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III. Name, Address, Contact Number, and Website of Share Transfer Agency:

Name: KGI Securities Co., Ltd.
Address: 4F, No. 2, Section 1, Chung-Ching South Road, Taipei City 100
Tel: (02)2314-8800
Website: [http : //www.kgi.com.tw](http://www.kgi.com.tw)

IV. Financial Report Auditor:

Names of CPA: Mr. Ting-Chien Su, Ms. Li-Tong Wu
Accounting Firm: Deloitte & Touche Taiwan
Address: 22F, No. 88, Section 1, Hui-Zhong Road, Xi-Tun District, Taichung City 407
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V. Name of Overseas Share Exchange Authority Where Securities are Listed, and Method of Inquiry: N/A

VI. Company Website: <http://www.froch.com>

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One. Letter to Shareholders

The Company is primarily involved in the production and sales of stainless steel tubes and pipes and stainless steel sheets and coils. For consolidated numbers in 2021, the Company sold 128,045 tonnes of stainless steel tubes and pipes, increased by 4.85% from the previous year, and 45,277 tonnes of stainless steel sheets and coils in 2021, increased by 28.83% from the previous year, among which 36% of products were sold in Taiwan while the other 64% were sold overseas, with Europe, Americas, and Middle East making up the majority of overseas sales. The Company adopts a sales strategy that focuses on long-term relationship, diversified markets, diversified customers, and overall risk reduction.

The Company's consolidated operating performance in 2021, compared to 2020, has largely increased in terms of either sales amount or sales quantity. Affected by the pandemic, the problems of port congestion, skyrocketing sea freight, etc. have slightly affected the operations. However, Mainland China's removing of VAT tax rebate, together with Russia's imposing of at least 15% of provisional duty on steel and nickel, both of the above reasons have kept the prices of stainless steel uptrend. Accordingly the operational performance of the Company has reached the highest of the recent years. The gross margin has doubled from 9% to 18% from last year, due to the ever-increasing material prices. The following is a report of the Company's 2021 operating performance and 2022 business prospect:

I. 2021 Operating Results

(I) Results of Business Plans

Unit: NTD thousands

| Products | 2021 Performance | 2020 Performance | Performance Comparison | Growth Rate % |
|----------------------------------|------------------|------------------|------------------------|---------------|
| Stainless Steel Tubes and Pipes | 11,523,725 | 8,458,282 | 3,065,443 | 36.24 |
| Stainless Steel Sheets and Coils | 3,678,219 | 2,074,486 | 1,603,733 | 77.31 |
| Others | 36,828 | 28,179 | 8,649 | 30.69 |
| Total Revenue | 15,238,772 | 10,560,947 | 4,677,825 | 44.29 |

(II) Budget Execution

Unit: tonnes

| Products | 2021 Performance | 2021 Forecast | Growth Rate % |
|----------------------------------|------------------|---------------|---------------|
| Stainless Steel Tubes and Pipes | 128,045 | 145,650 | (12.09) |
| Stainless Steel Sheets and Coils | 45,277 | 40,000 | 13.19 |
| Tonnage Sold | 173,322 | 185,650 | (6.64) |

(III) Profitability Analysis

Unit: NTD thousands

| Aspects | 2021 | 2020 |
|---|-------|------|
| Operating Profit to Paid-in Capital (%) | 61.56 | 8.37 |
| Pre-tax Income to Paid-up Capital (%) | 59.10 | 6.71 |
| Return on Assets (%) | 9.88 | 1.77 |
| Return on Shareholders' Equity (%) | 27.18 | 2.74 |
| Net Profit Margin (%) | 7.90 | 1.03 |
| Earnings per Share (NTD) | 4.29 | 0.38 |

(IV) Income and Expenses

Unit: NTD thousands

| Aspects | 2021 | 2020 | Variation | Note |
|---|-----------|-----------|-----------|------|
| Net Cash Inflow (Outflow) from Operating Activities | (496,521) | (209,785) | 286,736 | 1 |
| Net Cash Inflow (Outflow) from Investing Activities | (417,778) | (447,794) | (30,016) | 2 |
| Net Cash Inflow (Outflow) from Financing Activities | 867,850 | 862,943 | 4,907 | 3 |

Note 1: Net cash outflow from operating activities increased mainly due to increase of inventory purchase in the corresponding period.

Note 2: Net cash outflow from investing activities decreased mainly due to decrease of property, plant, and equipment acquired in the period.

Note 3: Net cash inflow from financing activities increased mainly due to increase of short-term bank borrowings.

(V) Research and Development

The Company's R&D efforts were primarily focused toward production procedure development, product quality improvement, and new product development. With respect to production procedure development, the Company either introduced advanced equipment and molds locally and abroad, or designed its own advanced equipment and molds to improve production technology, capability, and product quality.

For product quality improvement, the Company actively adopted various quality assurance management systems, and engaged the industry-academia cooperation in R&D projects to introduce smart devices to increase product quality. As for new product development, the Company actively conducted market surveys, introduced advanced equipment and molds locally and abroad, recruited professional talents for R&D, arranged intensive training for existing researchers, and actively tested and developed new product items. For related value-added materials and accessories, the researchers also actively conducted tests and developments. It not only could fulfill customers' special requirements to improve customer satisfaction but also benefitted the reduction on outsourcing costs.

II. Summary of 2022 Business Plan

(I) Operational Guidelines and Strategies

1. Sales Plan:

(1) Increasing sales of stainless steel tubular products

The Company will continue the ongoing shift toward the sales of high value-adding products and expanding product line to increase the sales quantity.

(2) The Company will proactively develop export markets and strive for the orders for the home-coming Taiwanese busiessses, strengthen customers' loyalty, and diversify markets.

Thus, the Company will be less vulnerable to the impact of economic cycle with one single industry or one single market.

2. Production Plan:

(1) Expanding and utilizing production capacity

The Company is a professional manufacturer of stainless steel tubes and pipes. Adding pipe mills for mechanical tubes will help the Company achieve economies of scale and lift production efficiency.

(2) Reducing costs and expenses

The Company will focus on making improvements to production procedures and controlling over the unit cost of associated equipment and secondary materials proactively. Consequently the inventory turnover will be increased and the cost of capital on slow-moving inventory will be reduced.

3. Financial Structure Plan:

The Company will focus on increasing revenue and profit from its core business activities, and will continue expanding the scale of its business activities and increasing earnings to advance financial structure.

(II) Sales Forecast and Bases

1. The Company's sales forecast for 2022 is presented below:

| Unit: tonnes | | | |
|----------------------------------|-----------------------|-----------------------|----------------------------------|
| Item \ Year | Taiwan Parent Company | Mainland Subsidiaries | 2022 Consolidated Sales Forecast |
| Stainless Steel Tubes and Pipes | 90,000 | 58,000 | 148,000 |
| Stainless Steel Sheets and Coils | 48,000 | 0 | 48,000 |
| Total | 138,000 | 58,000 | 196,000 |

2. Bases:

The price of nickel has gone strong in the second half of 2021 and continued stably upwards in the beginning of 2022. Western countries are gradually lifting lockdowns and the overall economic recovery is expected to continue. Additionally, the high-consumption country of stainless steel, the United States, passed the infrastructure act to improve its main airports, ports, railway infrastructure, etc., and the needs for stainless steel is expected to increase. In summary, As prices of stainless steel and nickel are stabilizing in 2022, the Company will gain better control of inventory cost and see lower volatility in its product selling price. The selling price of the products and sales quantity are expected to increase, if not maintained. Meanwhile, the Company will continue its research and development of high value-adding products as a means to improve competitiveness and profitability.

The Company's core competitive advantage lies in its ability to develop high value-adding solutions and to develop advanced production processes ahead of competitors, such as in-line polishing of circular/rectangular tubes, in-line heat treatment, automatic packing, etc., which the Company has had significant success. From the product perspective, Froch has the most comprehensive product range to satisfy customers' diverse needs and deliver the ultimate one-stop shopping experience. From the quality perspective, in addition to the Company's ISO-9001 and ISO-14001 being certified by Lloyd's Register of Shipping in 1993 and 1999, respectively, the Company's quality assurance laboratory was also certified by Chinese National Laboratory Accreditation (CNLA) in 2001 (the same certificate in 2004 was renamed by Taiwan Accreditation Foundation as TAF). The Company subsequently received quality certification from JIS in 2009, pressure piping component certification in 2011, acquired multiple certificates by TUV by 2014. In terms of sales channels, the Company has a global distribution network that serves thousands of domestic customers and sells to more than 100 countries worldwide. The Company's diversified market exposure helps its competitiveness, it also lessens regulatory and economic impacts of a single market.

(III) Key Production and Sales Policies:

In 2022, the Company will continue enhancing inventory management and inventory turnover and reducing production costs and expenses. Through optimizing production and sales, the Company is expected to gear up overall competitiveness and increase market share.

III. Impacts of the External Competitiveness Environment, Regulations, and Macroeconomies:

- (I) Public infrastructures and major private investments may affect the development of the stainless steel industry.
- (II) Demand for stainless steel may be affected by the macroeconomic environment situations.
- (III) The regulatory environment has less impact on company operations, relative to other factors.

Two. Company Profile

(I) Date of Establishment: October 5, 1984

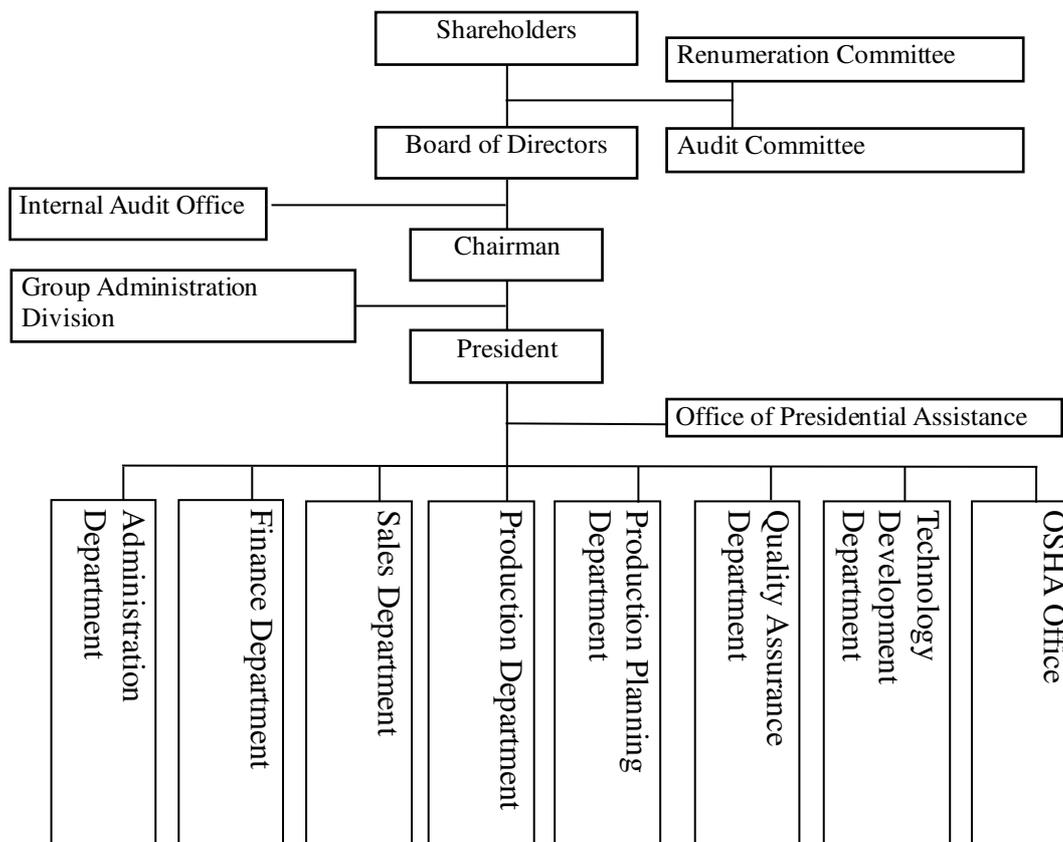
(II) Company History:

| | |
|-------|--|
| 1984: | ◎ The Company acquired factory land totaling 32,572 square meters at Tou-Liu Industrial Park, Yun-Lin County, with a capital of NTD4.2 million.. |
| 1985: | ◎ The Company completed Phase 1 of its factory construction, and purchased steel pipe arc welding and plasma arc welding equipment from Japan. |
| 1986: | ◎ Chairman Ping-Yiao Chang won the 9th Model of Young Entrepreneur |
| 1987: | ◎ The Company completed Phase 2 of its factory and laboratory construction, purchased a 30-tonnes of testing equipment including universal material tension tester, hardness tester, hydraulic tester, and chemical composition analyzer, and assembled a Quality Control Committee. |
| 1988: | ◎ The Company completed Phase 3 of its warehouse and factory construction. |
| 1988: | ◎ The Company was named Class A Quality Control Factory by the Product Inspection Bureau, Ministry of Economic Affairs, and was awarded certification mark for stainless steel pipes. |
| 1988: | ◎ Stainless steel angle bars, stainless steel pipes for boiler heat exchangers, and health grade steel pipes were awarded certification mark by the National Bureau of Standards. |
| 1990: | ◎ New office building was completed and commissioned into use. |
| | ◎ The Company completed its Phase 4 factory construction, made process improvements, and acquired new machinery and equipment. |
| | ◎ The Company arranged a package plant export to Malaysia, paving way for international collaboration. |
| 1991: | ◎ Replaced outdated production machinery for improved efficiency. |
| | ◎ Received approval from the Securities Commission to convert into a public company. |
| | ◎ Bank of Communications participated in the Company's investments. A NTD102-million cash issue was made, increasing share capital to NTD300 million. |
| 1993: | ◎ Quality management system was certified for ISO-9001 by Lloyd's Register of Shipping. |
| 1995: | ◎ Capitalized NTD75 million of retained earnings, increasing share capital to NTD375 million. |
| | ◎ Phase 1 and Phase 2 construction of Tou-Liu second plant were completed. |
| 1996: | ◎ Quality system was certified for ISO-9001/CNS 2682 by Merchandise Testing Bureau, Ministry of Economic Affairs. |
| | ◎ Capitalized NTD93,750,000 of retained earnings, increasing share capital to NTD468,750,000. |
| 1997: | ◎ Capitalized NTD46,875,000 of retained earnings, increasing share capital to NTD515,625,000. |
| | ◎ Plans for the construction of Yuanlin Plant. |
| 1998: | ◎ Production Management Section was re-organized into Production Management Department; furthermore, the organization was expanded to comprise 6 departments and 2 offices. |
| | ◎ Phase 1 construction of Yuanlin Plant. |
| | ◎ Capitalized NTD51,562,000 of retained earnings, increasing share capital to NTD567,187,000. |
| | ◎ The Company's shares were listed for trading. |
| 1999: | ◎ Organization was expanded to comprise 8 departments and 2 offices. |
| | ◎ Capitalized NTD85,079,000 of retained earnings, increasing share capital to NTD652,266,000. |
| | ◎ Environmental management system was certified for ISO-14001 by Lloyd's |

| | |
|-------|---|
| | Register of Shipping. |
| 2000: | ◎ Capitalized NTD78,272,000 of retained earnings, increasing share capital to NTD730,537,000. ◎ Founded Froch Metal Industry (Suzhou) Co., Ltd. in the Mainland. |
| 2001: | ◎ Capitalized NTD73,054,000 of retained earnings, increasing share capital to NTD803,591,000. ◎ The Company's quality assurance laboratory was certified for Chinese National Laboratory Accreditation (CNLA). |
| 2003: | ◎ Capitalized NTD40,179,000 of retained earnings, increasing share capital to NTD843,770,000. ◎ Founded Century Nova Steel Co., Ltd. in the Mainland. |
| 2004: | ◎ Made the first domestic issue of unsecured convertible corporate bonds for a sum of NTD1 billion. ◎ Capitalized NTD126,566,000 of retained earnings, increasing share capital to NTD970,337,000. ◎ NTD439,209,000 of corporate bonds were converted into common shares, increasing share capital to NTD1,409,546,000. |
| 2005: | ◎ NTD122,584,000 of corporate bonds were converted into common shares, increasing share capital to NTD1,532,130,000. ◎ Capitalized NTD275,783,000 of retained earnings, increasing share capital to NTD1,807,913,000. |
| 2006: | ◎ Capitalized NTD90,396,000 of retained earnings, increasing share capital to NTD1,898,309,000. |
| 2007: | ◎ Capitalized NTD474,577,000 of retained earnings, increasing share capital to NTD2,372,886,000. |
| 2008: | ◎ Capitalized NTD355,933,000 of retained earnings, increasing share capital to NTD2,728,819,000. |
| 2009: | ◎ "JIS G3459 Stainless Steel Pipe" products passed certification for JIS MARK (JQA). ◎ "CNS13517 G3259 Large Diameter Stainless Steel Pipe" products were awarded certification mark by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs. |
| 2010: | ◎ The Company's laboratory passed TAF certification for ISO-17025. |
| 2011: | ◎ The Company's Wuxi Plant in the Mainland became a key subsidiary. |
| 2013: | ◎ The Company's Suzhou Plant in the Mainland became a key subsidiary. |
| 2014: | ◎ Founded Froch Stainless Co., Ltd. in the Mainland. |
| 2015: | ◎ Capitalized NTD136,441,000 of retained earnings, increasing share capital to NTD2,865,260,000. |
| 2018: | ◎ Construction of new Yuanfu Plant commenced. |
| 2019: | ◎ Froch Stainless Co., Ltd. became the Company's key subsidiary in the Mainland. |
| 2020: | ◎ Share capital reduction of NTD60,000,000 by invalidating treasury shares was conducted. The Company's share capital became NTD2,805,260,000. |

Three. Corporate Governance Report

I. Organizational Structure (I) Organizational Structure



(II) Responsibilities of Main Departments:

| Department | Main Responsibilities |
|-----------------------------------|---|
| Group Administration Division | Oversees rules of headquarters and subsidiaries policies: financial planning, human resources planning, legal affairs, marketing, information management, and computer system management. |
| Office of Presidential Assistance | Responsible for devising company rules, project planning, computer systems maintenance, and computer data management throughout the Company. |
| Internal Audit Office | Responsible for the reinforcement of audit practices and improvement actions across all units. |
| Administration Department | Responsible for personnel, security guard, maintenance, general procurement, and general affairs. |
| Sales Department | Responsible for domestic and oversea sales, customer credit control, credit investigation, and market analysis. |
| Production Department | Responsible for production of stainless steel tubes and pipes and stainless steel sheets and coils. |
| Finance Department | Responsible for budgeting, accounting, fund scheduling and control, disbursement, property management, and tax and share-related matters. |
| Production Planning Department | Responsible for production scheduling, production-sale coordination, and purchasing of raw materials. |
| Quality Assurance Department | Responsible for product quality control and maintenance of the quality systems. |
| Technology Development Department | Responsible for product development, equipment improvement, equipment purchase, and technology research and development. |
| OSHA Office | Responsible for workers' safety and enhancing health management. |

II. Background Information of Directors, President, Vice Presidents, Senior General Managers, and Heads of Divisions and Branches

(I) Directors' Background

April 23, 2022

1. Directors

| Title | Nationality or Place of Registration | Name | Gender Age | Date Elected/ Appointed | Date First Elected | Service Term | Shareholding when Elected | | Current Shareholding | | Shares Held by Spouse and Underage Children | | Shareholding in the Name of a Third Party | | Main Career (Academic) Backgrounds | Concurrent Duties in the Company and in Other Companies | Spouse or Relatives of Second Degree or Closer Acting as Managers or Directors | | | Remarks |
|----------------------|--------------------------------------|---|------------------|-------------------------|--------------------|--------------|---------------------------|-------------------------|----------------------|-------------------------|---|-------------------------|---|-------------------------|--|--|--|-----------------|----------------|-------------------------------------|
| | | | | | | | No. of shares | Shareholding percentage | No. of shares | Shareholding percentage | No. of shares | Shareholding Percentage | No. of Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| Chairman | Taiwan, Republic of China | Ping-Yiao Chang | Male Age: 70 | 2019.06.13 | 1984.09.15 | 3 years | 17,547,946 | 6.12 | 17,547,946 | 6.26 | 8,388,978 | 2.99 | None | None | Pacific Western University Froch Enterprise Co., Ltd. - Chairman | Shin Chieh Shin Co., Ltd. - Supervisor | Vice Chairman | Hsin-Ta Chang | Father and Son | Concurrent Position as President |
| Vice Chairman | Taiwan, Republic of China | Shin Chieh Shin Co., Ltd. | Corporate Entity | 2019.06.13 | 2007.06.13 | 3 years | 28,206,372 | 9.84 | 28,206,372 | 10.05 | None | None | None | None | None | None | None | None | None | None |
| Vice Chairman | Taiwan, Republic of China | Representative of Shin Chieh Shin Co., Ltd. - Hsin-Ta Chang | Male Age: 46 | None | None | None | 21,648,931 | 7.56 | 21,648,931 | 7.72 | 840,830 | 0.30 | None | None | Graduated from the Department of International Business, The University of Denver, U.S.A. | Shin Chieh Shin Co., Ltd. - Director | Chairman | Ping-Yiao Chang | Father and Son | 1st Degree Relative to the Chairman |
| Director | Taiwan, Republic of China | Representative of Shin Chieh Shin Co., Ltd. - Tsao-Chi Yang | Male Age: 51 | None | None | None | 0 | 0.00 | 0 | 0.00 | None | None | None | None | Graduated from the Department of Chemical Engineering, Chinese Culture University | Froch Enterprise Co., Ltd. - General Manager of Procurement Division | None | None | None | None |
| Director | Taiwan, Republic of China | Yi-Cheng Shih | Male Age: 65 | 2019.06.13 | 1994.05.27 | 3 years | 2,008,206 | 0.70 | 1,209,206 | 0.43 | 60,381 | 0.02 | None | None | Department of Business Administration, National Yunlin University of Science and Technology | Froch Enterprise Co., Ltd. - General Manager of Finance Division | None | None | None | None |
| Independent Director | Taiwan, Republic of China | Shun-Te Wen | Male Age: 73 | 2019.06.13 | 2016.06.21 | 3 years | 0 | 0.00 | 0 | 0.00 | None | None | None | None | Head of Fengyuan Branch, National Taxation Bureau of the Central Area, Ministry of Finance | None | None | None | None | None |
| Independent Director | Taiwan, Republic of China | Ying-Fang Lee | Male Age: 71 | 2019.06.13 | 2019.06.13 | 3 years | 0 | 0.00 | 0 | 0.00 | None | None | None | None | Section Chief of Huwei Branch, National Taxation Bureau of the Central Area, Ministry of Finance | None | None | None | None | None |
| Independent Director | Taiwan, Republic of China | Shu-Fu Wang | Male Age: 66 | 2019.06.13 | 2019.06.13 | 3 years | 0 | 0.00 | 0 | 0.00 | None | None | None | None | Section Chief of the National Taxation Bureau of the Central Area, Ministry of Finance | None | None | None | None | None |

Explanation: Chairman acts concurrently as the President: Stainless steel is a mature industry; having the Chairman act concurrently as President enables greater control over raw material purchase and various corporate operations, whereas adopting a flatter organization allows the Company to make faster decisions and be more responsive to changes.

