

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2023 and 2022 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Froch Enterprise Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As disclosed in Note 10 to the consolidated financial statements, the financial statements and the notes of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2023 and 2022, combined total assets of these non-significant subsidiaries were NT\$197,397 thousand and NT\$325,265 thousand, respectively, both representing 2% of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$57,411 thousand and NT\$86,598 thousand, respectively, both representing 1% of the consolidated total liabilities; for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the amounts of combined comprehensive income of these subsidiaries were NT\$(3,280) thousand, NT\$11,844 thousand, NT\$374 thousand and NT\$30,555 thousand, representing 2%, 4%, 4% and 4%, respectively, of the consolidated total comprehensive income.

## Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, its consolidated financial performance for the three months ended June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 9, 2023

### Notice to Readers

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

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

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash (Note 6)	\$ 1,210,766	10	\$ 1,272,142	11	\$ 1,833,058	13
Financial assets at fair value through profit or loss - current (Note 7)	20,207	-	22,376	-	16,641	-
Notes receivable (Notes 8 and 17)	415,960	4	416,430	4	428,896	3
Trade receivables from unrelated parties (Notes 8 and 17)	734,091	6	768,921	6	1,115,241	8
Trade receivables from related parties (Notes 17 and 23)	34,387	-	32,135	-	42,922	-
Other receivables (Note 23)	68,812	1	28,376	-	30,894	-
Current tax assets (Notes 4 and 19)	4,162	-	3	-	14	-
Inventories (Note 9)	4,172,518	36	4,707,954	39	5,681,331	40
Prepayments	218,720	2	167,568	1	112,877	1
Current financial assets (Notes 6 and 24)	15,347	-	15,433	-	82,885	1
Other current assets	16,938	-	200	-	591	-
Total current assets	6,911,908	59	7,431,538	61	9,345,350	66
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment (Notes 11 and 24)	4,510,673	39	4,582,139	37	4,511,221	32
Right-of-use asset (Note 12)	103,214	1	85,001	1	103,671	1
Deferred tax assets (Notes 4 and 19)	14,611	-	14,269	-	12,961	-
Prepayments for equipment	97,505	1	94,443	1	113,659	1
Refundable deposits (Note 23)	16,805	-	16,731	-	16,764	-
Total non-current assets	4,742,808	41	4,792,583	39	4,758,276	34
<b>TOTAL</b>	<b>\$ 11,654,716</b>	<b>100</b>	<b>\$ 12,224,121</b>	<b>100</b>	<b>\$ 14,103,626</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 13)	\$ 3,193,368	27	\$ 3,375,563	28	\$ 4,369,379	31
Contract liabilities - current (Note 17)	207,565	2	277,653	2	318,063	2
Notes payable to unrelated parties	7,017	-	21,553	-	14,597	-
Notes payable to related parties (Note 23)	-	-	3,028	-	-	-
Trade payables to unrelated parties	27,720	-	20,358	-	50,167	-
Other payables (Notes 14 and 23)	634,919	6	245,765	2	840,740	6
Current tax liabilities (Notes 4 and 19)	41,941	-	221,213	2	201,355	2
Lease liabilities - current (Notes 12 and 23)	51,848	1	37,480	-	37,282	-
Current portion of long-term borrowings (Notes 13 and 24)	91,894	1	557,474	5	515,474	4
Other current liabilities	2,545	-	4,419	-	9,305	-
Total current liabilities	4,258,817	37	4,764,506	39	6,356,362	45
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 13 and 24)	2,191,127	19	1,836,431	15	2,115,168	15
Deferred tax liabilities (Notes 4 and 19)	316,200	3	324,636	3	335,622	3
Lease liabilities - non-current (Notes 12 and 23)	31,320	-	25,976	-	44,531	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	21,625	-	26,420	-	40,938	-
Guarantee deposits (Note 23)	20,500	-	20,797	-	20,677	-
Total non-current liabilities	2,580,772	22	2,234,260	18	2,556,936	18
Total liabilities	6,839,589	59	6,998,766	57	8,913,298	63
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Ordinary shares	2,805,260	24	2,805,260	23	2,805,260	20
Capital surplus	463,471	4	463,471	4	463,471	3
Retained earnings						
Legal reserve	404,189	4	329,028	3	329,028	2
Special reserve	170,026	1	249,968	2	249,968	2
Unappropriated earnings	1,179,637	10	1,547,654	12	1,507,788	11
Other equity	(207,456)	(2)	(170,026)	(1)	(165,187)	(1)
Total equity	4,815,127	41	5,225,355	43	5,190,328	37
<b>TOTAL</b>	<b>\$ 11,654,716</b>	<b>100</b>	<b>\$ 12,224,121</b>	<b>100</b>	<b>\$ 14,103,626</b>	<b>100</b>

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

(With Deloitte & Touche auditors' review report dated August 9, 2023)

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 17 and 23)	\$ 3,463,111	100	\$ 4,468,695	100	\$ 6,695,337	100	\$ 8,914,778	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>3,312,250</u>	<u>95</u>	<u>3,588,980</u>	<u>80</u>	<u>6,158,893</u>	<u>92</u>	<u>7,278,894</u>	<u>81</u>
GROSS PROFIT	<u>150,861</u>	<u>5</u>	<u>879,715</u>	<u>20</u>	<u>536,444</u>	<u>8</u>	<u>1,635,884</u>	<u>19</u>
OPERATING EXPENSES (Note 18)								
Selling and marketing expenses	123,050	4	242,577	5	239,540	4	491,947	6
General and administrative expenses	<u>50,404</u>	<u>1</u>	<u>66,205</u>	<u>2</u>	<u>103,080</u>	<u>1</u>	<u>123,600</u>	<u>1</u>
Total operating expenses	<u>173,454</u>	<u>5</u>	<u>308,782</u>	<u>7</u>	<u>342,620</u>	<u>5</u>	<u>615,547</u>	<u>7</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(22,593)</u>	<u>-</u>	<u>570,933</u>	<u>13</u>	<u>193,824</u>	<u>3</u>	<u>1,020,337</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	3,213	-	1,691	-	3,655	-	2,336	-
Other income (Notes 18 and 23)	1,982	-	3,398	-	4,166	-	7,578	-
Finance costs (Notes 18 and 23)	<u>(39,750)</u>	<u>(1)</u>	<u>(31,715)</u>	<u>(1)</u>	<u>(80,457)</u>	<u>(1)</u>	<u>(59,374)</u>	<u>(1)</u>
Total non-operating expenses	<u>(34,555)</u>	<u>(1)</u>	<u>(26,626)</u>	<u>(1)</u>	<u>(72,636)</u>	<u>(1)</u>	<u>(49,460)</u>	<u>(1)</u>
Other gains and losses (Note 18)	<u>(57,555)</u>	<u>(2)</u>	<u>(54,394)</u>	<u>(1)</u>	<u>(37,885)</u>	<u>(1)</u>	<u>(27,796)</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	(114,703)	(3)	489,913	11	83,303	1	943,081	11
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 19)	<u>(12,988)</u>	<u>-</u>	<u>127,510</u>	<u>3</u>	<u>35,312</u>	<u>-</u>	<u>231,333</u>	<u>3</u>
NET PROFIT (LOSS) FOR THE PERIOD	(101,715)	(3)	362,403	8	47,991	1	711,748	8

