel, Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	Subsidiary	Sale	(849,061)	(25)	Note 2	Note 2	Note 2	4,208	6	Note 3
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Subsidiary	Sale	(2,416,841)	(71)	Note 2	Note 2	Note 2	67,234	92	Note 3
Froch Metal (suzhou) co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Subsidiary	Purchase	849,061	100	Note 2	Note 2	Note 2	(4,208)	(100)	Note 3
Froch Stainless Co., Ltd. - CN	Century Nova Steel, Co., Ltd. - CN	Subsidiary	Purchase	2,416,841	100	Note 2	Note 2	Note 2	(67,234)	(100)	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 45-50 days l/c.

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

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

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

**DECEMBER 31, 2021**

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

Company Name	Related Party	Relationship	Trade Receivables - Related Parties	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
Froch Enterprise International Co., Ltd.	Froch Stainless Co., Ltd. - CN	Subsidiary	\$ 167,860	-	\$ -	-	\$ 47,756	\$ -

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 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 December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership	Carrying Amount			
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%	\$ 2,411,087	\$ 216,443	\$ 216,443	Subsidiary
	Froch Enterprise International Co., Ltd.	British Cayman Islands	International investment business	115,366	115,366	3,550,000	100%	459,937	52,742	52,742	Subsidiary
	Froch Stainless Co., Ltd.	British Samoa	International investment business	14,959	14,959	500,000	100%	154,482	79,991	79,991	Subsidiary

Note: For information on investments in mainland China, see Table 7.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 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 December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2021 (Note 3)	Accumulated Repatriation of Investment Income as of December 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)	\$ 49,238	100%	\$ 49,238	\$ 205,797	\$ -
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)	241,976	100%	241,976	2,195,195	-
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)	2,396	100% (Note 2)	2,396	25,540	-
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)	95,989	100% (Note 5)	95,989	185,378	-

Accumulated Outward Remittance for Investment in Mainland China as of December 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)	\$ 2,972,911

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., holding 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 year ended December 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, holding 83% and 17% equity respectively.

**TABLE 8****FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 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

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.

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**STATEMENT 1**

**Froch Enterprise Co., Ltd.**

**STATEMENT OF CASH**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

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<b>Item</b>	<b>Amount</b>
Cash in banks	
Demand deposits	\$ 337,730
Foreign currency deposits (Note)	157,312
Checking deposits	<u>60</u>
	495,102
Cash on hand and petty cash	<u>760</u>
	<u>\$ 495,862</u>

Note: Include US\$5,675 thousand and EUR7 thousand; exchange rate is US\$1=NT\$27.68 and EUR1=NT\$31.32.

**Froch Enterprise Co., Ltd.****FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Type and Name of Marketable Securities	Number of Shares/Units	Acquisition Cost	Market Value	
			Unit Price	Total Amount
Mutual funds				
Shin Kong US Harvest Balance Fund Type A without Dividends (NTD)	175,919	\$ 1,990	11.08	\$ 1,949
TCB US Short Duration High Yield Bond Fund A USD (NTD)	300,000	3,014	9.9907	2,997
Schroder All Cycle Income Fund A (NTD)	300,000	3,018	9.92	2,976
TCB Global Healthcare M-A Income Fund A (NTD)	500,000	5,000	10.04	5,020
PineBridge ESG Quantitative Equity Fund A (NTD)	300,000	<u>3,000</u>	10.51	<u>3,153</u>
		<u>\$ 16,022</u>		<u>\$ 16,095</u>

Note : Fair value of mutual funds is calculated based on the value of net assets on the balance sheet date.

**Froch Enterprise Co., Ltd.**

**STATEMENT OF NOTES RECEIVABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
CH0035 company	\$ 22,326
Others (Note)	<u>206,909</u>
	229,235
Less: Allowance for impairment loss	<u>(2,292)</u>
Total	<u>\$ 226,943</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**Froch Enterprise Co., Ltd.**

**STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Non-related parties	
CV0036 company	\$ 69,164
JP017 company	56,383
Others (Note)	<u>882,804</u>
	1,008,351
Less: Allowance for impairment loss	<u>(3,765)</u>
Total	<u>\$ 1,004,586</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**Froch Enterprise Co., Ltd.****STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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Item	Amount	
	Cost	Net Realizable Value (Note 1)
Finished goods	\$ 1,506,803	\$ 1,503,645
Work in process	760,454	757,897
Raw materials	2,265,378	2,232,636
Supplies	61,117	61,117
Inventory in transit	<u>385,831</u>	<u>385,831</u>
	4,979,583	<u>\$ 4,941,126</u>
Less: Allowance for loss on inventory valuation	<u>(38,457)</u>	
	<u>\$ 4,941,126</u>	

Note 1: Net realizable value refers to the estimated selling price under normal circumstances minus the estimated cost required to complete the project and the estimated cost required to complete the sale.