To avoid over-concentration of power in co-heading roles, the Company introduced finance- and tax-specialized independent directors to the board, whose purposes are to enhance supervision and check & balance within the organization, and offer recommendations where appropriate.

2. Major Shareholders of Corporate Shareholders:

| Name of Corporate shareholder | Corporate Shareholder's Major Shareholders | |
|-------------------------------|--|-------|
| Shin Chieh Shin Co., Ltd. | MICHAEL J CHANG | 26.0% |
| | Ping-Yiao Chang | 13.2% |
| | Hsiu-Miao Lee | 12.4% |
| | Hsin-Ta Chang | 15.2% |
| | Li-Shen Chang | 15.2% |
| | Hsi-Chen Chang | 15.2% |
| | Fang-Yu Ni | 2.8% |

3. Major Shareholders of Major Corporate Shareholders: Not Applicable

| Name of corporate entity | Corporate Entity's Major Shareholders |
|--------------------------|---------------------------------------|
| None | None |

4. Information Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

| Criteria Name | <u>Professional Qualification and Experiences</u> (Note 1) | Compliance of Independence (Note 2) | Number of Positions as Independent Director in Other Public Companies |
|------------------------------------|---|---|---|
| Chairman Mr. Ping-Yiao Chang | Pacific Western University. Chairman of FROCH Enterprise Co., Ltd. Possesses the capabilities of commerce, finance, leadership, and business operations. Not under any circumstances per Article 30 of the Company Act. | 1. Concurrently serves as the Company's President and is a director with the identity of managerial personnel. 2. Concurrently serves as the supervisor of the Company's affiliates. 3. Top 10 individual shareholder of the Company. 4. Second-degree relatives with the Company's Vice Chairman. | N/A |
| Vice Chairman Mr. Hsin-Ta Chang | Graduated from Department of International Business, University of Denver. Vice Chairman of FROCH Enterprise Co., Ltd. Possesses the capabilities of commerce, marketing, leadership, and business operations. Not under any circumstances per Article 30 of the Company Act. | 1. Concurrently serves as the Company's Vice President and is a director with the identity of managerial personnel. 2. Concurrently serves as a director in the Company's affiliate. 3. Top 10 individual shareholder of the Company. 4. Second-degree relatives with the Company's Chairman. | N/A |
| Director Mr. Yi-Cheng Shih | Department of Business Administration, National Yunlin University of Science and Technology Formosa Taffeta Co., Ltd. and FROCH Enterprise Co., Ltd. – General Manager, Finance Division. Possesses the capabilities of commerce, finance, accounting, and business operations. Not under any circumstances per Article 30 of the Company Act. | 1. Concurrently serves as the Company's general manager of Finance Division and is a director with the identity of managerial personnel. | N/A |
| Director Mr. Tsao-Chi Yang | Graduated from the Department of Chemical Engineering, Chinese Culture University. FROCH Enterprise Co., Ltd. – General Manager of Procurement Division. Possesses the capabilities of commerce, procurement, and business operations. Not under any circumstances per Article 30 of the Company Act. | 1. Concurrently serves as the Company's general manager of Procurement Division and is a director with the identity of managerial personnel. | N/A |

| | | | |
|---|--|---|---|
| Independent Director Mr. Shun-Te Wen | Graduated from Master of Business Administration, National Chung Cheng University. Chief of Fengyuan Branch, National Taxation Bureau of the Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act. | According to the Company's "Articles of Incorporation" and the "Corporate Governance Practice Principles", directors are elected by the candidate nomination system. The company has obtained written statements, work experiences, and current incumbency certificates, and family relationship table from the candidates and verify. Not any candidate, their spouses, and relatives within second degree serves as directors, supervisors or employees of the Company or its affiliates; holds shares of the Company; serves as director, supervisor, or employee of any company that has specific relationship with the Company; receives remuneration from entities that provide business, legal, finance, accounting and other services to the Company or its affiliates in the past two years. | One (CHANG HONG ENERGY TECHNOLOGY CO., LTD.) |
| Independent Director Mr. Ying-Fang Lee | Graduated from Master of Business Administration, National Chung Cheng University. Director of Huwei Office, National Taxation Bureau of the Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act. | | N/A |
| Independent Director Mr. Shu-Fu Wang | Graduated from Accounting Department, Feng Chia University. Director of National Taxation Bureau of Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act. | | N/A |

Note 1: Professional qualifications and experience: explain the professional qualifications and experiences of individual directors and supervisors. If they are members of the audit committee and possess with skills in accounting or finance, explain their accounting or financial background and work experience, and additionally explain whether they are not under any circumstances per Article 30 of the Company Act.

Note 2: Independent Directors: explain their independence, including but not limited to whether themselves, their spouses, or second-degree relatives are the directors, supervisors or employees of the Company or its affiliates; whether themselves, their spouses, or second-degree relatives (or in the name of others) hold the Company's share and the proportion; whether serve as a director, supervisor, or employee of any company that has specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1. Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Obeyed by Public Companies). The amount of remuneration received from entities that provide business, legal, finance, accounting and other services to the Company or its affiliates in the past two years.

4-1 Implementation of Diversity Policy of the the Board Members is as follow:

| Diversity Aspects | Nationality | Gender | Concurrent as the Company's Employee | Age | | | Period of Serving as Independent Director | | | Professional Background | | | Professional Capability | | | |
|---|---------------------------|--------|--------------------------------------|----------|----------|---------|---|--------------------|--------------|-------------------------|------------------------------|-----------------|-------------------------|-------------|--------------------|---|
| | | | | Under 60 | 60 to 70 | Over 70 | Under 3 Years | 3 Years to 6 Years | Over 6 Years | Management | Leadership & Decision Making | Risk Management | Finance and Accounting | Procurement | Industry Knowledge | |
| Ping-Yiao Chang | Taiwan, Republic of China | Male | √ | | | √ | | | | √ | √ | √ | √ | √ | √ | |
| Representative of Shin Chieh Shin Co., Ltd. – Hsin-Ta Chang | | Male | √ | √ | | | | | | √ | √ | √ | √ | √ | √ | √ |
| Representative of Shin Chieh Shin Co., Ltd. - Tsao-Chi Yang | | Male | √ | √ | | | | | | √ | √ | √ | | √ | √ | √ |
| Yi-Cheng Shih | | Male | √ | | √ | | | | | √ | √ | √ | √ | | √ | √ |
| Shun-Te Wen | | Male | | | | √ | | | √ | √ | √ | √ | √ | | √ | √ |
| Ying-Fang Lee | | Male | | | | | √ | √ | | √ | √ | √ | √ | | √ | √ |
| Shu-Fu Wang | | Male | | | √ | | | √ | | √ | √ | √ | √ | | √ | √ |

The Company's Board of Director is composed of seven directors. The Specific Management Goals and Achievements of the Diversity Policy of the Board are as follow:

| Management Goals | Achievment |
|--|-------------|
| The number of independent directors exceeds one third of the number of directors | Achieved |
| The number of concurrent managerial personnel should not exceed one third of the number of directors | Unarchieved |
| The term of Independent Directors does not exceed three terms | Achieved |
| Adequate Diversified Professional Knowledge and Skills. | Achieved |

(II) Background Information of President, Vice Presidents, Senior General Managers, and Heads of Divisions and Branches

Unit: shares; %
April 23, 2022

| Title | Nationality | Name | Gender | Date Elected/Appointed | Current Shareholding | | Shares Held by Spouse and Underage Children | | Shareholding in the Name of a Third Party | | Main Career (Academic) Backgrounds | Concurrent Positions in Other Companies | Spouse or Relatives of Second Degree or Closer Acting as Managers | | | Remarks |
|------------------------------|---------------------------|-------------------|--------|------------------------|----------------------|-------------------------|---|-------------------------|---|-------------------------|---|---|---|-----------------|----------------|-------------------------------------|
| | | | | | No. of Shares | Shareholding Percentage | No. of Shares | Shareholding Percentage | No. of Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| President | Taiwan, Republic of China | Ping-Yiao Chang | Male | 1984.10.05 | 17,547,946 | 6.26 | 8,388,978 | 2.99 | None | None | Pacific Western University Beitita Metals Co., Ltd. - Plant Manager | Shin Chieh Shin Co., Ltd. - Supervisor | Vice President | Hsin-Ta Chang | Father and Son | Concurrent Position as Chairman |
| Vice President | Taiwan, Republic of China | Hsin-Ta Chang | Male | 2021.01.01 | 21,648,931 | 7.72 | 840,830 | 0.30 | None | None | Graduated from the Department of International Business, The University of Denver, U.S.A. | Shin Chieh Shin Co., Ltd. - Director | President | Ping-Yiao Chang | Father and Son | 1st Degree Relative to the Chairman |
| Vice President | Taiwan, Republic of China | Ren-Hsiang Lee | Male | 1993.08.01 | 527,390 | 0.19 | 0 | 0.00 | None | None | Business Administration Program, Tunghai University Beitita Metals Co., Ltd. - Business Manager | None | None | None | None | None |
| Division Head | Taiwan, Republic of China | Yi-Cheng Shih | Male | 2014.01.01 | 1,209,206 | 0.43 | 60,381 | 0.02 | None | None | Department of Business Administration, National Yunlin University of Science and Technology Formosa Taffeta Co., Ltd. - Accounting Section Chief | None | None | None | None | None |
| Division Head | Taiwan, Republic of China | Wen-Chih Lee | Male | 2014.01.01 | 126,029 | 0.04 | 0 | 0.00 | None | None | Graduated from Postgraduate Program of Business Administration, Da-Yeh University | None | None | None | None | None |
| Division Head | Taiwan, Republic of China | Chang-Chieh Huang | Male | 2014.01.01 | 30,557 | 0.01 | 0 | 0.00 | None | None | Graduated from AGSM, The University of New South Wales, Australia Yuen Foong Paper - Manager | None | None | None | None | None |
| Division Head | Taiwan, Republic of China | Tsao-Chi Yang | Male | 2017.04.01 | 0 | 0.00 | 0 | 0.00 | None | None | Graduated from the Department of Chemical Engineering, Chinese Culture University | None | None | None | None | None |
| Division Head | Taiwan, Republic of China | Wen-Hsiou Lee | Male | 2017.04.01 | 8,182 | 0.00 | 0 | 0.00 | None | None | Graduated from Mechanical Design Engineering, National Formosa University | None | None | None | None | None |
| Division Head | Taiwan, Republic of China | Han-Lin Chang | Male | 2014.01.01 | 0 | 0.00 | 0 | 0.00 | None | None | Graduated from the Department of Chemistry, National Taiwan University Xiamen Wei Mon Environmental Materials Co., Ltd. - Assistant Vice President | None | None | None | None | None |
| Corporate Governance Manager | Taiwan, Republic of China | Ming-Chieh Lai | Male | 2021.03.23 | 0 | 0.00 | 0 | 0.00 | None | None | Administration Department Manager, Froch Enterprise Co., Ltd. | None | None | None | None | None |

Explanation: The Vice President being a first degree relative of the Chairman; The Company assigns personnel solely on the basis of professional capacity; this arrangement is considered justified and reasonable. The Company expects to add one independent director during the next board re-election to further enhance the board's supervisory duties.

(III) Compensation to Directors, the President, and Vice Presidents in the Last Year

1-1. Compensation to Directors

December 31, 2021 Unit: NTD thousandsd

| Title | Name | Directors' Compensation | | | | | | | | Sum of A, B, C, and D as a Percentage of Net Income after Tax (%) | | Compensation Received as Employee | | | | | | | | | | | | Sum of A, B, C, D, E, F, and G as a Percentage of Net Income after Tax (%) | | Compensation from Parent Company or Business Investments other than Subsidiaries | | |
|----------------------|---|-------------------------|--|-------------|--|---------------------------|--|--------------------------------|--|---|--|--|--|-------------|----|--|---|-------------|--|--|--|---|--|--|--|--|------|------|
| | | Benefits (A) | | Pension (B) | | Director Remuneration (C) | | Fees for Services Rendered (D) | | | | Salaries, Bonuses, Special Allowances etc. (E) | | Pension (F) | | Employee Remuneration (G) | | | | Total Shares Exercisable through Employee Warrants | | Number of New Restricted Shares Acquired as an Employee | | | | | | |
| | | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | | All Companies Included in the Financial Statements | | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | | | |
| Chairman | Ping-Yiao Chang | 0 | 0 | 0 | 0 | 1,000 | 1,000 | 201 | 201 | 1,201 | 1,201 | 4,480 | 4,480 | 0 | 0 | 11 | 0 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.47 | 0.47 | None |
| Vice Chairman | Shin Chieh Shin Co., Ltd. | 0 | 0 | 0 | 0 | 13,740 | 13,740 | 0 | 0 | 13,740 | 13,740 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.14 | 1.14 | None |
| Vice Chairman | Shin Chieh Shin Co., Ltd. Representative: Hsin-Ta Chang | 0 | 0 | 0 | 0 | 0 | 0 | 201 | 201 | 201 | 201 | 2,843 | 2,843 | 79 | 79 | 10 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.26 | 0.26 | None |
| Director | Shin Chieh Shin Co., Ltd. Representative Tsao-Chi Yang | 0 | 0 | 0 | 0 | 0 | 0 | 201 | 201 | 201 | 201 | 1,684 | 1,684 | 75 | 75 | 8 | 0 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.16 | 0.16 | None |
| Director | Yi-Cheng Shih | 0 | 0 | 0 | 0 | 650 | 650 | 201 | 201 | 851 | 851 | 2,449 | 2,449 | 78 | 78 | 8 | 0 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.28 | 0.28 | None |
| Independent Director | Shun-Te Wen | 820 | 820 | 0 | 0 | 0 | 0 | 201 | 201 | 1,021 | 1,021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.08 | 0.08 | None |
| Independent Director | Ying-Fang Lee | 420 | 420 | 0 | 0 | 0 | 0 | 201 | 201 | 621 | 621 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.05 | 0.05 | None |
| Independent Director | Shu-Fu Wang | 420 | 420 | 0 | 0 | 0 | 0 | 201 | 201 | 621 | 621 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.05 | 0.05 | None |

*Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: 0.

*Salary expenses recognized according to IFRS2 - "Share-based Payment," including employee warrants, restricted employee shares, and subscription to cash issues etc., that are counted as compensation: None.

Please explain the policy, system, standards and structure by which the independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed: The Board of Directors has been authorized under the Articles of Incorporation to set compensation standards in reference to peer companies' level. Compensation for the current board of independent directors is determined based on the duties assumed (whether a convener) and the time committed.

1-2. Compensation Brackets Table

| Range of Compensation Paid to Directors | Name of Directors | | | |
|--|--|--|--|---|
| | Sum of First 4 Compensations (A+B+C+D) | | Sum of First 7 Compensations (A+B+C+D+E+F+G) | |
| | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements |
| Below NTD 1,000,000 | Hsin-Ta Chang, Yi-Cheng Shih, Tsao-Chi Yang, Ying-Fang Lee, Shu-Fu Wang | Hsin-Ta Chang, Yi-Cheng Shih, Tsao-Chi Yang, Ying-Fang Lee, Shu-Fu Wang | Ying-Fang Lee, Shu-Fu Wang | Ying-Fang Lee, Shu-Fu Wang |
| NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive) | Ping-Yiao Chang, Shun-Te Wen | Ping-Yiao Chang, Shun-Te Wen | Shun-Te Wen, Tsao-Chi Yang | Shun-Te Wen, Tsao-Chi Yang |
| NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive) | | | Hsin-Ta Chang, Yi-Cheng Shih | Hsin-Ta Chang, Yi-Cheng Shih |
| NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive) | | | | |
| NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive) | | | Ping-Yiao Chang | Ping-Yiao Chang |
| NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive) | Shin Chieh Shin Co., Ltd. |
| NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive) | | | | |
| NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive) | | | | |
| NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive) | | | | |
| NTD 100,000,000 and above | | | | |
| Total | Ping-Yiao Chang, Hsin-Ta Chang, Yi-Cheng Shih, Tsao-Chi Yang, Shun-Te Wen, Ying-Fang Lee, Shu-Fu Wang, Shin Chieh Shin Co., Ltd. | Ping-Yiao Chang, Hsin-Ta Chang, Yi-Cheng Shih, Tsao-Chi Yang, Shun-Te Wen, Ying-Fang Lee, Shu-Fu Wang, Shin Chieh Shin Co., Ltd. | Ping-Yiao Chang, Hsin-Ta Chang, Yi-Cheng Shih, Tsao-Chi Yang, Shun-Te Wen, Ying-Fang Lee, Shu-Fu Wang, Shin Chieh Shin Co., Ltd. | Ping-Yiao Chang, Hsin-Ta Chang, Yi-Cheng Shih, Tsao-Chi Yang, Shun-Te Wen, Ying-Fang Lee, Shu-Fu Wang, Shin Chieh Shin Co., Ltd.. |

2. Compensation to the President and Vice Presidents
2-1. Compensation to the President and Vice Presidents

December 31, 2021 Unit: NTD thousands

| Title | Name | Salary (A) | | Pension (B) | | Bonuses and Allowances (C) | | Employee Remuneration (D) | | | | Sum of A, B, C, and D as a Percentage of Net Income after Tax (%) | | Compensation from Parent Company or Business Investments other than Subsidiaries |
|----------------|-----------------|-------------|--|-------------|--|----------------------------|--|---------------------------|-----------------------|--|-----------------------|---|--|--|
| | | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | | All Companies Included in the Financial Statements | | The Company | All Companies Included in the Financial Statements | |
| | | | | | | | | Amount Paid in Cash | Amount Paid in Shares | Amount Paid in Cash | Amount Paid in Shares | | | |
| President | Ping-Yiao Chang | 3,000 | 3,000 | 0 | 0 | 1,480 | 1,480 | 11 | 0 | 11 | 0 | 0.37 | 0.37 | None |
| Vice President | Hsin-Ta Chang | 2,160 | 2,160 | 79 | 79 | 683 | 683 | 10 | 0 | 10 | 0 | 0.24 | 0.24 | |
| Vice President | Ren-Hsiang Lee | 1,547 | 1,547 | 102 | 102 | 682 | 682 | 9 | 0 | 9 | 0 | 0.19 | 0.19 | |

Salaries of the Company's senior management are determined according to the Employee Management Policy. Performance bonus is proposed after taking into consideration the Company's overall operating performance, individual skills, special contributions, and other factors, which are subject to review and approval of the Remuneration Committee.

2-2. Compensation Brackets Table

| Range of Compensation to the President and Vice Presidents | Names of President and Vice Presidents | |
|--|--|--|
| | Sum of First 4 Compensations (A+B+C+D) | |
| | The Company | All Companies Included in the Financial Statements |
| Below NTD 1,000,000 | | |
| NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive) | | |
| NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive) | Hsin-Ta Chang, Ren-Hsiang Lee | Hsin-Ta Chang, Ren-Hsiang Lee |
| NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive) | Ping-Yiao Chang | Ping-Yiao Chang |
| NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive) | | |
| NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive) | | |
| NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive) | | |
| NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive) | | |
| NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive) | | |
| NTD 100,000,000 and above | | |
| Total | Ping-Yiao Chang, Hsin-Ta Chang, Ren-Hsiang Lee | Ping-Yiao Chang, Hsin-Ta Chang, Ren-Hsiang Lee |

3-1. Compensation for Top-5 Paid Managers in a TWSE/TPEX Listed Company

| Title | Name | Salary (A) | | Pension (B) | | Bonus and Allowances (C) (Note 3) | | Employee Remuneration (D) | | | | Sum of A, B, C, and D as a Percentage of Net Income after Tax(%) | | Compensation from Parent Company or Business Investments other than Subsidiaries |
|----------------------------|-------------------|-------------|--|-------------|--|-----------------------------------|--|---------------------------|-----------------------|---|-----------------------|--|--|--|
| | | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | All Companies Included in the Financial Statements | The Company | | All Companies Included in the Financial Statements (Note 5) | | The Company | All Companies Included in the Financial Statements | |
| | | | | | | | | Amount Paid in Cash | Amount Paid in Shares | Amount Paid in Cash | Amount Paid in Shares | | | |
| President | Ping-Yiao Chang | 3,000 | 3,000 | 0 | 0 | 1,480 | 1,480 | 11 | 0 | 11 | 0 | 0.37 | 0.37 | None |
| Vice President | Hsin-Ta Chang | 2,160 | 2,160 | 79 | 79 | 683 | 683 | 10 | 0 | 10 | 0 | 0.24 | 0.24 | None |
| Head of Finance Division | Yi-Cheng Shih | 943 | 943 | 78 | 78 | 1,506 | 1,506 | 8 | 0 | 8 | 0 | 0.21 | 0.21 | None |
| Head of Marketing Division | Chang-Chieh Huang | 962 | 962 | 58 | 58 | 1,418 | 1,418 | 8 | 0 | 8 | 0 | 0.20 | 0.20 | None |
| Vice President | Ren-Hsiang Lee | 1,547 | 1,547 | 102 | 102 | 682 | 682 | 9 | 0 | 9 | 0 | 0.19 | 0.19 | None |

3.2 Name of Managers Entitled to Employee Remuneration and Amount Entitled

| 2021 | | | | | | Unit: NTD thousands |
|------------|----------------|-----------------------|---------------------|-------|---|---------------------|
| Title | Name | Amount Paid in Shares | Amount Paid in Cash | Total | Total as a Percentage of Net Income after Tax (%) | |
| Executives | President | Ping-Yiao Chang | 0 | 11 | 11 | 0.00 |
| | Vice President | Hsin-Ta Chang | 0 | 10 | 10 | 0.00 |
| | Vice President | Ren-Hsiang Lee | 0 | 9 | 9 | 0.00 |
| | Division Head | Yi-Cheng Shih | 0 | 8 | 8 | 0.00 |
| | Division Head | Wen-Chih Lee | 0 | 8 | 8 | 0.00 |
| | Division Head | Chang-Chieh Huang | 0 | 8 | 8 | 0.00 |
| | Division Head | Tsao-Chi Yang | 0 | 8 | 8 | 0.00 |
| | Division Head | Wen-Hsiou Lee | 0 | 8 | 8 | 0.00 |
| | Division Head | Han-Lin Chang | 0 | 8 | 8 | 0.00 |

4. Severance Pay and Pension

(1) Amount Paid in the Most Recent Year (2021):

None of the Company's Directors, President, or Vice Presidents had retired during the year; hence no such payment was made.