(Continued)

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER								
COMPREHENSIVE								
INCOME (LOSS)								
Items that may be								
reclassified								
subsequently to profit								
or loss:								
Exchange differences								
on translation of the								
financial statements								
of foreign								
operations	\$ (40,760)	(1)	\$ (30,958)	(1)	\$ (37,430)	(1)	\$ 84,781	1
TOTAL								
COMPREHENSIVE								
INCOME (LOSS) FOR								
THE PERIOD	\$ (142,475)	(4)	\$ 331,445	7	\$ 10,561	-	\$ 796,529	9
EARNINGS (LOSS) PER								
SHARE (Note 20)								
Basic	\$ (0.36)	-	\$ 0.99		\$ 0.17	-	\$ 2.54	
Diluted	\$ (0.36)	-	\$ 0.99		\$ 0.17	-	\$ 2.53	

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

(With Deloitte & Touchee auditors' review report dated August 9, 2023)

(Concluded)

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ 4,954,851
Appropriation of 2021 earnings							
Legal reserve	-	-	120,482	-	(120,482)	-	-
Special reserve	-	-	-	19,078	(19,078)	-	-
Cash dividends distributed by the Company	-	-	-	-	(561,052)	-	(561,052)
Net profit for the six months ended June 30, 2022	-	-	-	-	711,748	-	711,748
Other comprehensive income for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	84,781	84,781
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	711,748	84,781	796,529
BALANCE AT JUNE 30, 2022	<u>\$ 2,805,260</u>	<u>\$ 463,471</u>	<u>\$ 329,028</u>	<u>\$ 249,968</u>	<u>\$ 1,507,788</u>	<u>\$ (165,187)</u>	<u>\$ 5,190,328</u>
BALANCE AT JANUARY 1, 2023	<u>\$ 2,805,260</u>	<u>\$ 463,471</u>	<u>\$ 329,028</u>	<u>\$ 249,968</u>	<u>\$ 1,547,654</u>	<u>\$ (170,026)</u>	<u>\$ 5,225,355</u>
Appropriation of 2022 earnings							
Legal reserve	-	-	75,161	-	(75,161)	-	-
Special reserve	-	-	-	(79,942)	79,942	-	-
Cash dividends distributed by the Company	-	-	-	-	(420,789)	-	(420,789)
Net profit for the six months ended June 30, 2023	-	-	-	-	47,991	-	47,991
Other comprehensive loss for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	(37,430)	(37,430)
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	47,991	(37,430)	10,561
BALANCE AT JUNE 30, 20213	<u>\$ 2,805,260</u>	<u>\$ 463,471</u>	<u>\$ 404,189</u>	<u>\$ 170,026</u>	<u>\$ 1,179,637</u>	<u>\$ (207,456)</u>	<u>\$ 4,815,127</u>

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

(With Deloitte & Touche auditors' review report dated August 9, 2023)

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended	
	June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 83,303	\$ 943,081
Adjustments for:		
Depreciation expenses	139,785	129,649
Expected credit loss reversed on trade receivables	(4,421)	(1,367)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	(1,180)	2,036
Finance costs	80,457	59,374
Interest income	(3,655)	(2,336)
Gain on disposal of property, plant and equipment	(5,691)	(198)
Write-down of inventories	8,385	1,808
Net loss (gain) on foreign currency exchange	26,081	(1,444)
Gain on lease modification	-	(802)
Changes in operating assets and liabilities		
Notes receivable	5,322	301
Trade receivables	44,232	97,351
Other receivables	(40,413)	53,072
Inventories	541,370	554,291
Prepayments	(50,438)	50,309
Other current assets	(16,738)	227
Contract liabilities	(71,568)	(69,437)
Notes payable	(17,564)	(34,333)
Trade payables	7,338	(90,252)
Other payables	(38,874)	(32,022)
Other current liabilities	(1,874)	3,601
Net defined benefit liabilities	(4,795)	(15,178)
Cash generated from operations	679,062	1,647,731
Interest received	3,655	2,336
Interest paid	(81,253)	(57,722)
Income tax paid	(227,525)	(288,630)
Net cash generated from operating activities	<u>373,939</u>	<u>1,303,715</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(3,036)	(2,583)
Proceeds from sale of financial assets at fair value through profit or loss	6,385	-
Payments for property, plant and equipment	(78,816)	(82,064)
Proceeds from disposal of property, plant and equipment	20,091	198
Decrease (increase) in refundable deposits	(52)	132
Decrease in other financial assets	296	16,114
Increase in prepayments for equipment	(8,790)	(22,054)
Net cash used in investing activities	<u>(63,922)</u>	<u>(90,257)</u>

(Continued)

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Six Months Ended	
	June 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	\$ (187,477)	\$ (641,294)
Proceeds from long-term borrowings	1,347,650	-
Repayments of long-term borrowings	(1,458,534)	(228,357)
Proceeds from (refund of) guarantee deposits received	(297)	9,835
Repayment of the principal portion of lease liabilities	<u>(22,226)</u>	<u>(18,016)</u>
Net cash used in financing activities	<u>(320,884)</u>	<u>(877,832)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(50,509)</u>	<u>(19,556)</u>
NET INCREASE (DECREASE) IN CASH	(61,376)	316,070
CASH AT THE BEGINNING OF THE PERIOD	<u>1,272,142</u>	<u>1,516,988</u>
CASH AT THE END OF THE PERIOD	<u>\$ 1,210,766</u>	<u>\$ 1,833,058</u>

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

(With Deloitte & Touche auditors' review report dated August 9, 2023)

(Concluded)

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 9, 2023.