Note 2: The inventories were not pledged as collateral.

## Froch Enterprise Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2021			Increase in the Current Year		Share of Profit (Loss) of Subsidiaries and Associates	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Balance, December 31, 2021			Net Assets Value
	Number of Shares	Ownership (%)	Amount	Number of Shares	Amount			Number of Shares	Ownership (%)	Amount	
Century Nova Steel Co., Ltd.	49,000,000	100	\$ 2,205,362	-	\$ -	\$ 216,443	\$ (10,718)	49,000,000	100	\$ 2,411,087	\$ 2,411,087
Froch Enterprise International Co., Ltd.	3,550,000	100	415,152	-	-	52,742	(7,957)	3,550,000	100	459,937	459,937
Froch Stainless Co., Ltd.	500,000	100	74,894	-	-	79,991	(403)	500,000	100	154,482	154,482
			<u>\$ 2,695,408</u>		<u>\$ -</u>	<u>\$ 349,176</u>	<u>\$ (19,078)</u>			<u>\$ 3,025,506</u>	<u>\$ 3,025,506</u>

## Froch Enterprise Co., Ltd.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Land	\$ 98,960	\$ 94,737	\$ (79,977)	\$ 113,720
Buildings	<u>4,636</u>	<u>1,725</u>	<u>(6,361)</u>	<u>-</u>
	<u>103,596</u>	<u>\$ 96,462</u>	<u>\$ (86,338)</u>	<u>113,720</u>
Accumulated Depreciation				
Land	68,840	\$ 34,354	\$ (79,976)	23,218
Buildings	<u>1,576</u>	<u>208</u>	<u>(1,784)</u>	<u>-</u>
	<u>70,416</u>	<u>\$ 34,562</u>	<u>\$ (81,760)</u>	<u>23,218</u>
	<u>\$ 33,180</u>			<u>\$ 90,502</u>

## Froch Enterprise Co., Ltd.

STATEMENT OF SHORT-TERM BANK LOANS  
 DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Types of Loan and Bank	Loan Due Date (Note)	Annual Interest Rate (%)	Amount
Domestic long-term letter of credit			
SinoPac Bank	111.04.01-111.04.29	1.25	\$ 98,942
Lank Bank of Taiwan	111.04.03-111.06.14	1.30	173,668
Chang Hwa Commercial Bank	111.03.29-111.06.26	1.25	285,316
Mega International Commercial Bank	111.03.02-111.05.29	1.25	239,804
Bank of Taiwan	111.02.25-111.04.22	1.25	216,107
Taiwan Cooperative Bank	111.04.30-111.06.14	1.25	183,318
First Commercial Bank	111.05.04-111.06.26	1.25	317,313
E. SUN Commercial Bank	111.03.21-110.05.29	1.18	148,797
Hua Nan Commercial Bank	111.05.18-111.06.15	1.25	99,988
Taichung Commercial Bank	111.05.14-111.06.27	1.39	94,514
			<u>1,857,767</u>
Foreign long-term letter of credit			
Chang Hwa Commercial Bank	111.06.28	1.06	39,317
Hua Nan Commercial Bank	111.05.20	1.14	85,217
Mega International Commercial Bank	111.06.06-111.06.27	1.09-1.16	110,186
Lank Bank of Taiwan	111.06.04	0.93	68,797
First Commercial Bank	111.06.27	0.85	48,351
			<u>351,868</u>
Credit loan			
E. SUN Commercial Bank	111.01.13	1.18	50,000
Taiwan Cooperative Bank	111.03.31	1.25	200,000
Bank of Panshin	111.04.06	1.25	50,000
SinoPac Bank	111.02.07	1.25	50,000
Yuanta Commercial Bank	111.01.16	1.20	50,000
Hua Nan Commercial Bank	111.05.26	1.25	100,000
Shin Kong Commercial Bank	111.01.15-111.01.21	1.14-1.21	300,000
The Export-Import Bank of the Republic of China	111.06.15-111.08.23	0.85	500,000
Chang Hwa Commercial Bank	111.05.25	1.25	200,000
Taishin International Bank	111.01.26	1.25	50,000
Land Bank of Taiwan	111.01.10-110.02.15	1.00	300,000
			<u>1,850,000</u>
			<u>\$ 4,059,635</u>