(2) Severance Pay and Pension Provided and Expensed in the Most Recent Year (2021):

a. For employees who adopt the pension system introduced under the "Labor Pension Act" (i.e. the new scheme), the Company made pension contributions equal to 6% of employees' monthly salaries to the Bureau of Labor Insurance, and a sum of NTD16,449,000 was contributed in the current year.

b. For employees who adopt the pension system introduced under the "Labor Standards Act" (i.e. the old scheme), the Company made pension contributions equal to 2% of employees' monthly salaries into an account held under Bank of Taiwan (formerly Central Trust of China, which was merged into Bank of Taiwan in 2007) in the Labor Pension Supervisory Committee's name, and a sum of NTD2,334,000 was contributed in the current year.

c. Managers who do not have pension provided or contributed under either systems will be omitted from the above disclosure; for this reason, the Company should collectively disclose the sums provided or contributed for all managers (including those under the new and old schemes) and the amount of pension benefits or severance pay (which is different from redundancy pay in the case of layoff) payable in one lump sum or on a yearly basis as agreed in the respective contract for all managers retired in 2020: Does not apply to the Company.

(3) Actual Payment of Pension Benefit or Severance Pay, or Amount of Pension Provision or Contribution Expensed In 2021:

a. NTD3,616,000 of severance pay and pension benefit were paid in 2021.

b. The Company had no other provision or contribution of pension or severance pay that was expensed during the year.

(IV) Amount of Compensation Paid in the Last 2 Years by the Company and All Companies Included in the Consolidated Financial Statements to the Company's Directors, President, and Vice Presidents, and Their Respective Proportions to Individual and Consolidated Net Income, as Well as the Policies, Standards, and Packages by which they were Paid, the Procedures through which Compensations Were Determined, and Their Association with Business Performance and Future Risks.

| Aspect | 2021 | | 2020 | |
|-------------------------------|-------------|--------------|-------------|--------------|
| | The Company | Consolidated | The Company | Consolidated |
| Directors | 2.51 | 2.51 | 13.32 | 13.32 |
| President and Vice Presidents | 0.81 | 0.81 | 7.41 | 7.41 |

Directors' compensation comprise remuneration allocated from earnings and travel allowances for participating in board meetings. Directors' compensation are paid according to the terms of the Articles of Incorporation. President's and Vice Presidents' compensation are paid according to the Company's grade-based payment approval principles.

The Company reported NTD1,508,245,134 of pre-tax profit in 2021, and according to Article 10 of the Articles of Incorporation, profits must first be taken to reimburse previous losses if any, followed by employee remuneration of 1% and board-approved director remuneration of no higher than 3%. For the corresponding year, director and employee remuneration have been proposed at 1% or NTD15,390,257 each.

III. Corporate Governance

(I) Functionality of the Board of Directors

The 14th Board of Directors was elected on June 13, 2019. The new board held a total of 20 meetings during the year; below are directors' attendance records:

| Title | Name | Attendance in Person | Attendance by Proxy | In-person Attendance Rate (%) | Remarks |
|----------------------|---|----------------------|---------------------|-------------------------------|---------------|
| Chairman | Ping-Yiao Chang | 20 | 0 | 100 | Re-elected |
| Director | Yi-Cheng Shih | 20 | 0 | 100 | Re-elected |
| Vice Chairman | Representative of Shin Chieh Shin Co., Ltd. - Hsin-Ta Chang | 18 | 0 | 90 | Newly elected |
| Director | Representative of Shin Chieh Shin Co., Ltd. - Tsao-Chi Yang | 20 | 0 | 100 | Re-elected |
| Independent Director | Shun-Te Wen | 20 | 0 | 100 | Re-elected |
| Independent Director | Ying-Fang Lee | 20 | 0 | 100 | Newly elected |
| Independent Director | Shu-Fu Wang | 20 | 0 | 100 | Newly elected |

Other Mandatory Disclosures:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions: Please see p.30-p.31 for detailed motions. All motions raised during the year have been approved as proposed without objection by all directors and independent directors.

(I) Conditions described in Article 14-3 of the Securities and Exchange Act.

(II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.

II. Disclosure regarding avoidance of interest-conflicting motions to the directors, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

| Meeting Date (Session) | Motion Details and Follow-up | Director(s)' Name | Reason for Conflict Avoidance |
|--|--|---|--|
| 18 th Meeting of 14 th Board 2021.08.19 | Promoted Hsin-Ta Chang as the Vice Chairman of the Company | Ping-Yiao Chang Hsin-Ta Chang Tsao-Chi Yang | Interests Parties, 2 nd Degree Relative, Directors' Controlling Related Company |

**Motion passed without objection after Independent Director Shun-Te Wen Inquired all Other Presented Directors.

III. Enhancement goal to the functionality of the Board of Directors in the corresponding and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements: Please see section (III) - "VI. Functionality of Remuneration Committee and other Functional Committees" in page 23.

IV. Execution of Board Performance Evaluation

| Assessment Cycle | Assessment Period | Subject Assessed | Assessment Method | Assessment Context |
|--|-------------------------|-----------------------|---|--|
| Once a Year, Finished by 1 st Quarter Next Year | 2021.01.01~2021.12.31 | Board of Directors | Self-assessment of the Board | <ol style="list-style-type: none"> 1. Degree of Involvement to Company's Operations. 2. Promote the Quality of Board's Decisions 3. The Composition and Structure of the Board 4. The Selection of Directors and Their On-going Study. 5. Internal Control. |
| Once a Year, Finished by 1 st Quarter Next Year | 2021.01.01 ~ 2021.12.31 | Board Members | Self-assessment of the Board Members | <ol style="list-style-type: none"> 1. The Understanding of Company's Target and Missions. 2. Director's Recognition of Responsibilities. 3. Level of Involvement to Company's Operations. 4. Management of Internal Relationships and Communication. 5. Director's Professional Knowledge and On-going Study. 6. Internal Control. |
| Once a Year, Finished by 1 st Quarter Next Year | 2021.01.01 ~ 2021.12.31 | Functional Committees | Self-assessment of the Functional Committees (Audit Committee and Remuneration Committee) | <ol style="list-style-type: none"> 1. Level of Involvement to Company's Operations. 2. Recognition of the Responsibilities of the Functional Committees. 3. Promote the Decision Quality of the Functional Committees. 4. The Composition and Selection of the Members of the Functional Committees. 5. Internal Control. |

(II) Functionality of the Audit Committee:

Functionality of the Audit Committee

A total of 20 Audit Committee meetings (A) were held in the last year; independent directors' attendance records are summarized below:

| Title | Name | No. of In-person Attendance (B) | Attendance by Proxy | In-person Attendance Rate (%) (B/A) (Note) | Remarks |
|----------------------|---------------|---------------------------------|---------------------|--|-----------------------------|
| Independent Director | Shun-Te Wen | 20 | 0 | 100 | Re-elected on 2019/06/13 |
| Independent Director | Ying-Fang Lee | 20 | 0 | 100 | Newly elected on 2019/06/13 |
| Independent Director | Shu-Fu Wang | 20 | 0 | 100 | Newly elected on 2019/06/13 |

Other Mandatory Disclosures:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of Board of Directors meeting held, the discussed topics, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act.

| Date | Session | Motion | Independent Directors' Opinions |
|------------|------------------|--|--|
| 2021.03.23 | 2021 1st Meeting | 1. Passed the 2020 financial statements year-end accounts. | Passed by all attending members of the Audit Committee |
| | | 2. Passed the 2020 Declaration of Internal Control System Self-assessment. | |
| | | 3. Passed the amendment of "Articles of Incorporation". | |
| | | 4. Passed to propose endorsement and guarantee proposal for Century Nova Steel Co., Ltd. | |
| 2021.05.05 | 2021 2nd Meeting | 1. Passed issuance of endorsement and guarantee for Century Nova Steel Co., Ltd. | |
| 2021.08.03 | 2021 4th Meeting | 1. Passed the Company's 2021 second-quarter consolidated financial statements. | |
| 2021.11.03 | 2021 6th Meeting | 1. Passed issuance of endorsement and guarantee for Century Nova Steel Co. Ltd. | |

(II) Other than those described above, there is not any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors.

II. Avoidance of involvements in interest-conflicting motions by independent directors, including details such as the name of independent director, the motion, the nature of conflicting interests, and the voting process: None of the Company's independent directors was required to avoid interest-conflicting motion.

III. Independent Directors' Communication with the Chief Internal Auditor and CPA (Include the Communications for the major issues, means, and results over the Company's Financial and Business Situations:

1. Independent directors and the Chief Internal Auditor have communicated on audit issues for the current year.
2. CPAs and independent directors have communicated on the scope of financial planning, key audit issues, and regulation updates.

* The date of resignation shall be specified for independent directors who had resigned prior to the end of the financial year. The in-person attendance rate (%) is calculated based on the number of Audit Committee meetings held and the number of meetings attended in-person during active duty.

* If a re-election of independent directors had taken place prior to the end of the financial year, both the previous and current independent directors shall be listed; the remarks column shall address the re-election date and specify whether the independent director was current or newly elected or re-elected. The in-person attendance rate (%) is calculated based on the number of Audit Committee meetings held and the number of in-person attendances made during active duty.

(III) Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|--|
| | Yes | No | Summary | |
| I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Practice Principles for TWSE/TPEX Listed Companies?" | V | | The Company's "Corporate Governance Principles" was passed during the Board of Directors meeting held on December 17, 2015 and has been disclosed to the public. | No Deviation |
| II. Shareholding Structure and Shareholders' Interests | | | | |
| (I) Has the Company created a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations, and enforced them accordingly? | | V | (I) The Company has not implemented such procedures; shareholders' recommendations and queries are collectively investigated and responded by the spokesperson. Disputes and litigations are referred to the Legal Affairs Department. | (I) Not applicable |
| (II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller? | V | | (II) The Company has a solid shareholding structure, and performs monthly checks to monitor ownership changes among major shareholders. | (II) No Deviation |
| (III) Has the Company established and implemented risk management practices and firewalls between the Company and related companies? | V | | (III) All related companies are financially independent from each other; matters concerning endorsement, guarantee, and routine transactions between related companies are strictly controlled and regulated in the internal control system. | (III) No Deviation |
| (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information? | V | | (IV) The Company has a set of Material Insider Information Handling Procedures in place that outlines the relevant rules, training, and penalties. | (IV) No Deviation |
| III. Composition and Responsibilities of the Board of Directors | | | | |
| (I) Has the board devised diversity policies and specific management goals and implemented policies? | | V | (I) No such policy has been established, but current board members are adequately diverse to contribute different perspectives to the Company's operating decisions. | (I) Not applicable |

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|--|
| | Yes | No | Summary | |
| <p>(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on yearly basis? Are performance evaluation results reported to the Board of Directors and used as reference for compensation, remuneration and nomination decisions?</p> <p>(IV) Are external auditors' independence assessed on regular basis?</p> | V | V | <p>(II) Assessment is in progress.</p> <p>(III) No such policy has been established. Compensations are currently evaluated and recommended by the Remuneration Committee.</p> <p>(IV) The Company conducts regular independence assessments in the first half of each year to determine whether its financial statement auditors have any direct or indirect financial interest, commercial dealing, employment relationship, family relationship, or exchange of consideration with the Company. These assessments are approved by the Board of Directors.</p> | <p>(II) Not applicable</p> <p>(III) Not applicable</p> <p>(IV) No Deviation</p> |
| <p>IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?</p> | V | | <p>The Company has set the corporate governance manager in 23, March, 2021 to handle related corporate governance affairs</p> | <p>No Deviation</p> |

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|--|
| | Yes | No | Summary | |
| V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? | V | | The Company has stakeholders sections created on its website: Investor Relations - Yi-Cheng Shih stan.shih@froch.com Customers - Chang-Chieh Huang mkt@froch.com Suppliers - Tsao-Chi Yang suppliers@froch.com Employees - Ping-Hsien Hsieh frochhr@froch.com All issues that are of concern to stakeholders are being addressed by dedicated personnel. No issue was reflected by stakeholders in 2021. | No Deviation |
| VI. Does the Company engage a share service agency to handle shareholder meeting affairs? | V | | Shareholder meeting affairs are primarily handled by the Stock Administration Department of KGI Securities Co., Ltd. | No Deviation |
| VII. Information Disclosure | | | | |
| (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? | V | | (I) The Company has a website that promptly discloses financial information, board decisions, and stakeholders' information to investors and the general public. | (I) No Deviation |
| (II) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of institutional investor conferences via the Company website)? | V | | (II) The Company adopts a spokesperson and deputy spokesperson system; dedicated personnel have been assigned to gather information relating to the Company to facilitate accurate response for the spokesperson. | (II) No Deviation |
| (III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and | | V | (III) The Company currently announces its financial reports just one week earlier than the deadline specified in the Securities and Exchange Act. | (III) Under Discussion |

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---|--|
| | Yes | No | Summary | |
| publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the designated due dates? | | | Will discuss to publish annual financial reports at an earlier time. | |
| VIII. Does the Company have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and purchase of liability insurance for directors and supervisors)? | V | | In addition to pursuing innovation, excellence, and offering the most suitable products and services to customers, the Company also encourages employees to participate in the fulfillment of social responsibilities and charitable activities. We consider giving back to the society a part of our obligations as a business. The Company also purchases liability insurance for directors and supervisors, and in doing so to protect shareholders' interest. | No Deviation |
| IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. | | | <ol style="list-style-type: none"> 1. Does the Company have the internal auditor who is either an international Certified Internal Auditor, or an international certified computer auditor, or a CPA? The Company encourages its financial and auditing personnel to pursue the relevant certifications. 2. Does the company assign a corporate governance supervisor to handle related issues, and publishes over the website and annual report regarding the supervisor's duty extent, his/her corresponding year's execution focus, and on-going study? The Company has assigned a corporate governance supervisor in 2021 and publish the supervisor's duty extent, the corresponding year's execution focus, and on-going study. | |

(IV) Disclose the Composition, Responsibilities, and Functionality of the Remuneration Committee, if Available:

1. Information of Remuneration Committee Members:

| Role (Note 1) Name | Criteria | <u>Professional Qualification and Experiences (Note 2)</u> | Compliance of Independence (Note 3) | Number of Positions as Remuneration Committee Member in Other Public Companies |
|---------------------------------|--------------|--|--|--|
| Independent Director (Convenor) | Shun-Te, Wen | <p>Graduated from Master of Business Administration, National Chung Cheng University. Chief of Fengyuan Branch, National Taxation Bureau of the Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance and corporate governance. Promote the quality of corporate governance of the Company.</p> <p>Not under any circumstances per Article 30 of the Company Act.</p> | <p>According to the Company's "Articles of Incorporation" and the "Corporate Governance Practice Principles", directors are elected by the candidate nomination system. The company has obtained written statements, work experiences, and current incumbency certificates, and family relationship table from the candidates and verify. Not any candidate, their spouses, and relatives within second degree serves as directors, supervisors or employees of the Company or its affiliates; holds shares of the Company; serves as director, supervisor, or employee of any company that has specific relationship with the Company; receives remuneration from entities that provide business, legal, finance, accounting and other services to the Company or its affiliates in the past two years.</p> | <p>One (CHANG HONG ENERGY TECHNOLOGY CO., LTD.)</p> |

| | | | | |
|----------------------|----------------|---|--|-----|
| Independent Director | Ying-Fang, Lee | Graduated from Master of Business Administration, National Chung Cheng University Director of Huwei Office, National Taxation Bureau of the Central Area, Ministry of Finance Possesses the capabilities of taxation, finance and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act. | | N/A |
| Independent Director | Shu-Fu, Wang | Graduated from Accounting Department, Feng Chia University Director of National Taxation Bureau of Central Area, Ministry of Finance. Possesses the capabilities of taxation, finance and corporate governance. Promote the quality of corporate governance of the Company. Not under any circumstances per Article 30 of the Company Act. | | N/A |

Note 1: Please specify the relevant working years, professional qualifications and experiences, and independence of each members of the Remuneration Committee in the form. If they are independent directors, it can be remarked to refer to Appendix 1 on page OO for related information (1) on directors and supervisors. Please fill in the column of Role as independent directors or others respectively (if it is the convener, please add a note).

Note 2: Professional qualifications and experience: describe the professional qualifications and experiences of individual Remuneration Committee members.

Note 3: Compliance with Independence: explain the compliance of independence of the Remuneration Committee members, including but not limited to whether themselves, their spouses, relatives within the second degree, serve as directors, supervisors or employees of the Company or its affiliates; the number of shares held and its proportion by themselves, their spouses, second degree relatives (or in the name of others); whether serve as a director, supervisor or employee in the Company's affiliates (please refer to subparagraphs 5-8, paragraph 1, Article 6 of 'Regulations Governing the Appointment and Exercise of Power by the Remuneration Committee of a Company whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange'); the amount of remuneration received from entities that provide business, legal, financial, accounting and other services to the Company or its affiliates in the last two years.

2. Functionality of the Remuneration Committee

I. The Company's Remuneration Committee consists of 3 members.

II. Service duration of the 3rd committee: Between June 13, 2019 and June 12, 2022. The Remuneration Committee held 2 meetings in 2021, details of members' attendance are as follows:

| Title | Name | No. of in-person attendance (B) | Attendance by proxy | In-person attendance rate (%) (B/A) (Not e) | Remarks |
|---|---------------|---------------------------------|---------------------|---|-----------------------------|
| Convener | Shun-Te Wen | 2 | 0 | 100% | Re-elected on 2019/06/13 |
| Committee Member | Ying-Fang Lee | 2 | 0 | 100% | Newly elected on 2019/06/13 |
| Committee Member | Shu-Fu Wang | 2 | 0 | 100% | Newly elected on 2019/06/13 |
| Other Mandatory Disclosures: | | | | | |
| <p>1. In the event where the Remuneration Committee's proposal is rejected or amended in a Board of Directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the Board of Directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.</p> <p>2. Should any committee member object or express reservation to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None.</p> | | | | | |

(V) Fulfillment of Sustainable Development, and Deviation and Causes of Deviation from Sustainable Development Best Practice Principles for a TWSE/TPEX Listed Companies:

| Assess Criteria | Actual Governance (Note 1) | | | Deviation and Causes of Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|----------------------------|----|---|--|
| | Yes | No | Summary (Note 2) | |
| I. Does the Company establish a governance structure and have a dedicated (or involved) unit to promote sustainable development? Is the sustainable development unit run by senior management that is authorized by the Board of Directors and supervised by the board of directors? | | V | The Group Administration Division is currently the unit responsible for enforcing sustainable development within the Company. It keeps abreast of popular sustainable development issues in the recent years and makes plans to meet the public's expectations. The Department makes ad-hoc reports to the Board of Directors whenever a new issue arises or whenever material impact is likely to occur. | Plan to have dedicated unit to report to the Board of Directors |
| II. Has the Company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? | | V | The Company has several functional task forces in place to identify stakeholders, gather and examine stakeholders' concerned issues, and make sure that all material aspects are properly addressed. | (I) No Deviation |
| III. Environmental Issues (I) Has the Company developed an appropriate environmental management system, given its industry characteristics? | V | | (I) The Company has been certified by Lloyd's Register of Shipping for ISO-14001 - Environmental management system. Actions are being taken to treat and reuse wastewater and improve raw material efficiency for energy conservation and waste reduction. | (I) No Deviation |
| (II) Is the Company committed to achieving efficient use of energy, and using renewable materials that less impact the environment? | V | | (II) Waste sorting, recycling, and reduction measures are being implemented throughout the organization. Uses of resources are being monitored and controlled to ensure optimal efficiency and avoid wastage. Furthermore, | (II) No Deviation |

| | | | | |
|---|----------------------------|--|---|--|
| <p>(III) Does the Company assess current and potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?</p> <p>(IV) Does the Company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?</p> | <p>V</p> <p>V</p> | | <p>solar panels have been installed on rooftop to generate green energy and to minimize impact on the environment.</p> <p>(III) In addition to purchasing business interruption insurance, the Company also evaluates the effect climate change has on market risk, supply disruption risk, and disaster risk, and will continue coordinating with stakeholders to minimize impact.</p> <p>(IV) Emission volume of nitrogen oxides, sulfur oxides, and other gases of significant concern as well as water usage volume, waste volume etc. have been disclosed in the corporate social responsibility report. In addition, monthly and quarterly statistics on waste output, waste disposal, air pollution, wastewater treatment, and soil remediation are also included in the report.</p> | <p>(III) No Deviation</p> <p>(IV) No Deviation</p> |
| <p>IV. Social Issues</p> <p>(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p> <p>(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?</p> <p>(III) Does the Company provide employees with a safe and healthy work environment? Are</p> | <p>V</p> <p>V</p> <p>V</p> | | <p>(I) The Company complies with the Labor Standards Act, values gender equality, and has grievance channels in place to protect employees' work rights.</p> <p>(II) In addition to granting parental leaves as required by law, the Company also offers birth subsidies as an incentive for childbirth. Meanwhile, regular birthday cake, domestic trips, and specific-years-of-service foreign tours are arranged as part of employees' benefits. Employees are further entitled to 1% share of profits earned by the Company, as stipulated in the Articles of Incorporation, which is paid in the form of remuneration.</p> <p>(III) The Company has a dedicated unit in place to inspect the work environment and prevent</p> | <p>(I) No Deviation</p> <p>(II) No Deviation</p> <p>(III) No Deviation</p> |

| | | | | |
|--|---|---|---|-------------------|
| employees trained regularly on safety and health issues? | | | work safety accidents. Ventilation and cooling systems have been installed to reduce the stuffiness and heat of the factory environment; in addition, electrolyte supplements have been placed at drinking water machines to help replenish energy. Apart from annual health examinations, the Company organizes extra health examinations for employees working in special areas and hires nurse for emergency treatment and health seminar within plant premises. | |
| (IV) Has the Company implemented an effective training program that helps employees develop skills over their career? | V | | (IV) In addition to regular skills training, the Company arranges external training programs as a way to improve employees' skills, and also implements a rotation system to complete employees' work experience. | (IV) No Deviation |
| (V) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling, etc, in all products and services offered, and implemented consumer or customer protection policies and complaint procedures? | V | | (V) All of the Company's products are manufactured in compliance with relevant rules and standards, and have been covered by product liability insurance. In terms of consumers' interest, the Company has a set of standard procedures for handling customers' grievance and feedback, and communicates with customers through a single contact window for speed and efficiency. | (V) No Deviation |
| (VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked suppliers' performance on a regular basis? | V | | (VI) The Company assesses its suppliers on a regular basis. Suppliers that commit violation will have purchases reduced until corrections are made. | (VI) No Deviation |
| V. Does the Company prepare sustainable report or any report disclosing non-financial information based on international reporting standards or | | V | The Company expects to complete preparation and publication of its 2021 sustainable development report by June 2022; however, the | Progressing |

| | | | | |
|---|--|--|---|--|
| guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier? | | | report is neither prepared using the latest GRI Standards nor assured by a third-party certifier. | |
| <p>VI. If the Company has established CSR principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has implemented its own corporate responsibility code of conduct to guide its duties as a corporate citizen and fulfill its commitments to employees, shareholders, and consumers. In addition to making transparent disclosures, the Company also makes proactive efforts to participate in green actions, environmental protection initiatives, charity, and community activities. All above actions are in alignment with the Company's "Sustainable Development Best Practice Principles."</p> | | | | |
| <p>VII. Other information useful to the understanding of corporate social responsibilities:</p> <ol style="list-style-type: none"> 1. Environmental Protection: Treatment and recycling measures have been implemented for wastewater, waste soil, and waste. 2. Community Involvement and Community Service: Services such as neighborhood watch and neighborly activities are arranged on regular basis. 3. Contribution to the Society: The Company continues to practice corporate social responsibilities with its corporate mission of Rooting Humanity, Respecting Customer, Protecting Earth, and Securing Life. 4. Charity: Donations are made to charity organizations from time to time. 5. Consumers' interest: A 0800 consumer service hotline have been setup. 6. Human rights: The Company subscribes to public liability insurance and employee group insurance coverage. | | | | |

Note 1: If Actual Governance is specified "Yes," please explain the key policies, strategies and measures taken and the execution progress; if Actual Governance is specified "No," please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: If the Company has prepared a sustainable report, Actual Governance may be completed by providing page references to the sustainable report instead.