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	Note 3

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

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

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

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

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

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

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

##### **c. Basis of consolidation**

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

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

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

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

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

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

d. Other material accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefits

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

2) Income tax expense

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

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

The material accounting judgments and key sources of estimation uncertainty used in the preparation of these interim consolidated financial statements are the same as those used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022.

## 6. CASH

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Cash on hand	\$ 2,053	\$ 2,083	\$ 2,088
Bank deposits	<u>1,224,060</u>	<u>1,285,492</u>	<u>1,913,855</u>
	1,226,113	1,287,575	1,915,943
Less: Other financial assets - current	<u>(15,347)</u>	<u>(15,433)</u>	<u>(82,885)</u>
	<u>\$ 1,210,766</u>	<u>\$ 1,272,142</u>	<u>\$ 1,833,058</u>

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

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets - current</u>			
Mutual funds	\$ <u>20,207</u>	\$ <u>22,376</u>	\$ <u>16,641</u>

## 8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes receivable</u>			
Notes receivable - operating	\$ 417,326	\$ 418,443	\$ 430,747
Less: Allowance for impairment loss	<u>(1,366)</u>	<u>(2,013)</u>	<u>(1,851)</u>
	<u>\$ 415,960</u>	<u>\$ 416,430</u>	<u>\$ 428,896</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 734,671	\$ 773,281	\$ 1,121,043
Less: Allowance for impairment loss	<u>(580)</u>	<u>(4,360)</u>	<u>(5,802)</u>
	<u>\$ 734,091</u>	<u>\$ 768,921</u>	<u>\$ 1,115,241</u>

### a. Notes receivable

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

	June 30, 2023	December 31, 2022	June 30, 2022
Not past due	\$ 417,326	\$ 418,443	\$ 430,747
Past due	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 417,326</u>	<u>\$ 418,443</u>	<u>\$ 430,747</u>

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

### b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>June 30, 2023</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$ 715,669	\$ 14,920	\$ 2,247	\$ 1,589	\$ 202	\$ 44	\$ -	\$ -	\$ 734,671
Loss allowance (Lifetime ECLs)	-	(149)	(112)	(238)	(61)	(20)	-	-	(580)
Amortized cost	<u>\$ 715,669</u>	<u>\$ 14,771</u>	<u>\$ 2,135</u>	<u>\$ 1,351</u>	<u>\$ 141</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,091</u>
<u>December 31, 2022</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$ 717,346	\$ 21,752	\$ 15,028	\$ 18,360	\$ 226	\$ -	\$ -	\$ 569	\$ 773,281
Loss allowance (Lifetime ECLs)	-	(218)	(751)	(2,754)	(68)	-	-	(569)	(4,360)
Amortized cost	<u>\$ 717,346</u>	<u>\$ 21,534</u>	<u>\$ 14,277</u>	<u>\$ 15,606</u>	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,921</u>
<u>June 30, 2022</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$1,073,336	\$ 17,288	\$ 9,093	\$ 17,371	\$ 1,931	\$ 63	\$ -	\$ 1,961	\$1,121,043
Loss allowance (Lifetime ECLs)	-	(173)	(455)	(2,606)	(579)	(28)	-	(1,961)	(5,802)
Amortized cost	<u>\$1,073,336</u>	<u>\$ 17,115</u>	<u>\$ 8,638</u>	<u>\$ 14,765</u>	<u>\$ 1,352</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,115,241</u>

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

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

	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 6,373	\$ 8,961
Net remeasurement of loss allowance	(4,421)	(1,367)
Foreign exchange gains and losses	(6)	59
Balance at June 30	<u>\$ 1,946</u>	<u>\$ 7,653</u>

## 9. INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Finished goods	\$ 1,276,142	\$ 1,649,195	\$ 1,836,857
Work in process	825,672	778,759	944,949
Raw materials	1,993,127	2,064,625	2,727,274
Supplies	62,558	69,044	79,415
Inventory in transit	<u>15,019</u>	<u>146,331</u>	<u>92,836</u>
	<u>\$ 4,172,518</u>	<u>\$ 4,707,954</u>	<u>\$ 5,681,331</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2023 and 2022 was \$3,312,250 thousand and \$3,588,980 thousand, respectively, and the cost of goods sold included inventory write-downs of \$36,792 thousand and \$8,141 thousand, respectively, and the cost of inventories recognized as cost of goods sold for the six months ended June 30, 2023 and 2022 was \$6,158,893 thousand and \$7,278,894 thousand, respectively, and the cost of goods sold included inventory write-downs of \$8,385 thousand and \$1,808 thousand, respectively.

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of the business	% of Ownership		
			June 30, 2023	December 31, 2022	June 30, 2022
Froch Enterprise Co., Ltd.	Froch Enterprise International Co., Ltd.	International investment business	100	100	100
	Century Nova Steel Co., Ltd.	International investment business	100	100	100
	Froch Stainless Co., Ltd.	International investment business	100	100	100
Froch Enterprise International Co., Ltd.	Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe production and sales businesses	100	100	100
	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	30	30	30
Froch Metal (Suzhou) Co., Ltd.	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	70	70	70
Century Nova Steel Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	100	100	100
Froch Stainless Co., Ltd	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	83	83	83
Century Nova Steel Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	17	17	17

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



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

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

Buildings	
Main buildings	15-60 years
Others	30-60 years
Machinery and equipment	3-36 years
Transportation equipment	4-15 years
Other equipment	2-60 years