**STATEMENT 9**

**Froch Enterprise Co., Ltd.**

**STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Non-related parties	
SGK021 company	\$ 3,402
SFH010 company	2,890
Others (Note)	<u>42,638</u>
	<u>\$ 48,930</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

**STATEMENT 10**

**Froch Enterprise Co., Ltd.**

**STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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Vendor Name	Amount
Non-related parties	
SA2003 company	\$ 87,695
SC2001 company	23,889
SAP012 company	8,564
Others (Note)	<u>15,117</u>
	<u>\$ 135,265</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

## Froch Enterprise Co., Ltd.

STATEMENT OF LONG-TERM BANK LOANS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Creditor	Contract Period	Summary	Interest Rate (%)	Loan Amount	Mortgage or Guarantee
Land and building mortgage loans					
8 Syndicated banks included Land Bank of Taiwan Douliu Branch	2018.12.18-2025.12.18	The loan will be repaid in 11 installment after 2 years, with each repayment of \$122,200 thousand	1.96	\$ 973,816	Note 1
8 Syndicated banks included Land Bank of Taiwan Douliu Branch	2019.03.12-2025.12.18	The loan will be repaid in 11 installment after 2 years, with each repayment of \$105,300 thousand	1.96	835,355	Note 1
Land Bank of Taiwan Douliu Branch	2019.07.26-2034.07.26	Repay \$330 thousand per month	1.60	49,828	Note 2
First Commercial Bank Douliu Branch	2020.12.18-2035.12.18	The loan will be repaid in 26 installment after 2 years, with each repayment of \$23,100 thousand	1.25	600,000	Note 3
First Commercial Bank Douliu Branch	2020.12.25-2030.12.25	The loan will be repaid in 16 installment after 2 years, with each repayment of \$18,750 thousand	1.25	300,000	Note 3
First Commercial Bank Douliu Branch	2021.02.25-2028.02.25	The loan will be repaid in 12 installment after 1 years, with each repayment of \$8,350 thousand	1.25	<u>100,000</u>	Note 3
				<u>\$ 2,858,999</u>	

Note 1: The Company provided carrying value of \$689,259 thousand of land, buildings and machinery as collateral.

Note 2: The Company provided carrying value of \$63,262 thousand of machinery as collateral.

Note 3: The Company provided carrying value of \$536,946 thousand of land, buildings and machinery as collateral.

**Froch Enterprise Co., Ltd.**

**STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Lease Period</b>	<b>Discount Rate (%)</b>	<b>Ending Balance</b>
Land	2019.01-2025.08	1.67	<u>\$ 91,119</u>

**Froch Enterprise Co., Ltd.**

**STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity (Metric Tons)</b>	<b>Amount</b>
Operating revenue		
Stainless steel pipe	82,968	\$ 7,825,792
Stainless steel coil	45,277	3,678,219
Others	118	<u>36,828</u>
		<u>\$ 11,540,839</u>

**Froch Enterprise Co., Ltd.****STATEMENT OF COST OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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Item	Amount
Raw materials at the beginning of the year	\$ 1,463,175
Purchased raw materials	9,818,986
Sale	(541,833)
Raw materials at the end of the year	<u>(2,651,209)</u>
Raw materials consumption	8,089,119
Direct labor	195,522
Manufacturing expenses	<u>552,887</u>
Manufacturing costs	8,837,528
Work in progress at the beginning of the year	748,764
Others	116,447
Work in progress at the end of the year	<u>(760,454)</u>
Cost of finished goods	8,942,285
Finished goods at the beginning of the year	983,448
Purchased finished goods	601,011
Reversal of write-down of inventories	(3,198)
Others	(177,929)
Finished goods at the end of the year	<u>(1,506,803)</u>
Cost of production	8,838,814
Cost of raw materials sold	541,833
Cost of processing	232
Cost of sale of electricity	<u>8,401</u>
Cost of goods sold	<u>\$ 9,389,280</u>

**Froch Enterprise Co., Ltd.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total</b>
Salary	\$ 100,042	\$ 93,291	\$ 193,333
Freight	479,375	1,886	481,261
Insurance	12,163	7,388	19,551
Entertainment	5,474	11,637	17,111
Depreciation	11,546	11,046	22,592
Employee benefits	4	20,306	20,310
Others	<u>114,271</u>	<u>35,733</u>	<u>150,004</u>
	<u>\$ 722,875</u>	<u>\$ 181,287</u>	<u>\$ 904,162</u>