Note 3: Material principles refer to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

(VI) Fulfillment of Business Integrity Management and Deviation and Causes of Deviation from Business Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies.

1. Business Integrity Management

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|--|---|
| | Yes | No | Summary | |
| I. Establishment of Integrity Policies and Solutions | | | | |
| (I) Has the Company stated in its internal policy or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment? | V | | (I) The Company has specified in its "Employee Management Policy" that all workers must duly perform their duties and maintain confidentiality of any secret gained at work. Employees are also bound to protect reputation of the Company, and may not speak or conduct private activity in the Company's name without authorization. | (I) No Deviation |
| (II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of " Business Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies"? | V | | (II) The Company provides proper training for employees to ensure that they fully understand the Company's policies and applicable laws. | (II) No Deviation |
| (III) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of " Business Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies" or other business conducts that are prone to integrity risks? | V | | (III) New recruits are subject to credit background investigation prior to hiring; employees who are prone to risk of dishonesty given their work duties are required to sign confidentiality agreements .It has been stipulated in the Company's policies that employees who profit from acts of dishonesty will | (III) No Deviation |

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|---|
| | Yes | No | Summary | |
| | | | be required to compensate counterparties for the losses suffered; in addition, the Company will also terminate employment contract and pursue legal actions against such employees for criminal liabilities. | |
| <p>II. Enforcement of Business Integrity</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress regarding implementation of business integrity policy and prevention against dishonest conducts to the Board of Directors on a regular basis (at least once a year)?</p> <p>(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests, and actively execute the policies?</p> | | V | <p>(I) Agreements signed between the Company and trading counterparty do not contain an integrity clause; however, the underlying business arrangements are fair and transparent, and work in favor of ensuring integrity on both sides.</p> <p>(II) The Company has designated its group administration division to be the unit responsible for business integrity. The Division reports its progress to directors after each year.</p> <p>(III) The Company prefers making purchase from independent parties and avoids transacting and trading with stakeholders where possible. Transaction with stakeholder may be conducted under exceptional circumstances, but will still be subject to proper procedures such as open price inquiry and comparison. When transacting with a stakeholder that has voting right in the Company, the stakeholder will have the right to explain the transaction, but must be absent and recuse from</p> | <p>(I) Not applicable</p> <p>(II) No Deviation</p> <p>(III) No Deviation</p> |

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|---|
| | Yes | No | Summary | |
| (IV) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis? | V | | the voting process. (IV) The Company has adopted effective accounting and internal control systems to support business integrity. Internal auditors have been assigned to perform audits on the above systems and report to the Board of Directors on a regular basis. | (IV) No Deviation |
| (V) Does the Company organize internal or external training on a regular basis to maintain business integrity? | V | | (V) The Company promotes its integrity code of conduct in weekly and monthly meetings, so that employees are made aware and may enforce accordingly. | (V) No Deviation |
| III. Whistleblowing System | | | | |
| (I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts? | V | | (I) The Company has a set of "Employee Grievance Handling Guidelines" in place. Awareness on grievance rules is promoted regularly, and a grievance/opinion mailbox has been created to serve as a complaint channel. The Human Resource Division receives complaints and convenes personnel/grievance review meetings afterwards to discuss how complaints are to be handled; these decisions are subject to President's approval. | (I) No Deviation |
| (II) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation? | | V | (II) The Company has specified in its standard operating procedures that all grievances are to be investigated and handled in a confidential manner that protects the privacy and character of the parties involved. | (II) Not Applicable |
| (III) Does the Company have appropriate measures in place to protect whistleblowers from retaliation? | V | | (III) The Company maintains confidentiality over informant's identity to protect them. In addition, | (III) No Deviation |

| Assess Criteria | Actual Governance | | | Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|---|
| | Yes | No | Summary | |
| | | | employees are constantly informed on legitimate grievance channels that are available to them. | |
| IV. Enhanced Information Disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS? | V | | (I) The corporate website discloses not only the Company's operational information, but also its integrity code of conduct. | (I) No Deviation |
| V. If the Company has established business integrity policies in accordance with "Business Integrity Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No Deviation. | | | | |
| VI. Other information relevant to understanding the Company's business integrity (e.g. review of business integrity principles): None. | | | | |

(VII) If the Company has established corporate governance principles or related guidelines, references to such principles should be disclosed: Please visit www.froch.com → Corporate Governance → Key Internal Policies.

(VIII) Other important information material to the understanding of corporate governance within the Company: None

(IX) Disclosures Relating to the Execution of Internal Control System:

1. Declaration of Internal Control System

Froch Enterprise Co., Ltd.

Declaration of Internal Control System

Date: March 17, 2022

The following declaration has been made based on the 2021 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and executives, and that such a system has been implemented within the Company. The goals of this system are to provide reasonable assurance for business performance and efficiency (including profitability, performance, asset security etc.), reliable financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness, design and execution of its internal control system.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective from January 1 to December 31, 2021. This system (including supervision and management of subsidiaries) has provided reasonable assurance with regards to the Company's operational performance, efficiency, target accomplishment, reliability, timeliness and transparency of reported financial information, and compliance with relevant laws.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and must be disclosed to the public. Any illegal misrepresentation or omission in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This declaration was passed unanimously during the board of directors meeting held on March 17, 2022.

2. If the internal control system was reviewed by an external CPA, the result of such review shall be disclosed: None.

(X) Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control policy in the most recent year up until the publication date of this annual report; describe areas of weakness and any corrective actions taken: None.

(XI) Major Resolutions Passed in Shareholder Meetings and Board of Directors Meetings Held in the Last Year up until the Publication Date of this Annual Report:

1. Significant Shareholder Meeting Resolutions:

| Shareholders | Date | Major Resolutions | Execution |
|----------------------|------------|---|--|
| Shareholders Meeting | 2021.08.19 | <ol style="list-style-type: none"> 1. Acknowledgment of 2020 business report and financial statements. 2. Acknowledgment of 2020 earnings appropriation. 3. Amendments to the Company's "Articles of Incorporation." 4. Amendments to the Company's "Shareholder Conference Rules." | Cash dividends were paid at NTD 0.5 per share. Ex dividend date: September 11, 2021; cash dividend payment date: September 29, 2021. |

2. Significant Board of Directors Meeting Resolutions:

(1) Significant Resolutions Made by the Board of Directors in 2021 are as Follows:

| Board Meeting | Date | Major Resolutions |
|---------------|------------|--|
| Board Meeting | 2021.03.23 | <ol style="list-style-type: none"> 1. Passed the 2020 financial statements year-end accounts. 2. Passed the 2020 earnings appropriation proposal. 3. Passed the 2020 Declaration of Internal Control System Self Assessment. 4. Passed independence assessment for the Company's financial statement auditors. 5. Passed the Company's corporate governance officer. 6. Passed amendments to the Company's "Articles of Incorporation." 7. Passed amendments to the Company's "Shareholder Conference Rules." 8. Passed endorsement and guarantee proposal for Century Nova Steel Co., Ltd. 9. Set the date and agenda for the Company's 2021 annual general meeting. |
| Board Meeting | 2021.05.05 | <ol style="list-style-type: none"> 1. Passed the Company's 2021 Q1 consolidated financial statements. 2. Passed issuance of endorsement and guarantee for Century Nova Steel Co., Ltd. |
| Board Meeting | 2021.05.20 | <ol style="list-style-type: none"> 1. Passed the increase of bank credit limit. |
| Board Meeting | 2021.08.03 | <ol style="list-style-type: none"> 1. Passed the amendment to the Company's 2021 annual general meeting of shareholders. 2. Passed the change of date of 2021 General Meeting of Shareholders. |
| Board Meeting | 2020.08.19 | <ol style="list-style-type: none"> 1. Passed the Ex-dividend Date and Book Closure Date for 2021. 2. Passed the promotion of Mr. Hsin-Ta Chang to Vice Chairman. |
| Board Meeting | 2021.11.03 | <ol style="list-style-type: none"> 1. Passed the Company's 2021 Q3 Consolidated Financial Statements. 2. Passed endorsement and guarantee proposal for Century Nova Steel Co., Ltd. 3. Passed the increase of bank credit limit. |
| Board Meeting | 2021.12.23 | <ol style="list-style-type: none"> 1. Passed the Company's 2021 Auditing Plan. 2. Passed the Company's 2021 Salary Proposal Pre-discussed by the Remuneration Committee. 3. Passed the Decision to Apply for Renewal of Bank Credit limit that is due to expire. |

(2) Significant Resolutions Made by the Board of Directors in 2022 up until the Publication Date of Annual Report are as Follows:

| Board Meeting | Date | Major Resolutions |
|---------------|------------|---|
| Board Meeting | 2022.03.17 | <ol style="list-style-type: none"> 1. Passed the 2021 financial statements annual accounts. 2. Passed the 2021 earnings appropriation proposal. 3. Passed the 2021 Declaration of Internal Control System Self Assessment. 4. Passed independence assessment for the Company's financial statement auditors. 5. Passed issuance of endorsement and guarantee for Century Nova Steel Co., Ltd. 6. Passed the Amendments to the Company's "Articles of Incorporation." 7. Passed the Amendments to the Company's "Rules of Acquisition and Diposal of Asset." 8. Passed amendments to the Company's "Shareholder Conference Rules." 9. Set the Date and Agenda or the Company's 2022 Annual General Meeting of Shareholders. |

For related announcements, please visit "MOPS" (<http://mops.twse.com.tw>)

(XII) Documented Opinions or Declarations Made by Directors or Independent Directors Against Board Resolutions in the Most Recent Year, up until he Publication Date of this Annual Report: None.

(XIII) Resignation or Dismissal of the Chairman, President, Head of Accounting, Head of Finance, Chief Internal Auditor, or Head of R&D in the Most Recent Year up until the Publication Date of this Annual Report:

April 23, 2022

| Title | Name | Date Onboard | Date Departed | Reasons for Resignation or Departure |
|--------------------|------|--------------|---------------|--------------------------------------|
| None for this Year | | | | |

IV. Information of CPAs

(I) Disclosure of CPAs' Remuneration:

| Name of Accounting Firm | Name of CPA | Audit Period | Audit Remuneration | Non-audit Remuneration | Total | Remarks |
|--------------------------|---------------|---------------------|--------------------|------------------------|-------|---|
| Deloitte & Touche Taiwan | Ting-Chien Su | 2021/1/1-2021/12/31 | 2,940 | 240 | 3,180 | Mainly Consists of Business Travel Expenses Paid on Behalf. |
| | Li-Tong Wu | 2021/1/1-2020/12/31 | | | | |

*Any Replacement of Accounting Firm and Reduction in Audit Remuneration Paid Compared with the Previous Year: None.

*Any Reduction in Audit Remuneration y More than 15% Compared to the Previous Year: None.

V. Change of CPA:

1. Information Relating to the Former CPA

| | | | |
|---|--|----------------|------------------------------------|
| Date of Reappointment | 2019 Q4 (2021 has no such circumstance) | | |
| Reasons and Details of the Reappointment | An Internal Rotation within Deloitte & Touche Taiwan | | |
| Whether the termination of audit service was initiated by the client or by the auditor | Parties Involved | CPA | Client |
| | Service Terminated by | Not Applicable | Not Applicable |
| | Service not Accepted/ Continued by | Not Applicable | Not Applicable |
| Reasons for Issuing Opinions other than Unmodified Opinion in the Last 2 Years | None | | |
| Any Disagreement with the Issuer | Yes | | Accounting Policy or Practice |
| | | | Disclosure of Financial Statements |
| | | | Audit Coverage or Procedures |
| | | | Others |
| | None | ✓ | |
| | Explanation | | |
| Other Disclosures (Disclosures Deemed Necessary under Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Guidelines) | None | | |

2. Information Relating to the Succeeding CPA:

| | |
|--|-------------------------------------|
| Name of Accounting Firm | Deloitte & Touche Taiwan |
| Name of CPA | CPA Ting-Chien Su CPA Li-Tong Wu |
| Date of Appointment | 2019 Q4 |
| Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment | Not applicable |
| Written Disagreements from the Succeeding Auditor against Opinions Made by the Former CPA | None |

3. Former CPA's Reply to Note 3, Items 1 and 2, Subparagraph 2, Article 20-2 of the Guidelines: None.

VI. Any of the Company's Chairman, President, or any Executive Involved in Financial or Accounting Affairs being Employed by the Accounting Firm or any of Its Affiliated Company in the last Year: None.

VII. Details of Shares Transferred or Pledged by Directors, Executives, or Shareholders with more than 10% Ownership Interest in the Last Year, up until April 23, 2022.

(I) Details of Shares Transferred or Pledged by Directors, Executives, or Shareholders with more than 10% Ownership Interest:

Note 1: Shareholders with more than 10% ownership interest shall be highlighted as major shareholders and listed separately.

| Title | Name | 2021 | | 2022 up until April 23 | |
|----------------------|---|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) in Shares Held | Increase (decrease) in Shares Pledged | Increase (decrease) in Shares Held | Increase (decrease) in Shares Pledged |
| Chairman | Ping-Yiao Chang | 0 | 0 | 0 | 0 |
| Director | Yi-Cheng Shih | (799,000) | 0 | 0 | 0 |
| Vice Chairman | Shin Chieh Shin Co., Ltd. | 0 | (1,600,000) | 0 | (7,465,000) |
| Vice Chairman | Shin Chieh Shin Co., Ltd. Representative: Hsin-Ta Chang | 0 | 0 | 0 | (8,345,645) |
| Director | Shin Chieh Shin Co., Ltd. Representative: Tsao-Chi Yang | 0 | 0 | 0 | 0 |
| Independent Director | Shun-Te Wen | 0 | 0 | 0 | 0 |
| Independent Director | Ying-Fang Lee | 0 | 0 | 0 | 0 |
| Independent Director | Shu-Fu Wang | 0 | 0 | 0 | 0 |
| Vice President | Ren-Hsiang Lee | (203,000) | 0 | 0 | 0 |
| Division Head | Wen-Chih Lee | (65,000) | 0 | 0 | 0 |
| Division Head | Chang-Chieh Huang | (98,000) | 0 | (4,000) | 0 |
| Division Head | Wen-Hsiou Lee | (130,000) | 0 | 0 | 0 |
| Division Head | Han-Lin Chang | (5,170) | 0 | 0 | 0 |
| Manager | Ming-Chieh Lai | 0 | 0 | 0 | 0 |

(II) Disclosure of Share Transfer or Pledge where the Counterparty is a Related Party: None.

VIII. The Relationships among Top-10 Shareholders

| Name | Shares Held in Own Name | | Shares Held by Spouse and Underage Children | | Shares Held in the Names of Others | | Relationship Characterized as Spouse or Relative of Second Degree or Closer among the Top-10 Shareholders.(Note 2) | | Remarks |
|--|-------------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|--|--------------|--------------------------|
| | No. of Shares | Shareholding Percentage | No. of Shares | Shareholding Percentage | No. of Shares | Shareholding Percentage | Name | Relationship | |
| Shin Chieh Shin Co., Ltd. | 28,206,372 | 10.05 | 0 | 0 | None | None | None | None | None |
| Person-in-charge of Shin Chieh Shin Co., Ltd. - Chia-Chi Fan Spouse – Yu-Hua Chang Underage child - Ching-Chun Fan | 854 | 0.00 | 653 | 0.00 | None | None | None | None | None |
| Representative of Shin Chieh Shin Co., Ltd. - Tiao-Chi Yang Spouse - Hsuan-Chi Lin Underage child - Han-Sheng Yang | 0 | 0 | 0 | 0 | None | None | None | None | None |
| Hsin-Ta Chang | 21,648,931 | 7.72 | 840,830 | 0.30 | None | None | Ping-Yiao Chang | Father | Hsiu-Miao Lee: Mother |
| Ping-Yiao Chang | 17,547,946 | 6.26 | 8,388,978 | 2.99 | None | None | Hsiu-Miao Lee | Spouse | Hsin-Ta Chang: Son |
| Hsiu-Miao Lee | 8,388,978 | 2.99 | 17,547,946 | 6.26 | None | None | Ping-Yiao Chang | Spouse | Li-Shen Chang: Son |
| Li-Shen Chang | 4,713,780 | 1.68 | 0 | 0 | None | None | Ping-Yiao Chang | Father | Hsiu-Miao Lee: Mother |
| Li Chieh Shin Co., Ltd. | 3,955,000 | 1.41 | 0 | 0 | None | None | None | None | None |
| Person-in-charge of Li Chieh Shin. Co., Ltd. - Li-Shen Chang Spouse – Shu-Yu Pai Underage child - Chen-Wei Chang | 4,713,780 | 1.68 | 0 | 0 | None | None | Ping-Yiao Chang | Father | Hsiu-Miao Lee: Mother |
| Citibank in its Capacity as Master Custodian for Investment Account of UBS Europe SE | 2,813,000 | 1.00 | 0 | 0 | None | None | None | None | None |
| HSBC in its Capacity as Master Custodian for Investment Account of Merrill Lynch International | 2,248,000 | 0.80 | 0 | 0 | None | None | None | None | None |
| HSBC in its Capacity as Master Custodian for Account of Morgan Stanley & Co. International Plc | 2,067,251 | 0.74 | 0 | 0 | None | None | None | None | None |
| Tsung-Chieh Wu | 1,836,000 | 0.65 | 0 | 0 | None | None | None | None | None |

Note 1: All top-10 shareholders shall be listed. For corporate shareholders, the name of the corporate entity and the name of the representative shall be shown separately.

Note 2: Percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

Note 3: Relationships among the abovementioned shareholders (including corporate and natural-person shareholders) shall be disclosed.

IX. Investments Jointly Held by the Company, the Company's Directors, Executives, and Businesses Directly or Indirectly Controlled by the Company; Disclose Shareholding in Aggregate of the above Parties:

December 31, 2021; unit: shares

| Business Investments | Held by the Company | | Held by Directors, Executives, and Directly or Indirectly Controlled Businesses | | Aggregate Ownership | |
|--|---------------------|-----------------------------|---|-----------------------------|---------------------|-----------------------------|
| | No. of Shares | Shareholding Percentage (%) | No. of Shares | Shareholding Percentage (%) | No. of Shares | Shareholding Percentage (%) |
| Century Nova Steel Co., Ltd. | 49,000,000 | 100 | 0 | 0 | 49,000,000 | 100 |
| Froch Enterprise International Co., Ltd. | 3,550,000 | 100 | 0 | 0 | 3,550,000 | 100 |
| Froch Stainless Co., Ltd. | 500,000 | 100 | 0 | 0 | 500,000 | 100 |
| Froch Metal (Suzhou) Co., Ltd. | 0 | 100 | 0 | 0 | 0 | 100 |
| Century Nova Steel Co., Ltd. (Wuxi) | 0 | 100 | 0 | 0 | 0 | 100 |
| Froch International Trading Co., Ltd. | 0 | 100 | 0 | 0 | 0 | 100 |
| Froch Stainless Co., Ltd. (Wuxi) | 0 | 100 | 0 | 0 | 0 | 100 |

Four. Capital Overview

I. Capital and Outstanding Shares

(I) Source of Capital

1. Changes in Share Capital:

April 23, 2022

Unit: thousand shares; NTD thousands

| Year / Month | Face Value per Share (NTD) | Authorized Capital | | Paid-up capital | | Remarks | | |
|----------------|----------------------------|--------------------|-----------|-----------------|-----------|--|--------------------------------------|-----------|
| | | No. of Shares | Amount | No. of Shares | Amount | Sources of Share Capital | Paid with Properties other than Cash | Others |
| September 1984 | 1,000 | 4,200 | 4,200 | 4,200 | 4,200 | Share Capital Paid in Cash 4,200 | None | None |
| June 1986 | 1,000 | 28,000 | 28,000 | 28,000 | 28,000 | Cash Issuance 23,800 | None | None |
| August 1988 | 1,000 | 53,000 | 53,000 | 53,000 | 53,000 | Cash Issuance 25,000 | None | None |
| June 1989 | 10 | 13,800 | 138,000 | 13,800 | 138,000 | Cash Issuance 85,000 | None | None |
| September 1989 | 10 | 19,800 | 198,000 | 19,800 | 198,000 | Cash Issuance 60,000 | None | None |
| May 1991 | 10 | 30,000 | 300,000 | 30,000 | 300,000 | Cash Issuance 102,000 | None | None |
| April 1995 | 10 | 37,500 | 375,000 | 37,500 | 375,000 | Capitalization of Earnings 75,000 | None | (Note 1) |
| March 1996 | 10 | 46,875 | 468,750 | 46,875 | 468,750 | Capitalization of Earnings 93,750 | None | (Note 2) |
| May 1997 | 10 | 51,562 | 515,625 | 51,562 | 515,625 | Capitalization of Earnings 46,875 | None | (Note 3) |
| March 1998 | 10 | 56,718 | 567,187 | 56,718 | 567,187 | Capitalization of Earnings 51,562 | None | (Note 4) |
| May 1999 | 10 | 65,226 | 652,265 | 65,226 | 652,265 | Capitalization of Earnings 85,078 | None | (Note 5) |
| May 2000 | 10 | 73,053 | 730,537 | 73,053 | 730,537 | Capitalization of Earnings 78,272 | None | (Note 6) |
| May 2001 | 10 | 80,359 | 803,591 | 80,359 | 803,591 | Capitalization of Earnings 73,054 | None | (Note 7) |
| May 2003 | 10 | 96,377 | 963,771 | 84,377 | 843,771 | Capitalization of Earnings 40,179 | None | (Note 8) |
| July 2004 | 10 | 200,000 | 2,000,000 | 97,034 | 970,336 | Capitalization of Earnings 126,565 | None | (Note 9) |
| September 2004 | 10 | 200,000 | 2,000,000 | 124,842 | 1,248,422 | Conversion from Corporate Bonds 278,086 | None | None |
| December 2004 | 10 | 200,000 | 2,000,000 | 140,954 | 1,409,545 | Conversion from Corporate Bonds 161,123 | None | None |
| March 2005 | 10 | 200,000 | 2,000,000 | 153,213 | 1,532,130 | Conversion from Corporate Bonds 122,584 | None | (Note 10) |
| June 2005 | 10 | 300,000 | 3,000,000 | 180,791 | 1,807,913 | Capitalization of Earnings 275,783 | None | (Note 11) |
| July 2006 | 10 | 300,000 | 3,000,000 | 189,830 | 1,898,309 | Capitalization of Earnings 90,396 | None | (Note 12) |
| July 2007 | 10 | 300,000 | 3,000,000 | 237,288 | 2,372,886 | Capitalization of Earnings 474,577 | None | (Note 13) |
| July 2008 | 10 | 300,000 | 3,000,000 | 272,881 | 2,728,819 | Capitalization of Earnings 355,932 | None | (Note 14) |
| September 2015 | 10 | 300,000 | 3,000,000 | 286,526 | 2,865,260 | Capitalization of Earnings 136,441 | None | (Note 15) |
| August 2020 | 10 | 400,000 | 4,000,000 | 280,526 | 2,805,260 | Capital Reduction with Treasury Share 60,000 | None | (Note 16) |

Note 1: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (84)-Tai-Tsai-Cheng-(1)-29969 issued on May 23, 1995.