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

b. Assets leased under operating leases

	<b>For the Six Months Ended June 30, 2023</b>				
	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Other Equipment</b>	<b>Total</b>
<u>Cost</u>					
Beginning balance	\$ 151,098	\$ 4,312	\$ 117,961	\$ 19,275	\$ 292,646
Ending balance	\$ 151,098	\$ 4,312	\$ 117,961	\$ 19,275	\$ 292,646
<u>Accumulated depreciation</u>					
Beginning balance	\$ -	\$ 2,791	\$ 44,433	\$ 13,956	\$ 61,180
Depreciation expenses	-	43	1,039	632	1,714
Ending balance	\$ -	\$ 2,834	\$ 45,472	\$ 14,588	\$ 62,894
Net ending balance	\$ 151,098	\$ 1,478	\$ 72,489	\$ 4,687	\$ 229,752
	<b>For the Six Months Ended June 30, 2022</b>				
	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Other Equipment</b>	<b>Total</b>
<u>Cost</u>					
Beginning balance	\$ 70,040	\$ 4,312	\$ 117,961	\$ 19,275	\$ 211,588
Ending balance	\$ 70,040	\$ 4,312	\$ 117,961	\$ 19,275	\$ 211,588
<u>Accumulated depreciation</u>					
Beginning balance	\$ -	\$ 2,706	\$ 42,356	\$ 12,691	\$ 57,753
Depreciation expenses	-	43	1,038	633	1,714
Ending balance	\$ -	\$ 2,749	\$ 43,394	\$ 13,324	\$ 59,467
Net ending balance	\$ 70,040	\$ 1,563	\$ 74,567	\$ 5,951	\$ 152,121

Operating leases relate to leases of the factory in Yuanlin and part of the land of Yuanfu Plant with lease terms of 12 and 16.5 years, respectively. 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>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Year 1	\$ 26,910	\$ 14,827	\$ 2,743
Year 2	26,910	26,910	2,743
Year 3	26,910	26,910	2,743
Year 4	24,624	25,996	2,743
Year 5	24,167	24,167	457
Year 6 onwards	<u>265,835</u>	<u>277,918</u>	<u>-</u>
	<u>\$ 395,356</u>	<u>\$ 396,728</u>	<u>\$ 11,429</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>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<u>Carrying amounts</u>			
Land	\$ 61,541	\$ 79,679	\$ 97,418
Buildings	5,492	5,322	6,253
Machinery and Equipment	<u>36,181</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,214</u>	<u>\$ 85,001</u>	<u>\$ 103,671</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Additions to the right-of-use assets			\$ 42,050	\$ 77,847
Depreciation charge for right-of-use assets				
Land	\$ 8,821	\$ 8,732	\$ 17,643	\$ 17,417
Buildings	908	914	1,715	1,817
Machinery and Equipment	<u>3,140</u>	<u>-</u>	<u>3,894</u>	<u>-</u>
	<u>\$ 12,869</u>	<u>\$ 9,646</u>	<u>\$ 23,252</u>	<u>\$ 19,234</u>

Except for recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended June 30, 2023 and 2022.

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Carrying amounts</u>			
Current	\$ 51,848	\$ 37,480	\$ 37,282
Non-current	\$ 31,320	\$ 25,976	\$ 44,531

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

	June 30, 2023	December 31, 2022	June 30, 2022
Land	1.09	1.09	1.09
Buildings	1.09-6.91	1.09-4.40	1.09-3.88
Machinery and Equipment	2.25-2.39	-	-

c. Material lease-in activities and terms

The Group leases certain machinery and equipment for manufacturing with lease terms of 3 years.

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

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

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Expenses relating to low-value asset leases	\$ <u>829</u>	\$ <u>561</u>	\$ <u>1,451</u>	\$ <u>1,010</u>
Total cash outflow for leases			\$ <u>(24,305)</u>	\$ <u>(19,833)</u>

### 13. BORROWINGS

a. Short-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured borrowings			
Letter of credit borrowings	\$ 645,128	\$ 547,772	\$ 1,418,341
Line of credit borrowings	<u>2,548,240</u>	<u>2,827,791</u>	<u>2,951,038</u>
	<u>\$ 3,193,368</u>	<u>\$ 3,375,563</u>	<u>\$ 4,369,379</u>
<u>Interest (%)</u>			
Letter of credit borrowings	1.75-2.00	1.63-2.13	1.25-3.95
Line of credit borrowings	1.87-7.63	1.50-7.15	1.11-4.00

b. Long-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Mortgage borrowings (with maturity date from December 2025 to December 2035)	\$ 2,283,021	\$ 2,393,905	\$ 2,630,642
Less: Current portion	<u>(91,894)</u>	<u>(557,474)</u>	<u>(515,474)</u>
Long-term borrowings	<u>\$ 2,191,127</u>	<u>\$ 1,836,431</u>	<u>\$ 2,115,168</u>
<u>Interest rate (%)</u>			
Mortgage borrowings	2.07-2.58	1.88-2.57	1.50-2.04

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

In November 2022, the Company signed a syndicated loan contract with a group of banks, including Land Bank of Taiwan and ten financial institutions, with a total loan amount of \$5.8 billion. Subject to the terms of the contract, the Company shall maintain the following ratios in the standalone financial statements for each year during the loan period:

- 1) The current ratio shall not be less than 100% (inclusive);
- 2) The debt ratio shall not be higher than 250% (inclusive);

- 3) Times interest earned (i.e., the sum of pre-tax net income plus various depreciation, amortization and interest expense, which are divided by interest expense) shall be maintained at least 1.5 times (inclusive) from 2023;
- 4) Shareholders' equity shall not be less than \$2.8 billion (inclusive).

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

	June 30, 2023	December 31, 2022	June 30, 2022
Payables for dividends	\$ 420,789	\$ -	\$ 561,052
Payables for salaries or bonuses	65,741	85,681	69,683
Payables for purchases of equipment	31,144	25,652	10,280
Payables for freight	25,208	26,942	70,364
Payables for compensation of employees and remuneration of directors	21,171	28,520	49,580
Others	<u>70,866</u>	<u>78,970</u>	<u>79,781</u>
	<u>\$ 634,919</u>	<u>\$ 245,765</u>	<u>\$ 840,740</u>

#### 15. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2023 and 2022, the pension expenses of defined benefit plans were \$79 thousand and \$96 thousand, respectively, and for the six months ended June 30, 2023 and 2022, the pension expenses of defined benefit plans were \$158 thousand and \$192 thousand, respectively, and these were calculated based on the actuarially determined pension cost rate on December 31, 2022 and 2021, respectively.

## 16. EQUITY

### a. Ordinary shares

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Number of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>280,526</u>	<u>280,526</u>	<u>280,526</u>
Shares issued	<u>\$ 2,805,260</u>	<u>\$ 2,805,260</u>	<u>\$ 2,805,260</u>

### b. Capital surplus

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Issuance of ordinary shares	\$ 370,809	\$ 370,809	\$ 370,809
Treasury share transactions	<u>92,662</u>	<u>92,662</u>	<u>92,662</u>
	<u>\$ 463,471</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 dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Additionally, the dividends, capital surplus and legal reserve could be distributed in whole or in part by cash with more than half of the attending directors' consent at their meetings, in which two-thirds or more of the directors should present.

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

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

The appropriations of earnings for 2022 and 2021 that were approved in the shareholders' meeting on June 15, 2023 and June 21, 2022, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 75,161	\$ 120,482
Special reserve	(79,942)	19,078
Cash dividends	420,789	561,052
Cash dividends per share (NT\$)	1.5	2.0

## 17. REVENUE

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers				
Revenue from sale of goods	\$ 3,457,272	\$ 4,461,605	\$ 6,684,400	\$ 8,901,731
Other operating revenue				
Revenue from sale of electricity	5,798	5,745	10,865	10,196
Revenue from processing service	<u>41</u>	<u>1,345</u>	<u>72</u>	<u>2,851</u>
	<u>\$ 3,463,111</u>	<u>\$ 4,468,695</u>	<u>\$ 6,695,337</u>	<u>\$ 8,914,778</u>

### a. Contract balances

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>	<b>January 1, 2022</b>
Notes receivable and trade receivables	<u>\$ 1,184,438</u>	<u>\$ 1,217,486</u>	<u>\$ 1,587,059</u>	<u>\$ 1,645,629</u>
Contract liabilities - current				
Sale of goods	<u>\$ 207,565</u>	<u>\$ 277,653</u>	<u>\$ 318,063</u>	<u>\$ 377,612</u>

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

### b. Disaggregation of revenue

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Asia	\$ 2,305,746	\$ 2,815,712	\$ 4,529,533	\$ 5,613,522
America	550,243	738,947	928,690	1,369,475
Europe	305,421	431,871	612,123	821,135
Middle East	128,496	249,125	304,923	563,517
Others	<u>167,366</u>	<u>225,950</u>	<u>309,131</u>	<u>534,082</u>
	<u>\$ 3,457,272</u>	<u>\$ 4,461,605</u>	<u>\$ 6,684,400</u>	<u>\$ 8,901,731</u>

## 18. NET PROFIT FOR THE PERIOD

Net profit was composed of the following items:

### a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Rental income (Note 23)	\$ 1,047	\$ 986	\$ 2,033	\$ 1,972
Others	<u>935</u>	<u>2,412</u>	<u>2,133</u>	<u>5,606</u>
	<u>\$ 1,982</u>	<u>\$ 3,398</u>	<u>\$ 4,166</u>	<u>\$ 7,578</u>

### b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Gain on disposal of property, plant and equipment	\$ 355	\$ -	\$ 5,691	\$ 198
Gain (loss) on fair value changes of financial assets at FVTPL	723	(1,677)	1,180	(2,036)
Net foreign exchange losses	(58,213)	(52,625)	(39,297)	(25,138)
Others	<u>(420)</u>	<u>(92)</u>	<u>(5,459)</u>	<u>(820)</u>
	<u>\$ (57,555)</u>	<u>\$ (54,394)</u>	<u>\$ (37,885)</u>	<u>\$ (27,796)</u>

### c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest on bank loans	\$ 39,373	\$ 31,350	\$ 79,829	\$ 58,567
Interest on lease liabilities	<u>377</u>	<u>365</u>	<u>628</u>	<u>807</u>
	<u>\$ 39,750</u>	<u>\$ 31,715</u>	<u>\$ 80,457</u>	<u>\$ 59,374</u>

### d. Depreciation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
An analysis of depreciation by function				
Operating costs	\$ 60,510	\$ 55,137	\$ 118,412	\$ 109,939
Operating expenses	<u>11,038</u>	<u>9,928</u>	<u>21,373</u>	<u>19,710</u>
	<u>\$ 71,548</u>	<u>\$ 65,065</u>	<u>\$ 139,785</u>	<u>\$ 129,649</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term benefits	\$ 149,797	\$ 165,957	\$ 308,559	\$ 326,394
Post-employment benefits				
Defined contribution plans	7,052	7,005	14,132	13,868
Defined benefit plans (Note 15)	79	96	158	192
Other employee benefits	<u>7,497</u>	<u>9,168</u>	<u>15,640</u>	<u>18,982</u>
Total employee benefits expense	<u>\$ 164,425</u>	<u>\$ 182,226</u>	<u>\$ 338,489</u>	<u>\$ 359,436</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 102,209	\$ 104,181	\$ 205,832	\$ 204,366
Operating expenses	<u>62,216</u>	<u>78,045</u>	<u>132,657</u>	<u>155,070</u>
	<u>\$ 164,425</u>	<u>\$ 182,226</u>	<u>\$ 338,489</u>	<u>\$ 359,436</u>

f. Employees' compensation and remuneration of directors

If the Company makes a profit in the year, 1% of the profit should be allocated for compensation of employees, which should be resolved by the board of directors and distributed in the form of share dividends or cash dividends. The employees of the Company and its subsidiaries who meet certain requirements will be allocated. Less than 3% of profit will be allocated for the remuneration of directors; the allocation should be resolved by the board of directors. Compensation of employees and remuneration of directors 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 based on the above-mentioned percentage.

Due to the net loss before tax for the six months ended June 30, 2023, there is no need to estimate the employees' compensation and remuneration of directors. The ones for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, respectively, were as follows:

Cash	For the Three Months Ended June 30, 2023		For the Six Months Ended June 30, 2023		For the Six Months Ended June 30, 2022	
	Accrual Rate	Amount	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	1%	\$ 4,944	1%	\$ 810	1%	\$ 9,400
Remuneration of directors	1%	4,944	1%	810	1%	9,400

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

The appropriations of compensation of employees and remuneration of directors for 2022 and 2021 that were resolved by the board of directors in March 2023 and March 2022, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	\$ 9,776	\$ 15,390
Remuneration of directors	9,776	15,390

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022 and 2021.