Note 2: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (85)-Tai-Tsai-Cheng-(1)-56672 issued on September 16, 1996.

Note 3: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (86)-Tai-Tsai-Cheng-(1)-69840 issued on September 6, 1997.

Note 4: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (87)-Tai-Tsai-Cheng-(1)-82228 issued on September 25, 1998.

Note 5: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (88)-Tai-Tsai-Cheng-(1)-59754 issued on July 1, 1999.

Note 6: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (89)-Tai-Tsai-Cheng-(1)-61339 issued on July 24, 2000.

Note 7: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (90)-Tai-Tsai-Cheng-(1)-143951 issued on July 10, 2001.

Note 8: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (92)-Tai-Tsai-Cheng-(1)-0920130134 issued on July 7, 2003.

Note 9: This increase of capital was approved by the Security and Futures Commission, Ministry of Finance, under Letter No. (93)-Tai-Tsai-Cheng-(1)-0930129506 issued on July 5, 2004.

Note 10: Change of capital was approved by the Ministry of Economic Affairs under Letter No. Jing-Shou-Shang-09401064070 dated April 18, 2005.

Note 11: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0940124958 dated June 22, 2005.

Note 12: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0950127961 dated July 3, 2006.

Note 13: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0960036624 dated July 16, 2007.

Note 14: This increase of capital was approved by Financial Supervisory Commission, Executive Yuan, under Letter No. Jin-Guan-Zheng-1-0970039263 dated August 14, 2008.

Note 15: This increase of capital was approved by Financial Supervisory Commission under Letter No. Jin-Guan-Zheng-Fa-1040026146 dated July 15, 2015.

Note 16: This reduction was approved by Department of Commerce, MOEA under Letter No. Jing-Shou-Shang-10901157460 dated August 31, 2020.

2. Categories of Outstanding Shares:

April 23, 2022
Unit: shares; NTD thousands

| Share Category | Authorized Capital | | | Remarks |
|--------------------------|--------------------|-----------------|-------------|---------|
| | Outstanding Shares | Unissued Shares | Total | |
| Registered Common Shares | 280,526,027 | 119,473,973 | 400,000,000 | |

3. Information Relevant to the Aggregate Reporting Policy: Not Applicable

(II) Shareholder Structure:

April 23, 2022

| Shareholder Structure | Government Institutions | Financial Institutions | Other Legal Entities | Natural Persons | Foreign Institutions and Foreigners | Total |
|-----------------------------|-------------------------|------------------------|----------------------|-----------------|-------------------------------------|-------------|
| Number of Shareholders | 0 | 0 | 183 | 51,942 | 80 | 52,205 |
| Number of Shares Held | 0 | 0 | 38,341,392 | 228,845,951 | 13,338,684 | 280,526,027 |
| Shareholding Percentage (%) | 0 | 0 | 13.67 | 81.58 | 4.75 | 100.00 |

Note: The Company has no Mainland investor; shareholding by Mainland investors is 0%.

All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests: A Chinese investor refers to an individual, legal entity, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

(III) Diversity of Ownership:

1. Common Shares

April 23, 2022
Unit: people; shares; %

| Shareholding Range | Number of Shareholders | Number of Shares Held | Shareholding Percentage (%) |
|----------------------|------------------------|-----------------------|-----------------------------|
| 1 to 999 | 20,283 | 1,228,280 | 0.44 |
| 1,000 to 10,000 | 29,146 | 78,764,804 | 28.08 |
| 10,001 to 20,000 | 1,541 | 23,858,463 | 8.50 |
| 20,001 to 30,000 | 471 | 12,296,173 | 4.38 |
| 30,001 to 40,000 | 208 | 7,479,449 | 2.67 |
| 40,001 to 50,000 | 184 | 8,765,826 | 3.12 |
| 50,001 to 100,000 | 223 | 16,601,574 | 5.92 |
| 100,001 to 200,000 | 90 | 12,771,942 | 4.55 |
| 200,001 to 400,000 | 22 | 6,125,825 | 2.18 |
| 400,001 to 600,000 | 13 | 6,476,103 | 2.31 |
| 600,001 to 800,000 | 4 | 2,491,716 | 0.89 |
| 800,001 to 1,000,000 | 6 | 5,093,408 | 1.82 |
| 1,000,000 and above | 14 | 98,572,464 | 35.14 |
| Total | 52,205 | 280,526,027 | 100.00 |

2. Diversity of Preferred Share Ownership: Not Applicable

(IV) List of Major Shareholders

Shows the Names of Top-10 Shareholders and Those with More than 5% Ownership, and the Quantity and Percentage of Shares Held.

April 23, 2022

| Name of Major Shareholders | Number of Shares Held | Shareholding Percentage |
|--|-----------------------|-------------------------|
| Shin Chieh Shin Co., Ltd. | 28,206,372 | 10.05 |
| Hsin-Ta Chang | 21,648,931 | 7.72 |
| Ping-Yiao Chang | 17,547,946 | 6.26 |
| Hsiu-Miao Lee | 8,388,978 | 2.99 |
| Li-Shen Chang | 4,713,780 | 1.68 |
| Li Chieh Shin Co., Ltd. | 3,955,000 | 1.41 |
| Citibank in its Capacity as Master Custodian for Investment Account of UBS Europe SE | 2,813,000 | 1.00 |
| HSBC in its Capacity as Master Custodian for Investment Account of Merrill Lynch International | 2,248,000 | 0.80 |
| HSBC in its Capacity as Master Custodian for Account of Morgan Stanley & Co. International Plc | 2,067,251 | 0.74 |
| Tsung-Chieh Wu | 1,836,000 | 0.65 |

(V) Information Relating to Market Price, Net Worth, Earnings, and Dividends per Share for the Last 2 Years

Unit: NTD

| Aspect | | Year | 2020 | 2021 | Year-to-date March 31, 2022 (Note 8) |
|---------------------------------|--|-----------------------|---------|---------|--------------------------------------|
| | | | | | |
| Market Price per Share (Note 1) | High | | 15.70 | 52.80 | 37.65 |
| | Low | | 8.95 | 11.8 | 27.30 |
| | Average | | 10.80 | 25.86 | 32.56 |
| Net Worth per Share (Note 2) | Before dividend | | 13.94 | 17.66 | - |
| | After dividend | | 13.44 | 15.66 | - |
| EPS | Weighted Average Outstanding Shares (in thousands) | | 282,795 | 280,523 | - |
| | Earnings (losses) per Share (Note 3) | | 0.38 | 4.29 | |
| Dividend per Share | Cash Dividend | | 0.5 | 2.00 | - |
| | Stock Dividend | From Earnings | 0 | 0 | - |
| | | From Capital Reserves | 0 | 0 | - |
| | Cumulative Undistributed Dividend (Note 4) | | 0 | 0 | - |
| Analysis of Investment Return | P/E ratio (Note 5) | | 28.42 | 6.03 | - |
| | Price to Dividend Ratio (Note 6) | | 26.60 | 12.92 | - |
| | Cash Dividend Yield (Note 7) | | 4.63 | 7.73 | - |

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's Board of Directors is presented in the table.

Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.

Note 5: P/E ratio = average closing price per share for the year / earnings per share.

Note 6: Price to Dividends Ratio = average closing price per share for the year / cash dividend per share.

Note 7: Cash Dividend Yield = cash dividend per share / average closing price per share for the corresponding year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of this annual report. For all other fields, calculations are based on data as at the publication date of this annual report.

(VI) Dividend Policy and Execution

1. The Company's Dividend Policy:

Annual profit concluded by the Company are subject to employee remuneration of 1%, which the Board of Directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet set criteria are entitled to receive remuneration. Up to 3% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the Board of Directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings.

Profits must first be reserved to offset against cumulative losses, if any, before the remainder can be distributed as employee or director remuneration in the above percentages.

Annual profit concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated to the same amount as the Company's paid-up capital. Any profit remaining must then be subject to provision or reversal of special reserves, as the laws may require. The residual balance can then be added to undistributed earnings carried from previous years and distributed as shareholder dividends or retained at Board of Directors' proposal, subject to resolution in a shareholder meeting.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic or foreign competition, and shareholders' interests. No less than 50% of distributable earnings must be paid as dividend for the current year, but the Company may decide to withhold earnings if the amount of distributable earnings is less than 10% of paid-up capital. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 20% of total dividends.

2. Dividend Distribution Proposed for the Coming Annual General Meeting of Shareholders:

The Company reported net income of NTD 1,204,559,122 for 2021; having considered future investment opportunities and industry characteristics, the Board of Directors passed a proposal during the meeting dated March 17, 2022 to pay cash dividends at NTD 2.00 per share.

(VII) Impacts of Proposed Share Dividends on the Company's Business Performance and Earnings per Share.

| Year | Item | 2021 | |
|---------------------------------|--|---|----------------|
| | Opening paid-up Capital (NTD thousands) | 2,805,260 | |
| Dividends for the Current Year | Cash Dividends per Share (NTD) | 2.00 | |
| | Share Dividends per Share from Capitalization of Earnings | — | |
| | Share Dividends per Share from Capitalization of Reserves) | — | |
| Changes in Business Performance | Operating profit (NTD thousands) | Not applicable | |
| | Year-on-year Percentage Variation of Operating Profit (%) | Not applicable | |
| | Net Income after Tax (NTD thousands) | Not applicable | |
| | Year-on-year Percentage Variation of Net Income (%) | Not applicable | |
| | Earnings per Share (NTD) | Not applicable | |
| | Year-on-year Percentage Variation of Earnings per Share (%) | Not applicable | |
| | Yearly Average Return on Investment (a Reciprocal of Yearly Average PE Ratio) (%) | Not applicable | |
| Estimated EPS and PE Ratio | If Capitalized Earnings were Entirely Distributed as Cash Dividends Instead | Estimated EPS | Not applicable |
| | | Estimated Yearly Return on Investment (%) | Not applicable |
| | Without Capitalization of Reserves | Estimated EPS (NTD) | Not applicable |
| | | Estimated Yearly Return on Investment (%) | Not applicable |
| | Without Capitalization of Reserves and if Capitalized Earnings were Entirely Distributed as Cash Dividends Instead | Estimated EPS (NTD) | Not applicable |
| | | Estimated Yearly Return on Investment (%) | Not applicable |

(VIII) Allocation of Employee, and Director Remuneration from Previous Year's Earnings:

1. Percentage or Range of Employee or Director Remuneration Stated in the Articles of Incorporation:

According to the Company's Articles of Incorporation, earnings concluded from a year are to be allocated in the following order:

(1) Reimbursement of losses from previous years.

(2) Provision for or reversal of special reserve, if necessary; afterwards, the Board of

Directors will propose an earnings appropriation plan based on the following principles for resolution in a shareholder meeting:

a. Director remuneration no more than 3%

b. Employee remuneration of 1%

c. Any balance remaining will be added to undistributed earnings carried from previous years, which the Board of Directors may decide to retain partially and distribute the remainder, subject to resolution in a shareholder meeting. In principle, no less than 50% of current year's available earnings must be paid as dividends, and at least 20% of shareholders' dividends must be paid in cash.

2. There was no change in the basis for estimating employee or director remuneration and share dividend; the amounts estimated were indifferent to the amounts paid.

3. Employees' Remuneration Proposed and Resolved by the Board of Directors:

- (1) Board of Directors resolution date: 2022/3/17
- (2) Types and amount of dividends distributed:
- Proposed cash payment to employees - NTD 15,390,257.
 - Proposed director remuneration - NTD 15,390,257.
- (3) Disclose the amount, causes, and treatments of any differences between the amount paid and the amount estimated in the year the expense was recognized: None
- (4) Proposed employee share-based payment as a percentage of after-tax profit plus employees' total compensation for the current period: Not Applicable
- (5) Earnings per share after taking into account the proposed employee remuneration and director remuneration: NTD 4.29.
4. Actual payment of employee or director remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies): No Difference
- (1) Board of Directors resolution date: 2021/3/23
- (2) Types and amount of dividends distributed:
- Proposed cash payment to employees - NTD 1,433,972.
 - Proposed director remuneration - NTD 1,433,972.
- (IX) Completed Buyback of the Company's Shares in the Most Recent Years and up until the Publication Date of this Annual Report:
The Company has made a total of 17 share buybacks Since 2011. The most recent buybacks were 16th and 17th in 2020; details are as follows.

| Incidence | 16th | 17th |
|--|---|---|
| Purposes of Buyback | maintain company's credit standing and shareholders' equity | maintain company's credit standing and shareholders' equity |
| Buyback Date | 2020/03/17-2020/5/06 | 2020/05/12-2020/07/06 |
| Type of Shares Bought Back | ordinary shares | ordinary shares |
| Buyback Volume | 3,000,000 shares | 3,000,000 shares |
| Total Amount of Buyback (including fees) | NTD 29,173,412 | NTD 32,001,230 |
| Amount of Shares Bought Back as a Percentage of Planned buyback (%) | 100 | 100 |
| Cumulative Holding of the Company's Shares | 0 | 0 |
| Number of Shares Retired and Transferred | 3,000,000 shares | 3,000,000 shares |
| Cumulative Holding of the Company's Shares as a Percentage of Outstanding shares | 0% | 0% |

- II. Corporate Bonds: None
- III. Preferred Shares: None
- IV. Global Depository Receipts: None
- V. Employee Share Subscription Rights: None
- VI. New Employee Restricted Shares: None
- VII. New Shares Issued for Merger or Acquisition: None
- VIII. Progress on Planned Use of Capital: Up until the quarter immediately preceding the publication date of annual report, the Company had no uncompleted securities offering or any securities offering completed in the last three years that had yet to yield the designed outcome

Five. Operational Overview

I. Business Activities

(I) Scope of Business

1. Main Business Activities

- Iron and Steel Refining
- Steel Rolling and Extruding
- Iron and Steel Casting
- Iron and Steel Secondary Processing
- Other Metal Products Manufacturing
- Surface Treatments

2. Proportions of Business Activities

Unit: NTD thousands

| Product | 2021 Sales Amount | as a Percentage of Annual Sales (%) |
|----------------------------------|-------------------|-------------------------------------|
| Stainless Steel Tubes and Pipes | 11,523,725 | 75.62 |
| Stainless Steel Sheets and Coils | 3,678,219 | 24.14 |
| Others | 36,828 | 0.24 |
| Total | 15,238,772 | 100.00 |

3. Current Products and Services of the Company

- Industrial Stainless Steel Pipes
- Stainless Steel Tubes for Mechanical Structure
- Stainless Steel Angle Bars
- Stainless Steel Sheets and Coils
- Commissioned Processing

4. New Product Development Plans

- Research and Production of Titanium Pipes
- Development of New Materials and New Production Technologies

(II) Industry Overview

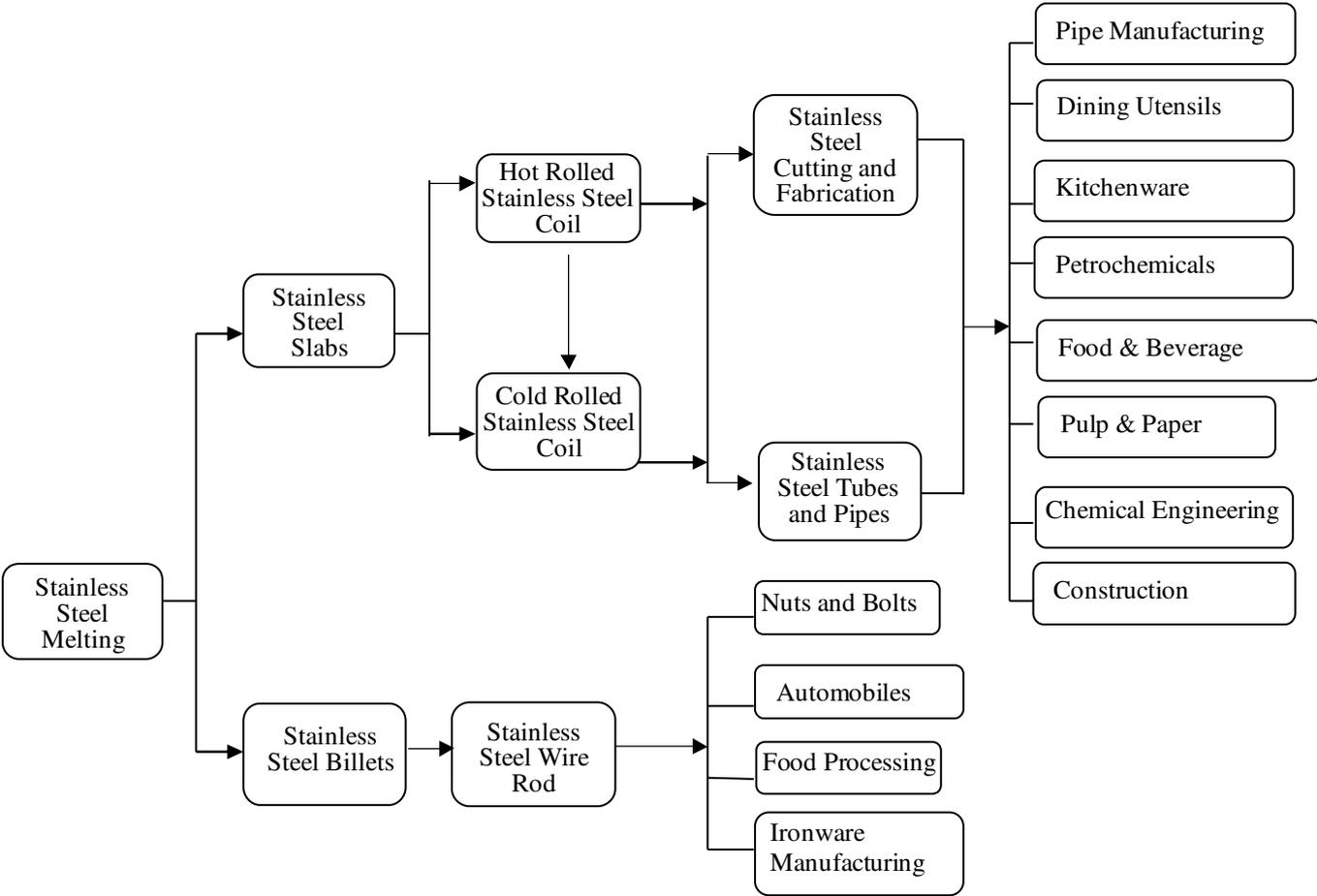
1. Current and Future Industry Prospects

The Company's main business activities are the production of stainless steel tubes, pipes, sheets, coils, and angle bars. Steel is an essential material in the modern society. From metal products manufacturing, machinery, transportation equipment, construction, to electrical equipment, virtually all the above industries rely on steel as the basic material, which is why growth of the steel industry is closely related to the overall economy.

From a global perspective, the U.S., Europe, and countries around the world have resolved to tariff as a way of protecting their own industries, which poses significant stress to Taiwan as an export-driven economy. The Company's Mainland subsidiaries, too, experienced slower growth due to a decline in local economic activities. However, the introduction of a series of economic stimulus and initiatives should prove beneficial in the future. Competition within the domestic market remains intense, but thanks to growing demands from emerging markets and the favorable investment environment the government has created, the Company will be looking to expand export sales while at the same time take advantage of increased local demand for stainless steel from new infrastructure projects. Lastly, given the rising environmental protection awareness around the world, the Company is optimistic about creating new opportunities by capitalizing on the high recyclability and reusability of stainless steel materials.

2. Association between Upstream, Midstream, and Downstream Industry Participants

The Company manufactures industrial stainless steel pipes and structural stainless steel tubes, which places it in the midstream of the stainless steel supply chain. The stainless steel industry is closely connected to other industries such as construction, transportation equipment, petrochemical, pulp and paper, food and beverage, and machinery due to the favorable properties of stainless steel in resisting against oxidation and corrosion. The association among upstream/midstream/downstream of the stainless steel industry is as follows:



3. Product Trends

(1) Replacing Carbon Steel Pipes and Seamless Stainless Steel Pipes

Stainless steel pipes possess several advantages over carbon steel pipes, including better resistance against heat, acid, and corrosion, and require no further surface treatment. As a result, stainless steel pipes are gradually replacing conventional carbon steel pipes around the world. Due to recent improvements in electric fusion welding technology, welded stainless steel pipes can now be made at quality no inferior than seamless stainless steel pipes, while offering advantages such as lower cost and greater flexibility, welded stainless steel pipes now have the potential to replace their seamless counterparts.

(2) Increasing Importance of Oversea Sales and the Mainland Market

As product quality stabilizes within the domestic stainless steel pipes industry, participants are actively exploring overseas sales and turning to foreign markets for new growth opportunities. The domestic industry in Taiwan as a whole exported 133,251 tonnes in 2019, 119,570 tonnes in 2020, and 132,180 tonnes in 2021; for the last 3 years, the export volume of stainless steel products slightly declined only in 2020, due to severe pandemic. Taiwan still has considerable market share and influence in the global market.

4. Domestic Product Competition

The Company specializes in the manufacturing of stainless steel pipes, and the sales of which accounts for approximately 67.80% of the Company's individual revenue in 2021. Other local public-listed stainless steel pipe manufacturers include YC INOX and Ta Chen Stainless; sale of stainless steel pipes accounts for 53.31% of revenue in YC INOX and 38.19% of revenue in Ta Chen Stainless

Table 1: Domestic Production Value of Welded Stainless Steel Pipes

Unit: NTD thousands

| | Froch | | | YC INOX | | | Ta Chen Stainless | | |
|------|------------|-----------------------|------------|------------|-----------------------|------------|-------------------|-----------------------|------------|
| | Revenue | Stainless Steel Pipes | | Revenue | Stainless steel pipes | | Revenue | Stainless steel pipes | |
| Year | Amount | Amount | Percentage | Amount | Amount | Percentage | Amount | Amount | Percentage |
| 2017 | 9,795,067 | 6,731,571 | 68.72% | 19,265,629 | 8,723,659 | 45.28% | 9,478,017 | 5,535,861 | 58.41% |
| 2018 | 9,824,825 | 7,122,760 | 72.50% | 19,129,638 | 9,036,533 | 47.24% | 8,347,692 | 5,143,343 | 61.61% |
| 2019 | 8,708,539 | 6,232,272 | 71.57% | 16,308,739 | 7,681,747 | 47.10% | 7,584,694 | 3,918,991 | 51.67% |
| 2020 | 7,745,032 | 5,642,367 | 72.85% | 12,717,152 | 6,841,412 | 53.80% | 6,237,417 | 3,089,392 | 49.53% |
| 2021 | 11,540,839 | 7,825,792 | 67.80% | 17,777,919 | 9,478,885 | 53.31% | 15,232,827 | 5,817,931 | 38.19% |

Source: Audited Individual Financial Reports of Various Companies between 2017 and 2021

The Company has reached economies of scale in a competitive stainless steel pipe market. Not only the departments are capable of working closely with each other, the Company also adopts a market-driven approach that emphasizes on customers' needs, timely service, product R&D, and quality enhancement. The Company possesses competitive advantage in the following areas:

(1) Comprehensive Product Range to Satisfy Customers' Diverse Needs

The Company is dedicated to maintaining a comprehensive product range by expanding product items according to market demand, and has been constantly developing stainless steel pipes of various sizes. From 1/4-inch to 80-inch, the Company produces diversified products to satisfy customers' one-stop shopping needs and to support market expansion, and to minimize risks associated with single product items.

(2) Strong R&D Capabilities; Leading in the Development of High Value-added Products

The Company has had emerging success with the automation of processes such as in-line polishing of circular/rectangular pipes, in-line annealing of pipe mills, and automated

measurement and cutting, etc.; all of which have the potential to improve capacity utilization and product quality. Meanwhile, new pipes featuring large diameters, thick walls, and new materials are being developed to maintain advantage over other manufacturers.

(3) Best Product Quality in the Industry

From the quality perspective, the Company's quality management system has been certified for ISO9001 and ISO14001 by Lloyd's Register of Shipping in 1993 and 1999 respectively. Furthermore, the Company's quality assurance laboratory was certified by Chinese National Laboratory Accreditation (CNLA) in 2001 (which was later renamed Taiwan Accreditation Foundation or TAF in 2004). The Company leads other manufacturers not only in X-ray examination of large diameter pipe welds, but also became a manufacturer certified with JIS product certification in 2009, and subsequently obtained the approval of pressure pipe components and TUV certificates

(4) Complete Service Network

Aside from increasing market share in the domestic stainless steel pipe industry, the Company also sells products to the rest of the world through Internet and amicable interaction with trade partners. In addition to building and maintaining a tight marketing network, the Company develops deep into the market needs, adapts to market dynamics, conducts differentiated market strategies in different markets.

(III) Technological Research and Development

1. The Company's R&D efforts are primarily focusing toward production procedure development, product quality improvement, operator techniques enhancement, and new product development. With respect to production procedure development, the Company introduced advanced equipment and molds locally and abroad, or designed its own advanced equipment and molds to improve production technology, capability, and product quality.

For product quality improvement, the Company actively adopted product assurance systems and certifications, explored new production equipment and procedural improvements, and took actions to enhance product quality.

In terms of operator techniques enhancement, the Company not only assigned employees to various local and abroad conferences, but also invited experts from around the world to train employees to keep them up to date with the latest professional knowledge and technical levels. As for new production process, the Company actively conducted market surveys, introduced advanced equipment and molds locally and abroad, recruited professional talents for R&D, arranged intensive training for existing researchers, and actively tested and developed new product items.

Significant R&D accomplishments were made in 2009; in terms of product assurance, the Company adopted and passed certification for JIS; in terms of product development, the Company commenced production of steel sheets and coils and was successful in the development of new surface treatment technology.

2. R&D Personnel and Expense:

Unit: NTD thousands

| Year | R&D Expense | People | Post-graduates (Masters, Ph.D.) | University | College | Senior High School |
|------|-------------|--------|---------------------------------|------------|---------|--------------------|
| 2017 | 37,121 | 47 | 0 | 6 | 4 | 37 |
| 2018 | 49,698 | 55 | 0 | 6 | 3 | 46 |
| 2019 | 18,870 | 53 | 0 | 8 | 4 | 19 |
| 2020 | 12,602 | 50 | 0 | 8 | 4 | 38 |
| 2021 | 14,427 | 45 | 0 | 8 | 4 | 33 |

3. Research Achievements:

| | |
|-----------|---|
| 2005-2008 | 1. Circular tubes in-line polishing technology 2. Rectangular tubes in-line polishing technology 3. Pipe-making machine in-line annealing project 4. Titanium pipe development project |
| 2009 | 1. Adoption and certification of JIS quality management system 2. Stainless steel sheets and coils production technology development project 3. Pickling process development project |
| 2010 | 1. Warehouse and logistics development project |
| 2011 | 1. Improvement of polishing process |
| 2014 | 1. Special materials manufacturing process improvement and redesign of existing equipment |

4. R&D Projects:

| Project | Project Focus | Time | Expected R&D Amount |
|--|---------------|------|---------------------|
| The Company is a manufacturer of stainless steel tubes and pipes and sheets and coils, and operates in a mature industry where breakthroughs in production technology and equipment are less frequent. For this reason, the Company's R&D budgets are mainly directed toward improvement of existing production procedures and machinery, and do not qualify as new "science, technology, quantitative tool, or statistical method" stipulated in Statute for Industrial Innovation. | | | |

(IV) Long and Short-term Business Plans

1. Short-term Business Plans

- Improvement and development of titanium pipe welding technology
- Research of new production procedures for stainless steel tubes and pipes
- Enhancement of employee training

2. Long-term Business Plans

- Position worldwide for increased sales and global market share
- Grow the sales of stainless steel sheets and coils for higher market share
- Systematic talent training for business sustainability

II. Market, Production and Sales Overview

(I) Market Analysis

1. Regions where Products are Mainly Sold

Unit: NTD thousands

| Sales Destination | | 2019 | | 2020 | | 2021 | |
|-------------------|----------|------------|--------|------------|--------|------------|--------|
| | | Amount | % | Amount | % | Amount | % |
| Domestic Sale | | 3,645,782 | 30.42 | 3,519,410 | 33.32 | 5,424,033 | 35.59 |
| Overseas Sales | Europe | 1,364,123 | 11.38 | 1,039,153 | 9.84 | 1,244,906 | 8.17 |
| | Asia | 3,950,562 | 32.97 | 3,346,398 | 31.69 | 4,586,625 | 30.10 |
| | Americas | 1,435,677 | 11.98 | 1,392,745 | 13.19 | 2,273,497 | 14.92 |
| | Others | 1,588,062 | 13.25 | 1,263,241 | 11.96 | 1,709,711 | 11.22 |
| Total | | 11,984,206 | 100.00 | 10,560,947 | 100.00 | 15,238,772 | 100.00 |

2. Main Competitors and Market Share

(1) Main Competitors

Domestic Market: YC INOX.

Overseas Markets: YC INOX, Ta Chen Stainless, KANZE Malaysia, LG Korea.

(2) Market Share

Below is a comparison between Taiwan's total export volume of welded stainless steel pipes and the Company's export sales in the last two years, based on the 2021 steel product import and export statistics published by Taiwan Steel & Iron Industries Association:

| Unit: tonnes | | | | |
|-------------------------------------|---------|----------|---------|----------|
| Aspect \ Year | 2020 | | 2021 | |
| | Tonnage | Growth % | Tonnage | Growth % |
| Total Export Volume | 119,570 | (10.27) | 132,180 | 10.55 |
| Volume Sold by the Company | 42,420 | (8.19) | 43,043 | 8.19 |
| As a Percentage of Total Export (%) | 35.48 | 2.34 | 32.56 | (8.23) |

3. Future Market Supply, Demand and Growth

The Company is a professional manufacturer of stainless steel tubes and pipes. The anti-corrosive, high temperature-resistant, and high pressure-resistant qualities combined with polished surface make stainless steel tubes and pipes increasingly popular among users. As income per capita and living standard increase, consumers increase demand for stainless steel. Growth of demand for stainless steel is especially rapid in China, stainless steel has become popular, and is now widely used in many industries. To capitalize on the world's increasing demand, the Company will continue looking for ways to reduce cost with the economies of scale, while at the same time develop high value-added products that would maximize profits.

4. The Favorable and Unfavorable Factors for Future Development and Response Strategies

(1) Favorable Factors

- ◆ The Company is mainly involved in the manufacturing and sales of stainless steel tubes and pipes; having incorporated for more than 30 years, the Company prides itself for being a long standing, much experienced, and professionally managed businesses in the industry.
- ◆ Backed by many years of experience, the Company constantly introduces new equipment and technology into production. With systematic production procedures, it applies strict quality control to ensure compliance with standards in the Republic of China, Japan, and the U.S. As a result, the Company's products are widely used by businesses local and abroad.
- ◆ The Company was the first among other manufacturers to have quality management system certified for ISO-9001 by Lloyd's Register of Shipping and the nation's Product Inspection Bureau. The Company's environmental management system was certified for ISO-14001 by Lloyd's Register of Shipping in 1999, and its quality assurance laboratory passed certification for CNLA later in 2001. Having products certified by professional institutions local and abroad is beneficial to the Company's competitiveness in the market.
- ◆ The Company not only has a sizable production capacity, but also possesses the flexibility to make products from 1/4-inch to 80-inch, and is therefore able to meet

- customers' diverse needs.
- ◆ Demand for stainless steel is expected to grow consistently, driven by applications such as aeronautics, nuclear power, automobiles, and robotics. Additionally, Taiwan consumers' preference for higher quality goods grows on the yearly basis. In fact, Taiwan's infrastructures remain inadequate compared to other developed countries, hence there is still significant room for growth of stainless steel tubes and pipes.

(2) Unfavorable Factors

- ◆ Ongoing increase in local wages causes manufacturing costs to rise.
- ◆ Nickel is a key material for making stainless steel, and the price of which is highly susceptible to international supply and demand. As a result, the price of stainless steel produced in Taiwan is easily affected by international nickel price.

(3) Response Strategies

- ◆ Improve manufacturing procedures through automation and efficiency enhancement.
- ◆ Closely monitor international markets for changes in nickel price, and prepare for adjusting of stainless steel price.

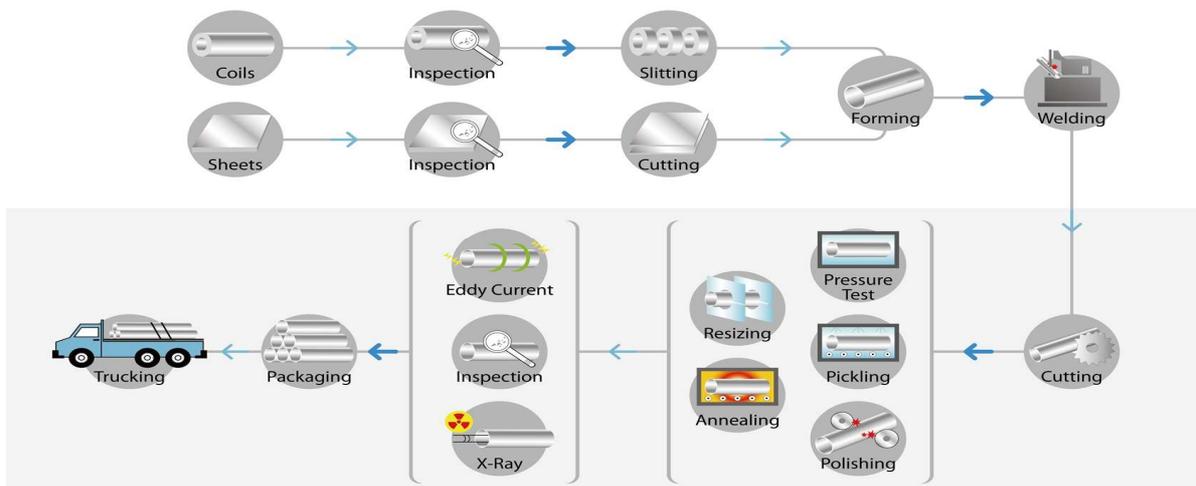
(II) Main Product Applications and Production Processes

1. Main Product Applications

The Company's main products currently include: stainless steel tubes, stainless steel pipes, stainless steel angle bars, and stainless steel flat bars. Stainless tubes and pipes manufacturing forms part of the basic materials sector, as it offers wide range of applications that are crucial to living and industrial activities. It is an essential material to light and heavy industries from furniture, transportation equipment, machinery manufacturing, petrochemical, construction, to metal processing. Purposes and functions of the Company's key products are summarized below:

| Main Products | Purpose |
|------------------|---|
| Tubes | Mechanical Structure, Renovation, Furniture, Hand Railing, Anti-theft Window, Hygiene Equipment, Heat Exchanger, Dairy Industry, etc. |
| Pipes | Anti-corrosion, High Temperature-resistant, High pressure-resistant, Semi-conductor, Petrochemical, Food and Beverage, Pulp and Paper, Dyeing, etc. |
| Sheets and Coils | Buildings, Furniture, Renovation, Kitchen Ware, Tanks and Vessels, etc. |

2. Production Process



3. Supply of Key Materials

Cold-rolled and hot-rolled stainless steel plates and coils are the key materials used by the Company. Stainless steel coils are sourced from domestic suppliers including YUSCO and Walsin Lihwa, and foreign suppliers including TISCO and Fujian Fuxin in Mainland China. Raw materials are sourced mainly from domestic suppliers, and new suppliers are progressively added to ensure the consistency and quality of supply. Overall, the Company expects ample supply of resources in the future.

4. Main Suppliers and Customers List

(1) Suppliers Representing More than 10% of Total Purchases in any of the Previous Two Years, and the Amount and Percentage of Purchase

Unit: NTD thousands; %

| Item | 2020 | | | | 2021 | | | | 2022 up until the First Quarter | | | |
|------|--------------|-----------|---|------------------------------|--------------|------------|---|------------------------------|---------------------------------|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of Annual Net Purchases (%) | Relationship with the Issuer | Name | Amount | As a Percentage of Annual Net Purchases (%) | Relationship with the Issuer | Name | Amount | As a Percentage of Annual Net Purchases (%) | Relationship with the Issuer |
| 1 | AAC | 2,022,037 | 23.88 | None | AAA | 2,126,398 | 17.05 | None | AAD | 935,513 | 29.70 | None |
| 2 | AAB | 1,524,002 | 18.00 | None | AAB | 1,881,687 | 15.09 | None | AAB | 762,969 | 24.22 | None |
| 3 | AAA | 1,409,877 | 16.65 | None | CAA | 1,768,314 | 14.18 | None | CAA | 430,943 | 13.68 | None |
| 4 | Others | 3,513,078 | 41.47 | None | Others | 6,693,211 | 53.68 | None | Others | 1,020,433 | 32.40 | None |
| | Net Purchase | 8,468,994 | 100.00 | - | Net Purchase | 12,469,610 | 100.00 | - | Net Purchase | 3,149,858 | 100.00 | - |

(2) Customers Representing More than 10% of Net Sales in any of the Previous Two Years, and the Amount and Percentage of Sale: None

5. Production Volume and Value in the Last Two Years

Unit: tonnes; NTD thousands

| Year | 2020 | | | 2021 | | |
|---------------------------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Production Volume/Value Main Products | | | | | | |
| Stainless Steel Tubes and Pipes | 192,000 | 115,612 | 7,215,071 | 210,000 | 125,517 | 9,136,267 |
| Stainless Steel Sheets and Coils | 60,000 | 31,970 | 1,969,372 | 60,000 | 37,668 | 2,852,0114 |
| Total | 252,000 | 147,582 | 9,184,443 | 270,000 | 163,185 | 11,988,278 |

6. Sales Volume and Value in the Last Two Years

Unit: tonnes; NTD thousands

| Sales Volume/Value Main Products | Year | 2020 | | | | 2021 | | | |
|----------------------------------|------|---------------|-----------|--------------|-----------|---------------|-----------|--------------|-----------|
| | | Domestic Sale | | Oversea Sale | | Domestic Sale | | Oversea Sale | |
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Stainless Steel Tubes and Pipes | | 35,858 | 2,542,640 | 83,307 | 5,915,642 | 39,925 | 3,662,983 | 88,120 | 7,860,742 |
| Stainless steel Sheet and Coils | | 17,748 | 952,762 | 17,396 | 1,121,724 | 23,189 | 1,735,825 | 22,088 | 1,942,394 |
| Others | | 327 | 24,008 | 41 | 4,171 | 21 | 25,225 | 97 | 11,603 |
| Total | | 53,933 | 3,519,410 | 100,744 | 7,041,537 | 63,135 | 5,424,033 | 110,305 | 9,814,739 |

III. Employee Information in the Last 2 Years up until the Publication Date of This Annual Report

| Employee Numbers in the Last 2 Years: | | March 31, 2022 | | |
|---------------------------------------|--------------------------|----------------|-------|----------------|
| Year | | 2020 | 2021 | March 31, 2022 |
| People | Indirect Labor | 515 | 506 | 489 |
| | Direct Labor | 415 | 401 | 421 |
| | Total | 930 | 907 | 910 |
| Average Age | | 39.17 | 40.25 | 40.51 |
| Average Years of Service | | 8.21 | 8.98 | 9.15 |
| Academic Background | Doctoral Degree | 1 | 1 | 1 |
| | Master's Degree | 9 | 8 | 8 |
| | Bachelor's Degree | 275 | 277 | 267 |
| | Senior High School | 448 | 418 | 407 |
| | Below Senior High School | 197 | 203 | 227 |

IV. Expenditure for Environmental Protection

The Company is a professional manufacturer of stainless steel tubes and pipes; it has wastewater treatment and dust collection equipment in place to mitigate environmental impact of processes such as polishing and pickling. Dedicated personnel have been assigned to supervise pollution treatment and prevention works on site as required by the Occupational Safety and Health Act, while an Environmental Protection Administration-certified institution has been engaged to conduct unscheduled inspections. These severe pollution prevention efforts are what enabled the Company to fully comply with the discharge standards imposed by the Environmental Protection Administration.

(I) Description of Compliance Regarding Pollution Facility Installation Permit, Payment of Pollution Prevention Expenses, or Appointment of Environmental Protection Personnel, where Required by Law:

1. Application for Pollutive Facility Installation Permit or Pollutant Discharge Permit

| Aspect | Certificate No. | Permit Validity |
|---|--------------------------------|-----------------------|
| Permit for Handling of Stationary Pollution Sources | Fu-Huan-Kon-Cao-Zheng-P0327-05 | 2020.07.02-2025.07.01 |
| Permit for Handling of Stationary Pollution Sources | Fu-Huan-Kon-Cao-Zheng-P0326-05 | 2020.06.08-2025.06.07 |
| Permit for Handling of Stationary Pollution Sources | Fu-Huan-Kon-Cao-Zheng-P0324-04 | 2017.07.10-2022.07.09 |

2. Payment of Pollution Prevention Expenses: None

3. Assignment of Dedicated Environmental Protection Personnel

| Name | Permit Category | Qualification Reference No. |
|---------------|----------------------------------|---------------------------------|
| Wen-Hsiou Lee | Class B Air Pollution Controller | 88-Huan-Shu-Shun-Zheng-FB260955 |
| Shu-Chen Lin | Class A Air Pollution Controller | 95-Huan-Shu-Shun-Zheng-FA070234 |

(II) Investment and Purpose in Pollution Prevention Equipment, and Possible Benefits

December 31, 2021

| Name of Equipment | Set | Date Acquired | Cost of Investment | Remaining Book Value | Purpose and Expected Benefits |
|----------------------------------|-------|---------------|--------------------|----------------------|--|
| Wastewater Treatment for Plant 1 | 1 set | 1991.12 | 3,571,428 | 0 | To Ensure that Discharge of Wastewater Complied with Environmental Protection Requirements |
| Wastewater Treatment for Plant 2 | 1 set | 1996.06 | 12,292,306 | 1,441,467 | |

(III) Efforts Undertaken by the Company to Rectify Pollution in the Last Two Years and up until the Publication Date of Annual Report; in Case where Dispute had Arisen due to Pollution, Describe the Progress of Such Dispute: None

(III) Losses and Penalties Suffered due to Pollution of the Environment in the Last Two Years up until the Publication Date of Annual Report; Disclose Future Response Strategies and Possible Expenses:

The Company was fined NTD60,000 by Yunlin County Environmental Protection Bureau on April 17, 2020 for inconsistency of approved issues stated in its waste clearing proposal. This incident did not cause any pollution to the environment, but the Company was required to apply proper storage and labeling of such waste, and assign responsible personnel to undergo 2 hours of environmental training.

(V) Describe the Current State of Pollution and how Improvements may Affect the Company's Earnings, Competitiveness, and Capital Expenditure; Estimate Major Capital Expenditures on Environmental Protection in the Next 3 Years: None

(VI) Compliance with EU ROHS Directives:

All of the Company's products comply with ROHS, hence the standard has no significant impact on the Company's business and financial performance.

V. Labor Relations

(I) Welfare Measures and Implementation

1. The Company founded "Froch Enterprise Co., Ltd. Employee Welfare Committee" and created a set of Employee Welfare Committee Basic Principles in December 1994. The Employee Welfare Committee has a total of 9 members; one member position is reserved for the Chairman, whereas the remainder is elected by employees.
2. Employee Welfare Committee meetings are held at least once every six months and may be called on a special meeting if necessary. The committee organizes various activities such as year-end party, lotteries, birthday celebration, and domestic and foreign trips, etc.
3. Social Insurance Coverage and Protections are Provided for Employees who are Entitled Under Local Laws.

The Company has always been mindful of employees' compensation and benefits, and strives to create a positive and joyful work environment through talent training, enforcement of labor regulations, and protection of employees' interests. Employees are able to communicate and resolve issues with the Company through channels such as departmental meetings and labor-management meetings. The Company adopts a human-oriented management approach, advocating unity and cohesiveness between labor and management as the key to ongoing performance enhancement and sustained growth.

(II) Education and Training

1. Training activities are arranged by the Education and Training Committee. The committee plans and executes training courses depending on the integrated needs of employees of different grades and functions, and is responsible for the evaluation and training of internal instructors as well as the selection of external instructors.