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

## 19. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of tax expense (benefit) are as follows:

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current tax				
In respect of the current period	\$ (5,570)	\$ 103,895	\$ 28,536	\$ 193,779
Income tax on unappropriated earnings	16,780	25,211	16,780	25,211
Adjustments for prior year	<u>(4,433)</u>	<u>(22)</u>	<u>(1,226)</u>	<u>(22)</u>
	6,777	129,084	44,090	218,968
Deferred tax				
In respect of the current period	<u>(19,765)</u>	<u>(1,574)</u>	<u>(8,778)</u>	<u>12,365</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (12,988)</u>	<u>\$ 127,510</u>	<u>\$ 35,312</u>	<u>\$ 231,333</u>

### b. Income tax assessments

Income tax returns through 2021 of the Company have been assessed by the tax authorities.

## 20. EARNINGS (LOSSES) PER SHARE

	Net Profit (Losses) Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings (Losses) Per Shares (NT\$)
<u>For the Three Months Ended June 30, 2023</u>			
Basic losses per share			
Net loss available to ordinary shareholders of the parent	\$ (101,714)	280,526	\$ (0.36)
<u>For the Three Months Ended June 30, 2022</u>			
Basic earnings per share			
Net income available to ordinary shareholders of the parent	\$ 362,403	280,526	\$ 1.29
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	403	
Diluted earnings per share			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	\$ 362,403	280,929	\$ 1.29
<u>For the Six Months Ended June 30, 2023</u>			
Basic earnings per share			
Net income available to ordinary shareholders of the parent	\$ 47,991	280,526	\$ 0.17
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	201	
Diluted earnings per share			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	\$ 47,991	280,727	\$ 0.17
<u>For the Six Months Ended June 30, 2022</u>			
Basic earnings per share			
Net income available to ordinary shareholders of the parent	\$ 711,748	280,526	\$ 2.54
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	600	
Diluted earnings per share			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	\$ 711,748	281,126	\$ 2.53

Due to the net loss after tax for the six months ended June 30, 2023, the employees' compensation is not included in the calculation of diluted loss per share because conversion would have had an anti-dilution nature on diluted loss per share.

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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. NON-CASH TRANSACTIONS

The cash dividends approved in the shareholders' meetings were not yet distributed as of June 30, 2023 and 2022 (refer to Notes 14 and 16, respectively).

## 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 approximate the fair value or the fair value may not be measured reliably.

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

#### Fair value hierarchy

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>June 30, 2023</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 20,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,207</u>
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 22,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,376</u>
<u>June 30, 2022</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 16,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,641</u>

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2023 and 2022.

### c. Categories of financial instruments

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 20,207	\$ 22,376	\$ 16,641
Financial assets at amortized cost (1)	2,496,168	2,550,168	3,550,660
			(Continued)

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	\$ 6,166,545	\$ 6,080,969	\$ 7,926,202 (Concluded)

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

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group is mainly exposed to the US dollar. If the exchange rate of the functional currency changed by 1% against the US dollar, the net profit before tax would have changed by \$691 thousand and \$1,593 thousand, respectively, for the six months ended June 30, 2023 and 2022, respectively.

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

b) Interest rate risk

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

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Fair value interest rate risk			
Financial assets	\$ 15,347	\$ 15,433	\$ 82,885
Financial liabilities	83,168	63,456	81,813
Cash flow interest rate risk			
Financial assets	1,208,653	1,269,999	1,830,909
Financial liabilities	5,476,389	5,769,468	7,000,021

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 change in the interest expense before tax by approximately \$5,335 thousand and \$6,461 thousand for the six months ended June 30, 2023 and 2022, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial

assets and liabilities. As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group had available unutilized short-term bank loan facilities set out in (2) below.

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

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

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

<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>June 30, 2023</u>					
Non-interest bearing	\$ 667,007	\$ 2,649	\$ -	\$ 462	\$ 20,038
Lease liabilities	4,424	8,848	39,760	32,442	-
Variable interest rate liabilities	<u>300,330</u>	<u>1,265,227</u>	<u>1,719,705</u>	<u>1,235,484</u>	<u>955,643</u>
	<u>\$ 971,761</u>	<u>\$ 1,276,724</u>	<u>\$ 1,759,465</u>	<u>\$ 1,268,388</u>	<u>\$ 975,681</u>
<u>December 31, 2022</u>					
Non-interest bearing	\$ 288,436	\$ 2,269	\$ -	\$ 462	\$ 20,334
Lease liabilities	3,196	6,392	28,619	27,141	-
Variable interest rate liabilities	<u>200,330</u>	<u>807,839</u>	<u>2,924,868</u>	<u>1,321,013</u>	<u>515,418</u>
	<u>\$ 491,962</u>	<u>\$ 816,500</u>	<u>\$ 2,953,487</u>	<u>\$ 1,348,616</u>	<u>\$ 535,752</u>
<u>June 30, 2022</u>					
Non-interest bearing	\$ 899,481	\$ 5,618	\$ 405	\$ 462	\$ 20,215
Lease liabilities	3,207	6,398	28,687	45,423	-
Variable interest rate liabilities	<u>389,490</u>	<u>1,272,774</u>	<u>3,222,589</u>	<u>1,547,645</u>	<u>567,523</u>
	<u>\$ 1,292,178</u>	<u>\$ 1,284,790</u>	<u>\$ 3,251,681</u>	<u>\$ 1,593,530</u>	<u>\$ 587,738</u>

Additional information about the maturity analysis for lease liabilities as follow:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>
<u>June 30, 2023</u>				
Lease liabilities	\$ 53,032	\$ 32,442	\$ -	\$ -
Variable interest rate liabilities	<u>3,285,262</u>	<u>1,235,484</u>	<u>836,455</u>	<u>119,188</u>
	<u>\$ 3,338,294</u>	<u>\$ 1,267,926</u>	<u>\$ 836,455</u>	<u>\$ 119,188</u>
<u>December 31, 2022</u>				
Lease liabilities	\$ 38,207	\$ 27,141	\$ -	\$ -
Variable interest rate liabilities	<u>3,933,037</u>	<u>1,321,013</u>	<u>371,150</u>	<u>144,268</u>
	<u>\$ 3,971,244</u>	<u>\$ 1,348,154</u>	<u>\$ 371,150</u>	<u>\$ 144,268</u>