2020 Progress:

(1) All Employees:

| Internal Training | | | | External Training | | | |
|---|--------|----------------------|---------|--|--------|----------------------|---------|
| Course | People | Course Duration (HR) | Expense | Course | People | Course Duration (HR) | Expense |
| Internal Quality Auditing Personnel Training | 18 | 4.0 | | Practice of Internal Auditing and Control Operations | 3 | 6.0 | 10,232 |
| Slitting Operations Training | 62 | 3.0 | | Establishment of Self-management System and Safety and Health Hazards Identification Seminar | 4 | 4.0 | 804 |
| Packaging Operations Training | 65 | 1.0 | | Career Planning of Mandatory Retired Senior Workforce | 2 | 8.0 | |
| Polishing Operations Training | 53 | 2.0 | | Radiation Safety Training | 8 | 6.0 | 5,346 |
| Emergency Response for Malfunctioning of Air Pollution Prevention Equipment and Leakage of Pollutions | 28 | 1.0 | | Radiation Protection Training | 1 | 6.0 | 2,958 |
| Quality Inspection Standards Training | 51 | 6.5 | | Occupational Safety and Health Seminar | 1 | 4.0 | |
| Annealing Operations Training | 33 | 2.0 | | Occupational Safety and Health Training | 1 | 4.0 | |
| Equipment Operations and Maintainance | 256 | 1.0 | | Evaluation of Occupational Safety and Health Exposure Seminar | 1 | 7.0 | 1,008 |
| Stocking Operations Training | 44 | 2.0 | | | | | |
| Sheet Cutting Operations Training | 10 | 1.0 | | | | | |
| Information Security Training | 91 | 1.5 | | | | | |
| Information Operations Training | 7 | 16.0 | | | | | |
| Pipe Mills Operations Training | 469 | 6.0 | | | | | |
| Sales Operations Training | 28 | 6.0 | | | | | |
| Inspection and Testing Training | 22 | 12.0 | | | | | |
| Occupational Safety and Health Training | 150 | 1.5 | | | | | |

(2) Executives:

| Date | Course | Organizer | Participants | Title | Hours |
|------------|---|---|-----------------|----------------|-------|
| 2021/10/21 | 1. Plan Ahead and Talk About Sustainable Management of Enterprise Operation 2. Changes in the 5G Era: Industrial Upgrading, Future Business Applications and the New Normality in the Post-Epidemic Era. | Taiwan Corporate Governance Association | Ping-Yiao Chang | President | 6 |
| | | | Hsin-Ta Chang | Vice President | 6 |
| | | | Chao-Chi Yang | Division Head | 6 |
| | | | Yi-Cheng Shih | Division Head | 6 |

2. The Company encourages employees to obtain certifications that are relevant to their work duties, and to share their knowledge, concepts, and techniques among colleagues. Any certificates obtained are updated onto professional employees' profile sheet and taken into consideration during performance evaluation.

(III) Pension System and Execution

The Company assembled its Labor Pension Supervisory Committee in October 1986 according to the Labor Standards Act. A set of Employee Retirement Rules has been created and is approved by Yunlin County Government under Letter No. Fu-Lao-Dong-0941502404. Following the implementation of new "Labor Pension Act" in July 1, 2005, employees who opted for the old scheme are still subject to the abovementioned retirement policy, whereas employees who opted for the new scheme have had monthly pension contributions paid at 6% of salary into their respective pension accounts.

(IV) Work Environment and Implementation of Employee Safety and Protection Measures

(1) Some of the Company's production equipment operate under environments such as high heat (e.g. annealing furnace), dust (e.g. polishing), and noise. These environments are tested by external service providers every six months as required by law. The Company deployed cooling equipment at appropriate locations to reduce environmental temperature that are susceptible to high heat; furthermore, saline supplements are provided and prevention awareness is being promoted to address safety concerns in high heat environment. As for dusty and noisy environments, the Company installed dust collection devices and makes proper adjustments to working hours and shifts so that workers are not exposed to a single environment for prolonged periods of time. Employees working in special environments are also entitled to specialized health examinations. Furthermore, employees are encouraged to communicate and reflect potential hazards in the working environment, and in doing so contribute to the creation of a zero-hazard workplace.

(2) The Company sees employees as its important asset, and therefore recognizes employees' secure life as part of its corporate mission, for which it strives to create a workplace culture of safety, non-discrimination, and mutual respect.

(3) Equipment Safety:

- Hazardous machines (cranes, pressure vessels etc.) are inspected by professional third parties on a yearly basis, and inspection results are retained on record.
- Contractors are informed of safety and environmental protection issues when contracting and whenever work is performed on site. Contractors are also required to sign a "Contractor Pre-work Safety Notice" as acknowledgment.
- Operators are required to wear safety helmets and ear plugs.

(4) Environmental Health:

- 5S random inspections are being performed.

(5) Healthcare:

- Existing employees are subjected to general health examination once a year.
- Employees working in an X-RAY environment are subjected to special health examination once a year.
- Health examinations must be conducted by medical institutions jointly approved by the Ministry of Labor and the Ministry of Health and Welfare, Executive Yuan.
- Any occupational injury occurred at the workplace must be tended to immediately, and followed up with investigation and analysis and filed on record.

(6) Fire Safety:

- The Company has complete fire safety system such as sprinklers, escape sling, emergency lighting etc. installed according to the Fire Services Act.

(V) Corporate Social Responsibilities (CSR)

The Company allocates resources to sponsor charity, the underprivileged, and development of cultural capacity in local areas. Examples of actions taken to promote CSR image include:

- Participating in the "Caring Library" program by Taiwan Reading Culture Foundation, where the Company purchased and donated 50 cartons of books to co-reading organizations, and organized the training of the head readers of reading clubs to promote reading habit and level among the public.
- Sponsoring concert performance featuring the Taichung City Symphony Orchestra, and in doing so spread the art of music to the local community and general public for a more harmonic society.
- Sponsoring Huashan Social Welfare Foundation and Genesis Social Welfare Foundation as a gesture of cohesiveness.

(VI) Work and Professional Ethics

The Company has a set of "Employee Management Policy" that outlines the level of work and professional ethics expected from employees. The following are the rules that employees are expected to follow:

1. Comply with employee manual, internal regulations, announcements, and departmental instructions.
2. Protect the Company's reputation, and refrain from commenting publicly on issues that concern the Company's interests unless permitted.
3. Duly perform duties and maintain confidentiality of any business matters.
4. Take good care of company properties and exercise cost awareness; no bringing company properties off premises unless permitted.
5. Engage external parties with modesty; no despising or humiliating the counterpart nor conducting any action that compromises the Company's reputation.
6. Teamworking and refrain from quarreling, fighting, slandering, or any action that disrupts the proper order.
7. Avoid strike, sloppiness, and any action that undermines production or operations.
8. Obligation to protect the Company. Take initiative in salvaging, rescuing, and performing security works in the event of natural disaster or accident.
9. For the security of the Company's network environment, do not download image, music, or video files over the internet or log in to websites that are irrelevant to work.
10. Refrain from speaking or acting out of moral standards to the extent that violates or degrades on the dignity, personal freedom, or job performance of other employees.
11. A sexual harassment complaint mailbox has been placed at the security office to be used as a grievance channel.

Employees are evaluated on a monthly basis using a variety of indicators to ensure compliance with the above rules and to promote proper values.

(VII) Employment Agreements and Disputes

The Company has always adopted a self management approach that involves all parties in business operations. Through proposals, monthly departmental meetings, and operational meetings, employees are able to communicate with the management on any issue from production-sales coordination, business performance, to workforce updates. The Company has been able to maintain harmonic employment relations, and hence no employment dispute or loss had occurred.

(VIII) Losses Arising as a Result of Employment Dispute in the Last Two Years up until the Publication Date of This Annual Report; Quantify the Estimated Losses and State any Response Actions, as well as Reasons if Losses Cannot Be Reasonably Estimated:

According to the decision of Lao-Zhi-Shou 1100200192 issued on January 20, 2021, the Company did not follow the rule stipulated per Paragraph 1, Article 57, Occupational Safety Facility Regulation, to stop the machine running. It resulted Chin to suffer from occupational injury on December 9, 2020. The Company violated Subparagraph 1, Paragraph 1, Article 6 of the Occupational Safety Facility Regulation and was fined NTD60,000.

The Company will take proper care of Chin, pay for the medical expenses, apply insurance claim, and reconcile with Chin. He will resume work with the Company after recovery. The Company shall enhance the education of occupational safety and the installment of necessary safety and health facilities and endeavors.

(IX) Certification of Personnel Involved in Finance Information: Preparing.

VI. Insider Material Information Handling Procedures:

The Company has established a set of "Insider Material Information Handling Procedures" to promote proper handling and disclosure while prevent improper leakage of insider material information, and thereby ensure the consistency and accuracy of information disseminated to the outside world. Furthermore, executives of the Company proactively participate in corporate governance-related training courses.

VII. Major Contracts:

| Nature of Contract | Parties Involved | Contract Start/End Date | Key Content | Restrictive Clauses |
|---------------------------|---|-------------------------|------------------------------------|---|
| Syndicated Loan Agreement | A syndicate of 10 lenders including Land Bank of Taiwan | 2018.12.18 - 2025.12.17 | Total credit limit: NTD4.5 billion | 1. Current ratio must not fall below 100% (inclusive); 2. Debt ratio must not exceed 250% (inclusive); 3. Shareholders' equity must not fall below NTD2.8 billion; 4. Interest coverage ratio must be above 2 times (inclusive). |

Six. Financial Overview

I. Concise Balance Sheet and Comprehensive Income Statement for the Last 5 Years

(I) Concise Individual Balance Sheet – Enterprise Accounting Standard (EAS) compliant

Unit: NTD thousands

| Year Account | | Financial Information for the Last 5 Years | | | | |
|--|-----------------|--|-----------|-----------|------------|------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Current Assets | | 4,404,719 | 4,561,915 | 4,069,936 | 4,498,188 | 6,814,165 |
| Property, Plant and Equipment | | 2,893,887 | 2,856,862 | 2,985,737 | 3,215,921 | 3,219,692 |
| Intangible Assets | | 0 | 0 | 0 | 0 | 0 |
| Other Assets | | 2,353,381 | 2,525,428 | 2,710,378 | 2,834,897 | 3,241,097 |
| Total Assets | | 9,651,987 | 9,944,205 | 9,766,051 | 10,549,006 | 13,274,954 |
| Current Liabilities | before Dividend | 4,218,996 | 4,172,735 | 3,038,848 | 3,541,001 | 5,486,104 |
| | after Dividend | 4,494,154 | 4,459,261 | 3,182,111 | 3,681,264 | 6,047,156 |
| Non-current Liabilities | | 2,286,692 | 1,742,659 | 2,733,854 | 3,098,636 | 2,833,999 |
| Total Liabilities | before Dividend | 6,250,712 | 5,915,394 | 5,772,702 | 6,639,637 | 8,320,103 |
| | after Dividend | 6,332,285 | 6,201,920 | 5,915,965 | 6,779,900 | 8,881,155 |
| Equity Attributable to Parent Company Shareholders | | 3,281,120 | 4,028,811 | 3,993,349 | 3,909,396 | 4,954,851 |
| Share Capital | | 2,865,260 | 2,865,260 | 2,865,260 | 2,865,260 | 2,805,260 |
| Capital Reserves | | 408,841 | 444,012 | 464,646 | 463,471 | 463,471 |
| Retained Earnings (Cumulative Losses) | before Dividend | 660,498 | 927,027 | 910,404 | 871,528 | 1,936,088 |
| | after Dividend | 385,340 | 640,501 | 767,141 | 731,265 | 1,375,036 |
| Other Equities | | (109,656) | (144,960) | (246,961) | (230,890) | (249,968) |
| Treasury Stock | | (143,708) | (62,528) | 0 | 0 | 0 |
| Non-controlling Interests | | 0 | 0 | 0 | 0 | 0 |
| Total Equity | before Dividend | 3,681,235 | 4,028,811 | 3,993,349 | 3,909,396 | 4,954,851 |
| | after Dividend | 3,406,077 | 3,742,285 | 3,850,086 | 3,769,106 | 4,393,799 |

(II) Concise Consolidated Balance Sheet

Unit: NTD thousands

| Year Account | | Financial Information for the Last 5 Years (Note 1) | | | | | |
|--|-----------------|---|------------|------------|------------|------------|------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 Q1 |
| Current Assets | | 6,289,379 | 6,356,586 | 6,257,013 | 7,066,286 | 9,641,081 | 9,615,451 |
| Property, Plant and Equipment | | 4,063,746 | 3,988,659 | 4,145,835 | 4,376,031 | 4,506,451 | 4,546,960 |
| Intangible Assets | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Assets | | 122,895 | 174,028 | 232,399 | 225,675 | 281,628 | 272,513 |
| Total Assets | | 10,476,020 | 10,519,273 | 10,635,247 | 11,667,992 | 14,429,160 | 14,434,924 |
| Current Liabilities | before Dividend | 5,035,543 | 4,739,598 | 3,895,107 | 4,643,101 | 6,625,658 | 6,188,051 |
| | after Dividend | 5,310,701 | 5,026,124 | 4,038,370 | 4,783,364 | 7,186,710 | 6,188,051 |
| Non-current Liabilities | | 1,759,242 | 1,750,864 | 2,746,791 | 3,115,522 | 2,848,651 | 2,826,938 |
| Total Liabilities | before Dividend | 6,794,785 | 6,490,462 | 6,641,898 | 7,758,623 | 9,474,309 | 9,014,989 |
| | after Dividend | 7,069,943 | 6,776,988 | 6,785,161 | 7,898,886 | 10,035,361 | 9,014,989 |
| Equity Attributable to Parent Company Shareholders | | 3,681,235 | 4,028,811 | 3,993,349 | 3,909,369 | 4,954,851 | 5,419,935 |
| Share Capital | | 2,865,260 | 2,865,260 | 2,865,260 | 2,805,260 | 2,805,260 | 2,805,260 |
| Capital Reserves | | 408,841 | 444,012 | 464,646 | 463,471 | 463,471 | 463,471 |
| Retained Earnings (Cumulative Losses) | before Dividend | 660,498 | 927,027 | 910,404 | 871,528 | 1,936,088 | 2,285,433 |
| | after Dividend | 385,340 | 640,501 | 767,141 | 731,265 | 1,375,036 | 2,285,433 |
| Other Equities | | (109,656) | (144,960) | (246,961) | (230,890) | (249,968) | (134,229) |
| Treasury Stock | | (143,708) | (62,528) | 0 | 0 | 0 | 0 |
| Non-Controlling Interests | | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Equity | before Dividend | 3,681,235 | 4,028,811 | 3,993,349 | 3,909,369 | 4,954,851 | 5,419,935 |
| | after Dividend | 3,406,077 | 3,742,285 | 3,850,086 | 3,769,106 | 4,393,799 | 5,419,935 |

Note 1: Financial information for 2022 Q1 was audited by CPA.

(III) Concise Individual Comprehensive Income Statement - Enterprise Accounting Standard (EAS) compliant

Unit: NTD thousands except for earnings per share, which is in NTD

| Year Account | Financial Information for the Last 5 Years | | | | |
|--|--|-----------|-----------|-----------|------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Sales Revenue | 9,795,067 | 9,824,825 | 8,708,539 | 7,745,032 | 11,540,839 |
| Gross Profit | 1,192,278 | 1,219,516 | 783,960 | 618,023 | 2,151,559 |
| Operating Profit (Loss) | 600,844 | 582,040 | 257,686 | 82,379 | 1,247,397 |
| Non Operating Income and Expenses | 45,003 | 131,706 | 79,095 | 58,190 | 260,849 |
| Pre-Tax Profit | 645,847 | 713,746 | 336,781 | 140,529 | 1,508,246 |
| Net Income from Continuing Operations | 538,110 | 544,078 | 268,254 | 108,351 | 1,204,560 |
| Loss from Discontinued Operations | 0 | 0 | 0 | 0 | 0 |
| Net Income (Loss) | 538,110 | 544,078 | 268,254 | 108,351 | 1,204,560 |
| Other Comprehensive Income | (50,166) | (37,695) | (100,352) | 12,107 | (18,815) |
| Total Comprehensive Income | 487,944 | 506,383 | 167,902 | 120,458 | 1,185,745 |
| Net Income Attributable to Parent Company Shareholders | 538,110 | 544,078 | 268,254 | 108,351 | 1,204,560 |
| Net Income Attributable to Non-controlling Equities | 0 | 0 | 0 | 0 | 0 |
| Comprehensive Income Attributable to Parent Company Shareholders | 487,944 | 506,383 | 167,902 | 120,458 | 1,185,745 |
| Comprehensive Income Attributable to Non-controlling Equities | 0 | 0 | 0 | 0 | 0 |
| EPS | 1.98 | 1.97 | 0.94 | 0.38 | 4.29 |

(IV) Concise Consolidated Comprehensive Income Statement

Unit: NTD thousands except for earnings per share, which is in NTD

| Year Account | Financial information for the last 5 years (Note 1) | | | | | |
|--|---|------------|------------|------------|------------|-----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 Q1 |
| Sales Revenue | 12,641,864 | 13,404,359 | 11,984,206 | 10,560,947 | 15,238,772 | 4,446,083 |
| Gross Profit | 1,609,992 | 1,788,611 | 1,219,082 | 938,028 | 2,816,637 | 756,169 |
| Operating Profit (Loss) | 838,472 | 942,591 | 498,072 | 234,868 | 1,726,963 | 449,404 |
| Non Operating Income and Expenses | (123,725) | (149,113) | (104,803) | (46,552) | (69,138) | 3,764 |
| Pre-Tax Profit | 714,747 | 793,478 | 393,269 | 188,316 | 1,657,825 | 453,168 |
| Net Income from Continuing Operations | 538,110 | 544,078 | 268,254 | 108,351 | 1,204,560 | 349,345 |
| Loss from Discontinued Operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Income (Loss) | 538,110 | 544,078 | 268,254 | 108,351 | 1,204,560 | 349,345 |
| Other Comprehensive Income | (50,166) | (37,695) | (100,352) | 12,107 | (18,815) | 115,739 |
| Total Comprehensive Income | 487,944 | 506,383 | 167,902 | 120,458 | 1,185,745 | 465,084 |
| Net Income Attributable to Parent Company Shareholders | 538,110 | 544,078 | 268,254 | 108,351 | 1,204,560 | 349,345 |
| Net Income Attributable to Non-controlling Equities | 0 | 0 | 0 | 0 | 0 | 0 |
| Comprehensive Income Attributable to Parent Company Shareholders | 487,944 | 506,383 | 167,902 | 120,458 | 1,185,745 | 465,084 |
| Comprehensive Income Attributable to Non-controlling Equities | 0 | 0 | 0 | 0 | 0 | 0 |
| EPS | 1.98 | 1.97 | 0.94 | 0.38 | 4.29 | 1.25 |

Note 1: Financial information for 2022 Q1 was audited by CPA.

(V) Names of Financial Statements Auditors in the Last 5 Years and Audit Opinions

1. Names of Financial Statement Auditors in the Last 5 Years and Audit Opinions

| Year | Accounting firm | Name of CPA | Opinion |
|------|--------------------------|-------------------------------|--------------------|
| 2017 | Deloitte & Touche Taiwan | Shiao-Fang Yen, Li-Tong Wu | Unmodified Opinion |
| 2018 | Deloitte & Touche Taiwan | Ting-Chien Su, Shiao-Fang Yen | Unmodified Opinion |
| 2019 | Deloitte & Touche Taiwan | Ting-Chien Su, Li-Tong Wu | Unmodified Opinion |
| 2020 | Deloitte & Touche Taiwan | Ting-Chien Su, Li-Tong Wu | Unmodified Opinion |
| 2021 | Deloitte & Touche Taiwan | Ting-Chien Su, Li-Tong Wu | Unmodified Opinion |

2. Reason for Change of CPA in the Last 5 Years

The change in the Company's financial statement auditor was due to internal rotation within the accounting firm.

II. Financial Analysis for the Last 5 Years

(I) Individual Financial Analysis - Enterprise Accounting Standard (EAS) compliant

| Analysis | | Year | Financial Information for the Last 5 Years (Note 1) | | | | |
|----------------------|--|---|---|--------|--------|--------|---------|
| | | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Financial Structure | Debt to Assets Ratio (%) | | 61.86 | 59.49 | 59.11 | 62.94 | 62.68 |
| | Long-Term Capital to Property, Plant and Equipment Ratio (%) | | 187.74 | 202.02 | 225.31 | 217.92 | 241.91 |
| Solvency | Current Ratio (%) | | 104.40 | 109.33 | 133.93 | 127.03 | 124.21 |
| | Quick Ratio (%) | | 33.79 | 31.52 | 36.93 | 34.68 | 32.76 |
| | Times Interest Earned (Times) | | 6.82 | 7.22 | 4.19 | 2.45 | 17.01 |
| Operating Efficiency | Receivables Turnover (Times) | | 10.54 | 10.66 | 10.50 | 10.00 | 11.34 |
| | Average Cash Collection Days | | 35 | 34 | 35 | 36 | 32 |
| | Inventory Turnover (Times) | | 2.95 | 2.81 | 2.59 | 2.32 | 2.29 |
| | Accounts Payable Turnover (Times) | | 80.36 | 56.49 | 49.54 | 48.14 | 58.26 |
| | Average Inventory Turnover Days | | 124 | 130 | 141 | 158 | 159 |
| | Property, Plant and Equipment Turnover (Times) | | 3.36 | 3.42 | 2.98 | 2.50 | 3.59 |
| | Total Asset Turnover (Times) | | 1.02 | 1.00 | 0.88 | 0.76 | 0.97 |
| Profitability | Return on Assets (%) | | 6.57 | 6.49 | 3.58 | 1.83 | 10.74 |
| | Return on Equity (%) | | 15.46 | 14.11 | 6.69 | 2.74 | 27.18 |
| | Pre-tax Profit to Paid-up Capital (%) | | 22.54 | 24.91 | 11.75 | 5.01 | 53.76 |
| | Net Profit Margin (%) | | 5.49 | 5.54 | 3.08 | 1.40 | 10.44 |
| | EPS (NTD) | | 1.98 | 1.97 | 0.94 | 0.38 | 4.29 |
| Cash Flow | Cash Flow Ratio (%) | | 13.32 | 11.64 | 17.92 | (5.07) | (12.90) |
| | Cash Flow Adequacy Ratio (%) | | 132.86 | 111.87 | 134.88 | 86.44 | 34.61 |
| | Cash Reinvestment Ratio (%) | | 6.60 | 2.72 | 3.03 | (3.61) | (12.69) |
| Degree of Leverage | Operating Leverage | | 1.18 | 1.18 | 1.55 | 2.77 | 1.13 |
| | Financial Leverage | | 1.23 | 1.25 | 1.69 | (5.75) | 1.08 |
| | | <p>Please Elaborate Reasons for Changes in Financial Ratio in the Last 2 Years. (Unnecessary if the Variation was Less than 20%)</p> <ol style="list-style-type: none"> 1. Operating Capability The turnover rate of real property, plant and equipment and the turnover rate of total assets increased significantly due to the significant increase in operating revenue. 2. Solvency and Profitability Times Interest Earned, Return on Assets, Return on Equity, Pre-tax Profit to Paid-up Capital, Net Profit Margin, and EPS have risen as they were all affected by beneficial nickel price changes that resulted in expanding the profit spread on inventory with lower cost. 3. Cash Flow Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Reinvestment Ratio had decreased or become negative as they were affected by cash outflow from operating activities, due to the purchase increase of the inventory. 4. Degree of Leverage Operating Leverage decreased, due to the increase of operating profits. Financial Leverage turned positive, due to larger increase of operating profits than financial cost savings, mainly. | | | | | |