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>
<u>June 30, 2022</u>				
Lease liabilities	\$ 38,292	\$ 45,423	\$ -	\$ -
Variable interest rate liabilities	<u>4,884,853</u>	<u>1,547,645</u>	<u>398,175</u>	<u>169,348</u>
	<u>\$ 4,923,145</u>	<u>\$ 1,593,068</u>	<u>\$ 398,175</u>	<u>\$ 169,348</u>

b) Financing facilities

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Amount used	\$ 5,794,168	\$ 6,132,634	\$ 7,116,291
Amount unused	<u>10,140,760</u>	<u>8,798,418</u>	<u>7,944,871</u>
	<u>\$ 15,934,928</u>	<u>\$ 14,931,052</u>	<u>\$ 15,061,162</u>

### 23. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party names and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
Santorics Metals Co., Ltd.	Others
Beittia Metals Co., Ltd.	Others
Ren-Xiang Li	Others
Ping-Yiao Chang	Others
Hsiou-Miao Lee	Others
Hsin-Ta Chang	Others
Li-Shen Chang	Others

b. Sales of goods

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sales	Others	\$ 94,450	\$ 152,043	\$ 218,265	\$ 345,685

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

c. Purchases of goods

Line Item	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Purchases	Others	\$ 163,307	\$ 297,647	\$ 344,131	\$ 589,336

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

d. Rental income

Line Item	Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Rental income	Others Santorics Metals Co., Ltd.	\$ 686	\$ 686	\$ 1,372	\$ 1,372

The above is the factory lease agreement signed between the Company and its related party, and the contract period is from September 1, 2014 to August 31, 2026. The 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 for the lease.

e. Receivables from related parties

Line Item	Related Party Category/Name	June 30, 2023	December 31, 2022	June 30, 2022
Trade receivables	Others Santorics Metals Co., Ltd.	\$ 34,387	\$ 32,135	\$ 42,922
Other receivables	Others	<u>2,426</u>	<u>2,194</u>	<u>-</u>
		<u>\$ 36,813</u>	<u>\$ 34,329</u>	<u>\$ 42,922</u>

f. Payables to related parties

Line Item	Related Party Category/Name	June 30, 2023	December 31, 2022	June 30, 2022
Notes payables	Others Beittia Metals Co., Ltd.	\$ -	\$ 2,835	\$ -
	Others	-	193	-
Other payables	Others	<u>32</u>	<u>1,314</u>	<u>8</u>
		<u>\$ 32</u>	<u>\$ 4,342</u>	<u>\$ 8</u>

g. Lease-arrangements

<b>Related Party Category/Name</b>	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<u>Acquisitions of right-of-use assets</u>		
Others		
Beittia Metals Co., Ltd.	\$ -	\$ 66,712
Others	<u>-</u>	<u>10,960</u>
	<u>\$ -</u>	<u>\$ 77,672</u>

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Lease Liabilities	Others			
	Beittia Metals Co., Ltd.	\$ 32,210	\$ 48,184	\$ 64,072
	Others	<u>8,214</u>	<u>9,485</u>	<u>10,750</u>
		<u>\$ 40,424</u>	<u>\$ 57,669</u>	<u>\$ 74,822</u>

<b>Related Party Category</b>	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>Finance costs</u>				
Others	<u>\$ 125</u>	<u>\$ 298</u>	<u>\$ 274</u>	<u>\$ 667</u>

The above is the factory lease agreement signed between the Company and the related parties, and the contract period is from January 1, 2019 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 Company provided a refundable deposit of \$5,000 thousand for the lease.

h. Endorsements and guarantees : Refer to Table 2

i. Compensation of key management personnel

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	<u>\$ 1,860</u>	<u>\$ 3,565</u>	<u>\$ 11,279</u>	<u>\$ 11,347</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:

	June 30, 2023	December 31, 2022	June 30, 2022
Property, plant and equipment	\$ 1,197,073	\$ 1,738,228	\$ 1,749,186
Pledged deposits (classified as other financial assets-current)	<u>-</u>	<u>-</u>	<u>962</u>
	<u>\$ 1,197,073</u>	<u>\$ 1,738,228</u>	<u>\$ 1,750,148</u>

## 25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of June 30, 2023, December 31, 2022 and June 30, 2022, unused letters of credit for purchases of raw materials amounted to approximately \$302,963 thousand, \$357,051 thousand and \$109,063 thousand, respectively.
- b. Unrecognized commitments were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment	<u>\$ 116,915</u>	<u>\$ 79,108</u>	<u>\$ 185,099</u>

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

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

	June 30, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 18,281	31.14	\$ 569,270	\$ 15,607	30.71	\$ 479,291
USD (USD/CNY)	333	7.2258	10,370	1,167	6.9646	35,839
<u>Financial liabilities</u>						
Monetary items						
USD	39	31.14	1,214	29	30.71	891
USD (USD/CNY)	20,794	7.2258	647,525	30,820	6.9646	946,482

<b>June 30, 2022</b>			
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
	USD	\$ 29,249	29.72
	USD (USD/CNY)	5,266	6.7114
			\$ 869,280
			156,506
<u>Financial liabilities</u>			
Monetary items			
	USD	3,043	29.72
	USD (USD/CNY)	36,831	6.7114
			90,438
			1,094,617

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

<b>For the Three Months Ended June 30</b>				
<b>2023</b>			<b>2022</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	30.705 (USD:NTD)	\$ 19,694	29.455 (USD:NTD)	\$ 20,045
USD	7.0085 (USD:CNY)	<u>(77,907)</u>	6.6114 (USD:CNY)	<u>(72,670)</u>
		<u>\$ (58,213)</u>		<u>\$ (52,625)</u>
<b>For the Six Months Ended June 30</b>				
<b>2023</b>			<b>2022</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	30.550 (USD:NTD)	\$ 16,536	28.725 (USD:NTD)	\$ 42,158
USD	6.9252 (USD:CNY)	<u>(55,833)</u>	6.4810 (USD:CNY)	<u>(67,296)</u>
		<u>\$ (39,297)</u>		<u>\$ (25,138)</u>

## 27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

3) Marketable securities held (excluding investments in subsidiaries): Table 3

4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
  - 9) Trading in derivative instruments: None
  - 10) Intercompany relationships and significant intercompany transactions: Table 6
  - 11) Information on investees: Table 7
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Tables 4 and 6.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Tables 4 and 6.
    - c) The amount of property transactions and the amount of the resultant gains or losses: None
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Table 2.
    - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. Table 9.

## 28. SEGMENT INFORMATION

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

	For the Six Months Ended June 30, 2023		For the Six Months Ended June 30, 2022	
	Department Revenue	Department Profit	Department Revenue	Department Profit
Operating areas of Republic of China	\$ 4,789,100	\$ 159,574	\$ 7,037,671	\$ 886,625
Operating areas of the People's Republic of China	<u>1,906,237</u>	<u>34,137</u>	<u>1,877,107</u>	<u>138,434</u>
Total from continuing operations	<u>\$ 6,695,337</u>	193,711	<u>\$ 8,914,778</u>	1,025,059
Finance costs		(80,457)		(59,374)
Exchange losses		(39,297)		(25,138)
Gain on disposal of property, plant and equipment		5,691		198
Interest income		<u>3,655</u>		<u>2,336</u>
Profit before tax		<u>\$ 83,303</u>		<u>\$ 943,081</u>

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

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(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 3 and 4)	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	\$ 251,029	\$ 249,787	\$ 249,787	0.2%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 501,054 (Note 1)	\$ 501,054 (Note 1)	
2	Century Nova Steel Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Other receivables	Yes	532,755	517,147	387,860	0.2%	Short-term financing	-	Operation	-	-	-	2,397,500 (Note 2)	2,397,500 (Note 2)	

Note 1: The total amount of loans made by Froch Enterprise International Co., Ltd. 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: The total amount of loans made by Century Nova Steel Co., Ltd. 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 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.

Note 4: Significant intercompany accounts and transactions have been eliminated.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2023  
(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	\$ 2,311,261	\$ 1,121,040	\$ 1,121,040	\$ 342,540	\$ -	23	\$ 2,311,261	Yes	-	Yes	
1	Century Nova Steel Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	1	451,061	22,214	21,548	-	-	1	902,122	-	-	Yes	
		Froch Stainless Co., Ltd. - CN	1	451,061	22,214	21,548	-	-	1	902,122	-	-	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

JUNE 30, 2023

(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	June 30, 2023				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	\$ 1,874	-	\$ 1,874	
	TCB US Short Duration High Yield Bond Fund A USD (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,897	-	2,897	
	Schroder All Cycle Income Fund A (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,973	-	2,973	
	TCB Global Healthcare M-A Income Fund A (NTD)	None	Financial assets measured at FVTPL - current	500,000	3,955	-	3,955	
	Jupiter Merian North American Equity Fund (IRL) B USD Acc	None	Financial assets measured at FVTPL - current	2,714	2,646	-	2,646	
	SinoPac ESG Global Digital Infrastructure Fund-TWD, Acc.	None	Financial assets measured at FVTPL - current	300,000	2,865	-	2,865	
	Hua Nan HSBC Global Infrastructure Income Fund N (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,997	-	2,997	

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 7 and 8.

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2023**  
**(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	\$ (208,533)	(4)	Note 1	Note 1	Note 1	\$ 34,387	4	
			Purchase	264,978	6	Note 1	Note 1	Note 1	-	-	
Century Nova Steel, Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	Associate	Sale	(365,634) (Note 3)	(20)	Note 2	Note 2	Note 2	-	-	
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Associate	Sale	(1,462,422) (Note 3)	(78)	Note 2	Note 2	Note 2	270,059	100	
Froch Metal (Suzhou) Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Associate	Purchase	365,634 (Note 3)	100	Note 2	Note 2	Note 2	-	-	
Froch Stainless Co., Ltd. - CN	Century Nova Steel, Co., Ltd. - CN	Associate	Purchase	1,462,422 (Note 3)	100	Note 2	Note 2	Note 2	(270,059)	(100)	

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 1/c.

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

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

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

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

**JUNE 30, 2023**

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

Company Name	Related Party	Relationship	Trade Receivables - Related Parties (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Associate	\$ 270,059	11.46	\$ -	-	\$ 270,059	\$ -
Froch Enterprise International Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Associate	249,787	-	-	-	-	-
Century Nova Steel Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Associate	387,860	-	-	-	68,953	-

Note: Significant intercompany accounts and transactions have been eliminated.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023

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

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statements Accounts	Amount (Note 2)	Payment Terms	Percentage of Consolidated Net Revenue or Total Assets (%)
1	Froch Metal (Suzhou) Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3 3	Cost of goods sold	\$ 365,634	T/T 90 days	5
				Prepayments to suppliers	111,100	T/T 90 days	1
2	Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	3 3	Sales revenue	1,462,422	T/T 90 days	22
				Trade receivables	270,059	T/T 90 days	2
3	Froch Enterprise International Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Other receivables	249,787	-	2
4	Century Nova Steel Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Other receivables	387,860	-	3

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

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

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE SIX MONTHS ENDED JUNE 30, 2023  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				June 30, 2023	December 31, 2022	Number of Shares	Percentage of Ownership	Carrying Amount (Note 1)			
Froch Enterprise Co., Ltd.	Century Nova Steel Co., Ltd.	British Virgin Islands	International investment business	\$ 1,530,998	\$ 1,530,998	49,000,000	100%	\$ 2,397,031	\$ (32,730)	\$ (32,730)	Subsidiary
	Froch Enterprise International Co., Ltd.	British Cayman Islands	International investment business	115,366	115,366	3,550,000	100%	501,429	2,261	2,261	Subsidiary
	Froch Stainless Co., Ltd.	British Samoa	International investment business	14,959	14,959	500,000	100%	113,428	(20,706)	(20,706)	Subsidiary

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

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

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 2023

(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 3 and 6)	Carrying Amount as of June 30, 2023 (Notes 3 and 6)	Accumulated Repatriation of Investment Income as of June 30, 2023
					Outward	Inward						
Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe 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)	\$ 5,859	100%	\$ 5,859	\$ 229,876	\$ -
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)	(14,215)	100%	(14,215)	1,879,420	-
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)	90	100% (Note 2)	90	25,942	-
Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe 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)	(20,673)	100% (Note 5)	(20,673)	19,629	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2023	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)	\$ 2,889,076

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: Except for Century Nova Steel, Co., Ltd. - CN and Froch Stainless Co., Ltd. - CN whose financial statements have been reviewed by the independent auditors, all the financial statements of remaining subsidiaries were not reviewed.

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.

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

**TABLE 9****FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2023**

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.