(II) Consolidated Financial Analysis

| Analysis | | Financial Information for the Last 5 Years (Note 1) | | | | | |
|--|--|--|--------|--------|--------|--------|--------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022Q1 |
| Financial Structure | Debt to Assets Ratio (%) | 64.86 | 61.70 | 62.45 | 66.49 | 65.66 | 62.45 |
| | Long-Term Capital to Property, Plant and Equipment Ratio (%) | 133.88 | 144.90 | 162.58 | 160.53 | 173.16 | 181.37 |
| Solvency | Current Ratio (%) | 124.90 | 134.12 | 160.64 | 152.19 | 145.51 | 155.39 |
| | Quick Ratio (%) | 47.09 | 49.44 | 61.90 | 56.91 | 50.39 | 59.44 |
| | Times Interest Earned (Times) | 6.44 | 6.68 | 4.19 | 2.70 | 16.71 | 13.63 |
| Operating Efficiency | Receivables Turnover (Times) | 11.11 | 11.01 | 10.55 | 10.28 | 11.38 | 10.02 |
| | Average Cash Collection Days | 33 | 33 | 35 | 36 | 32 | 36 |
| | Inventory Turnover (Times) | 3.04 | 2.97 | 2.76 | 2.37 | 2.37 | 2.46 |
| | Payables Turnover (Times) | 99.58 | 74.09 | 65.17 | 63.41 | 75.22 | 65.55 |
| | Average Inventory Turnover Days | 120 | 123 | 132 | 154 | 154 | 148 |
| | Property, Plant and Equipment Turnover (Times) | 3.06 | 3.33 | 2.92 | 2.53 | 3.43 | 3.93 |
| | Total Asset Turnover (Times) | 1.21 | 1.28 | 1.13 | 0.95 | 1.17 | 1.23 |
| Profitability | Return on Assets (%) | 6.17 | 6.25 | 3.47 | 1.77 | 9.88 | 10.3 |
| | Return On Equity (%) | 15.46 | 14.11 | 6.69 | 2.74 | 27.18 | 26.94 |
| | Pre-tax Profit to Paid-up Capital (%) | 24.94 | 27.69 | 13.73 | 6.71 | 59.10 | 49.81 |
| | Net Profit Margin (%) | 4.26 | 4.06 | 2.24 | 1.03 | 7.90 | 7.86 |
| | EPS (NTD) | 1.98 | 1.97 | 0.94 | 0.38 | 4.29 | 1.25 |
| Cash Flow | Cash Flow Ratio (%) | 9.20 | 18.04 | 19.11 | (4.52) | (7.49) | 11.84 |
| | Cash Flow Adequacy Ratio (%) | 128.52 | 121.92 | 145.65 | 96.66 | 21.55 | 45.94 |
| | Cash Reinvestment Ratio (%) | 4.85 | 6.92 | 4.97 | (3.63) | (5.85) | 6.54 |
| Degree of Leverage | Operating Leverage | 1.22 | 1.19 | 1.45 | 2.01 | 1.15 | 1.14 |
| | Financial Leverage | 1.19 | 1.17 | 1.33 | 1.89 | 1.07 | 1.07 |
| Please Elaborate Reasons for Changes in Financial Ratio in the Last 2 Years. (Unnecessary if the Variation was Less than 20%) | | | | | | | |
| 1. Operating Capability | | The turnover rate of real property, plant and equipment and the turnover rate of total assets increased significantly due to the significant increase in operating revenue. | | | | | |
| 2. Solvency and Profitability | | Times Interest Earned, Return on Assets, Return on Equity, Pre-tax Profit to Paid-up Capital, Net Profit Margin, and EPS have risen as they were all affected by beneficial nickel price changes that resulted in expanding the interest rate spread on inventory with lower cost. | | | | | |
| 3. Cash Flow | | Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Reinvestment Ratio had decreased or become negative as they were affected by cash outflow from operating activities, due to the purchase increase of the inventory. | | | | | |
| 4. Degree of Leverage | | Operating Leverage decreased, due to the increase of operating profits. Financial Leverage turned positive, due to larger increase of operating profits than financial cost savings, mainly. | | | | | |

(III) Formula of Financial Analysis

1. Financial Structure

- (2) Debt to asset ratio = total liabilities/ total assets.
- (3) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Times Interest Earned = net profit before interest and tax / interest expenses for the current period.

3. Operating Efficiency

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales / average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = (after tax net income + interest expenses x (1- tax rate)) / average asset balance.
- (2) Return on equity = after tax net income / average shareholders' equity.
- (3) Net profit margin = after tax net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / (capital expenditure + increase in inventory + cash dividends) for the last 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

- (1) Degree of operating leverage = (net sales - variable operating costs and expenses) / operating profit.
- (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

Froch Enterprise Co., Ltd.

Audit Committee's Review Report

We have reviewed the Company's 2021 business report, financial statements (including individual and consolidated financial statements), and earnings appropriation proposal prepared by the Board of Directors. The financial statements (including individual and consolidated financial statements) have been audited by CPAs Ting-Chien Su and Li-Tong Wu of Deloitte & Touche Taiwan, with which they issued an independent auditor's report of unmodified opinion. The Audit Committee has found no misstatement in the above business reports, financial statements, or earnings appropriation. We hereby report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

Hereby presented for approval.

The 2022 Annual General Meeting

Froch Enterprise Co., Ltd.

Audit Committee convener

March 17, 2022



IV. Latest Individual Financial Statements and Independent Auditor's Report:
Please see pages 73 to 146 of this annual report

V. Latest Consolidated Financial Statements and Independent Auditor's Report:
Please see pages 147 to 208 of this annual report

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD.
**BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

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

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

FROCH ENTERPRISE CO., LTD.

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

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

(Continued)

FROCH ENTERPRISE CO., LTD.

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

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

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

(Concluded)

FROCH ENTERPRISE CO., LTD.

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

| | Ordinary Shares (Note 16) | Capital Surplus (Note 16) | Retained Earnings (Note 16) | | | Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations | Treasury Shares (Note 16) | Total Equity |
|---|------------------------------|------------------------------|-----------------------------|-------------------|----------------------------|---|------------------------------|---------------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | |
| BALANCE AT JANUARY 1, 2020 | \$ 2,865,260 | \$ 464,646 | \$ 171,117 | \$ 144,960 | \$ 594,327 | \$ (246,961) | \$ - | \$ 3,993,349 |
| Appropriation of 2019 earnings | | | | | | | | |
| Legal reserve | - | - | 26,990 | - | (26,990) | - | - | - |
| Special reserve | - | - | - | 102,001 | (102,001) | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (143,263) | - | - | (143,263) |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 108,351 | - | - | 108,351 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (3,964) | 16,071 | - | 12,107 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 104,387 | 16,071 | - | 120,458 |
| Buy-back of ordinary shares | - | - | - | - | - | - | (61,175) | (61,175) |
| Cancelation of treasury shares | (60,000) | (1,175) | - | - | - | - | 61,175 | - |
| BALANCE AT DECEMBER 31, 2020 | <u>2,805,260</u> | <u>463,471</u> | <u>198,107</u> | <u>246,961</u> | <u>426,460</u> | <u>(230,890)</u> | <u>-</u> | <u>3,909,369</u> |
| Appropriation of 2020 earnings | | | | | | | | |
| Legal reserve | - | - | 10,439 | - | (10,439) | - | - | - |
| Special reserve | - | - | - | (16,071) | 16,071 | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (140,263) | - | - | (140,263) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 1,204,560 | - | - | 1,204,560 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | 263 | (19,078) | - | (18,815) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 1,204,823 | (19,078) | - | 1,185,745 |
| BALANCE AT DECEMBER 31, 2021 | <u>\$ 2,805,260</u> | <u>\$ 463,471</u> | <u>\$ 208,546</u> | <u>\$ 230,890</u> | <u>\$ 1,496,652</u> | <u>\$ (249,968)</u> | <u>\$ -</u> | <u>\$ 4,954,851</u> |

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

FROCH ENTERPRISE CO., LTD.

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

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

(Continued)

FROCH ENTERPRISE CO., LTD.

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

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

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

(Concluded)

FROCH ENTERPRISE CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

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

d. Foreign currencies

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

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

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

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

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

g. Property, plant and equipment

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

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

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

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

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

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

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

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

i. Financial instruments

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

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

Financial assets

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

a. Measurement categories

1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

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

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

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

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

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

b. Impairment of financial assets

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

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

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

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

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

j. Revenue recognition

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

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

k. Leasing

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

1) The Company as lessor

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

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold

interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

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

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

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

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

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

1. Borrowing costs

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of inventories

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

6. CASH

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

7. FINANCIAL INSTRUMENTS AT FVTPL

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

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

a. Notes receivable

The aging of notes receivable is as follows:

| | <u>December 31</u> | |
|--------------|--------------------|-------------------|
| | 2021 | 2020 |
| Not past due | \$ 229,235 | \$ 134,588 |
| Past due | <u>-</u> | <u>-</u> |
| | <u>\$ 229,235</u> | <u>\$ 134,588</u> |

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

| | Not Past Due | 1 to 30 Days | 31 to 60 Days | 61 to 90 Days | 91 to 120 Days | 121 to 180 Days | 181 to 365 Days | | Total |
|--------------------------------|--------------|--------------|---------------|---------------|----------------|-----------------|-----------------|----------|-------------|
| <u>December 31, 2021</u> | | | | | | | | | |
| Expected credit loss rate | - | 1% | 5% | 15% | 30% | 45% | 70% | 100% | |
| Gross carrying amount | \$ 949,711 | \$ 40,711 | \$ 7,446 | \$ 8,110 | \$ 437 | \$ 538 | \$ 9 | \$ 1,389 | \$1,008,351 |
| Loss allowance (Lifetime ECLs) | - | (407) | (373) | (1,217) | (131) | (242) | (6) | (1,389) | (3,765) |
| Amortized cost | \$ 949,711 | \$ 40,304 | \$ 7,073 | \$ 6,893 | \$ 306 | \$ 296 | \$ 3 | \$ - | \$1,004,586 |
| <u>December 31, 2020</u> | | | | | | | | | |
| Expected credit loss rate | - | 1% | 5% | 15% | 30% | 45% | 70% | 100% | |
| Gross carrying amount | \$ 630,743 | \$ - | \$ 5,872 | \$ 482 | \$ - | \$ 1,389 | \$ - | \$ - | \$ 638,486 |
| Loss allowance (Lifetime ECLs) | - | - | (294) | (72) | - | (625) | - | - | (991) |
| Amortized cost | \$ 630,743 | \$ - | \$ 5,578 | \$ 410 | \$ - | \$ 764 | \$ - | \$ - | \$ 637,495 |

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

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

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

9. INVENTORIES

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

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

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

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

b. Assets leased under operating leases

| | For the Year Ended December 31, 2021 | | |
|---------------------------------|---|------------------|---------------------------|
| | Beginning Balance | Additions | Ending Balance |
| <u>Cost</u> | | | |
| Land | \$ 70,040 | \$ - | \$ 70,040 |
| Land improvement | 4,312 | - | 4,312 |
| Buildings | 117,961 | - | 117,961 |
| Other equipment | <u>19,275</u> | <u>-</u> | <u>19,275</u> |
| | <u>211,588</u> | <u>\$ -</u> | <u>211,588</u> |
| <u>Accumulated depreciation</u> | | | |
| Land improvement | 2,620 | \$ 86 | 2,706 |
| Buildings | 40,280 | 2,076 | 42,356 |
| Other equipment | <u>11,394</u> | <u>1,297</u> | <u>12,691</u> |
| | <u>54,294</u> | <u>\$ 3,459</u> | <u>57,753</u> |
| | <u>\$ 157,294</u> | | <u>\$ 153,835</u> |
| | For the Year Ended December 31, 2020 | | |
| | Beginning Balance | Additions | Ending Balance |
| <u>Cost</u> | | | |
| Land | \$ 70,040 | \$ - | \$ 70,040 |
| Land improvement | 4,312 | - | 4,312 |
| Buildings | 117,961 | - | 117,961 |
| Other equipment | <u>13,373</u> | <u>5,902</u> | <u>19,275</u> |
| | <u>205,686</u> | <u>\$ 5,902</u> | <u>211,588</u> |
| <u>Accumulated depreciation</u> | | | |
| Land improvement | 2,534 | \$ 86 | 2,620 |
| Buildings | 38,203 | 2,077 | 40,280 |
| Other equipment | <u>10,741</u> | <u>653</u> | <u>11,394</u> |
| | <u>51,478</u> | <u>\$ 2,816</u> | <u>54,294</u> |
| | <u>\$ 154,208</u> | | <u>\$ 157,294</u> |

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

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

| | December 31 | |
|----------------|--------------------|------------------|
| | 2021 | 2020 |
| Year 1 | \$ 2,743 | \$ 2,743 |
| Year 2 | 2,743 | 2,743 |
| Year 3 | 2,743 | 2,743 |
| Year 4 | 2,743 | 2,743 |
| Year 5 | 1,829 | 2,743 |
| Year 6 onwards | <u>-</u> | <u>1,829</u> |
| | <u>\$ 12,801</u> | <u>\$ 15,544</u> |

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

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

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|-----------|--------------------|-------------|
| | 2021 | 2020 |
| Land | 1.67% | 1.67% |
| Buildings | 1.67% | 1.67% |

c. Material leasing activities and terms - as lessee

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

d. Other lease information

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

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

13. BORROWINGS

a. Short-term borrowings

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

b. Long-term borrowings

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

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

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

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

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

14. OTHER PAYABLES

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

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Discount rate(s) | 0.70% | 0.30% |
| Expected rate(s) of salary increase | 2% | 2% |

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

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

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

| | December 31 | |
|---|--------------------|-------------|
| | 2021 | 2020 |
| Expected contributions to the plans for the next year | \$ 2,316 | \$ 2,208 |
| Average duration of the defined benefit obligation | 8 years | 9 years |

16. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

| | December 31 | |
|-----------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Issuance of ordinary shares | \$ 370,809 | \$ 370,809 |
| Treasury share transactions | <u>92,662</u> | <u>92,662</u> |
| | <u>\$ 463,471</u> | <u>\$ 463,471</u> |

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

c. Retained earnings and dividends policy

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

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

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

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings in August 19, 2021 and June 12, 2020, respectively, were as follows:

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

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

| | Appropriation of Earnings |
|---------------------------------|--------------------------------------|
| Legal reserve | \$ 120,482 |
| Special reserve | 19,078 |
| Cash dividends | 561,052 |
| Cash dividends per share (NT\$) | 2 |

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

d. Treasury shares

| Purpose of Buy-back | Shares Cancelled (In Thousands of Shares) |
|---------------------------------------|--|
| Number of shares at January 1, 2020 | - |
| Increase during the year | 6,000 |
| Decrease during the year | <u>(6,000)</u> |
| Number of shares at December 31, 2020 | <u>-</u> |

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

17. REVENUE

| | For the Year Ended December 31 | |
|---------------------------------------|---|---------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | | |
| Revenue from sale of goods | \$11,518,206 | \$ 7,727,374 |
| Other operating revenue | | |
| Revenue from sale of electricity | 22,176 | 17,349 |
| Revenue from processing service | <u>457</u> | <u>309</u> |
| | <u>\$11,540,839</u> | <u>\$ 7,745,032</u> |

a. Contract balances

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

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

b. Disaggregation of revenue

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

18. COMPREHENSIVE INCOME FOR THE YEAR

Net profit comprised of the following items:

a. Other income

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

b. Other gains and losses

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

c. Finance costs

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

Information about capitalized interest was as follows:

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

d. Depreciation and amortization

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

e. Employee benefits expense

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

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

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

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

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

f. Compensation of employees and remuneration of directors and supervisors

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

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

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

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

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

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

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

b. Current tax assets and liabilities

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

c. Deferred tax assets and liabilities

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

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

Deferred tax liabilities

Temporary differences

| | | | | |
|---------------------------|-------------------|------------------|-------------|-------------------|
| Foreign investment income | \$ 178,979 | \$ 31,033 | \$ - | \$ 210,012 |
| Land appreciation tax | 45,775 | - | - | 45,775 |
| Others | <u>1,217</u> | <u>(644)</u> | <u>-</u> | <u>573</u> |
| | <u>\$ 225,971</u> | <u>\$ 30,389</u> | <u>\$ -</u> | <u>\$ 256,360</u> |

d. Income tax assessments

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

20. EARNINGS PER SHARE

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

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

21. CAPITAL MANAGEMENT

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

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

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

22. FINANCIAL INSTRUMENTS

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

The management of the Company believes that the carrying amounts of financial assets and financial liabilities are close to fair value or the fair value cannot be measured reliably.

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

| <u>Fair value hierarchy</u> | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|----------------|----------------|----------------|--------------|
| <u>December 31, 2021</u> | | | | |
| Financial assets at FVTPL | | | | |
| Mutual funds | \$ 16,095 | \$ - | \$ - | \$ 16,095 |
| <u>December 31, 2020</u> | | | | |
| Financial assets at FVTPL | | | | |
| Mutual funds | \$ 16,357 | \$ - | \$ - | \$ 16,357 |

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

c. Categories of financial instruments

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

1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Company is mainly exposed to the US dollar. If the exchange rate of the functional currency changed by 1% against the US dollar, the net profit before tax would have changed by \$3,231 thousand and \$4,940 thousand respectively for the years ended December 31, 2021 and 2020, respectively.

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

b) Interest rate risk

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

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

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

Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates of 25 basis point (0.25%) would have resulted in a decrease in the interest expense before tax by approximately \$16,059 thousand and \$13,499 thousand for the years ended December 31, 2021 and 2020, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest

date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

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

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

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

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

b) Financing facilities

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

23. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Sales of goods

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

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

c. Purchases of goods

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

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

d. Rental income

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

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

e. Receivables from related parties

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

f. Payables to related parties

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

g. Lease arrangements as lessee

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

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

The above is the factory lease agreement signed between the Company and the related parties, and the contract period is from July 1, 2016 to September 30, 2024. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The Company provided a refundable deposit of \$5,000 thousand as deposit for the lease.

h. Endorsements and guarantees : Refer to Table 2

i. Compensation of key management personnel

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

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials amounted to approximately \$436,573 thousand and \$167,460 thousand, respectively.

b. Unrecognized commitments were as follows:

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

26. OTHER ITEMS

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

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

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

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

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investments in subsidiaries: Table 3.
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance (Notes 2) | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limit | Note |
|-----|--|-----------------------------------|-----------------------------|---------------|--------------------------------|--------------------------|-------------------------|---------------|----------------------|-----------------------------|----------------------------------|------------------------|------------|-------|-----------------------------------|---------------------------|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Froch Enterprise International Co., Ltd. | Century Nova Steel Co., Ltd. - CN | Other receivables | Yes | \$ 238,331 | \$ 234,292 | \$ 167,860 | 0.2% | Short-term financing | \$ - | Operation | \$ - | - | \$ - | \$ 459,937 (Note 1) | \$ 459,937 (Note 1) | |

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsed/Guaranteed Party | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|-----|-----------------------------------|------------------------------------|--------------|---|---|---|-------------------------|---|--|---|--|--|---|------|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Froch Enterprise Co., Ltd. | Century Nova Steel, Co., Ltd. - CN | 2 | \$ 2,378,328 | \$ 1,169,935 | \$ 1,134,880 | \$ 885,760 | \$ - | 23 | \$ 2,378,328 | Yes | - | Yes | |
| 1 | Century Nova Steel Co., Ltd. - CN | Froch Metal (suzhou) co., Ltd. | 1 | 526,847 | 21,937 | 21,707 | 712 | - | 1 | 1,053,694 | - | - | Yes | |
| | | Froch Stainless Co., Ltd. - CN | 1 | 526,847 | 21,937 | 21,707 | 145 | - | 1 | 1,053,694 | - | - | Yes | |

Note 1: The relationship between guarantor and guaranteed party:

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | DECEMBER 31, 2021 | | | | Note |
|----------------------------|---|---------------------------------------|--|-------------------|-----------------|-----------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Froch Enterprise Co., Ltd. | <u>Mutual funds</u> Shin Kong US Harvest Balance Fund Type A without Dividends (NTD) | None | Financial assets measured at FVTPL - current | 175,919 | \$ 1,949 | - | \$ 1,949 | |
| | TCB US Short Duration High Yield Bond Fund A USD (NTD) | None | Financial assets measured at FVTPL - current | 300,000 | 2,997 | - | 2,997 | |
| | Schroder All Cycle Income Fund A (NTD) | None | Financial assets measured at FVTPL - current | 300,000 | 2,976 | - | 2,976 | |
| | TCB Global Healthcare M-A Income Fund A (NTD) | None | Financial assets measured at FVTPL - current | 500,000 | 5,020 | - | 5,020 | |
| | PineBridge ESG Quantitative Equity Fund A (NTD) | None | Financial assets measured at FVTPL - current | 300,000 | 3,153 | - | 3,153 | |

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

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

| Purchaser or Seller | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|------------------------------------|------------------------------------|--------------|---------------------|--------------|------------|--------------------------|----------------------|--------------------------|-------------------------------------|------------|--------|
| | | | Purchase/Sale | Amount | % of Total | Payment/Collection Terms | Unit Price | Payment/Collection Terms | Ending Balance | % of Total | |
| Froch Enterprise Co., Ltd. | Santorics Metals Co., Ltd. | Others | Sale | \$ (607,791) | (5) | Note 1 | Note 1 | Note 1 | \$ 23,708 | 2 | |
| Froch Enterprise Co., Ltd. | Beittia Metals Co., Ltd. | Others | Purchase | 1,693,290 | 19 | Note 1 | Note 1 | Note 1 | - | - | |
| Century Nova Steel, Co., Ltd. - CN | Froch Metal (Suzhou) Co., Ltd. | Subsidiary | Purchase | 495,342 | 6 | Note 1 | Note 1 | Note 1 | - | - | |
| Century Nova Steel, Co., Ltd. - CN | Froch Metal (Suzhou) Co., Ltd. | Subsidiary | Sale | (849,061) | (25) | Note 2 | Note 2 | Note 2 | 4,208 | 6 | Note 3 |
| Century Nova Steel, Co., Ltd. - CN | Froch Stainless Co., Ltd. - CN | Subsidiary | Sale | (2,416,841) | (71) | Note 2 | Note 2 | Note 2 | 67,234 | 92 | Note 3 |
| Froch Metal (suzhou) co., Ltd. | Century Nova Steel, Co., Ltd. - CN | Subsidiary | Purchase | 849,061 | 100 | Note 2 | Note 2 | Note 2 | (4,208) | (100) | Note 3 |
| Froch Stainless Co., Ltd. - CN | Century Nova Steel, Co., Ltd. - CN | Subsidiary | Purchase | 2,416,841 | 100 | Note 2 | Note 2 | Note 2 | (67,234) | (100) | Note 3 |

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2021

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2021 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|----------------------------|--|------------------------|-----------------------------------|----------------------------|-------------------|-------------------------|-------------------------|-----------------|-----------------------------------|------------------------|------------|
| | | | | December 31, 2021 | December 31, 2020 | Number of Shares | Percentage of Ownership | Carrying Amount | | | |
| Froch Enterprise Co., Ltd. | Century Nova Steel Co., Ltd. | British Virgin Islands | International investment business | \$ 1,530,998 | \$ 1,530,998 | 49,000,000 | 100% | \$ 2,411,087 | \$ 216,443 | \$ 216,443 | Subsidiary |
| | Froch Enterprise International Co., Ltd. | British Cayman Islands | International investment business | 115,366 | 115,366 | 3,550,000 | 100% | 459,937 | 52,742 | 52,742 | Subsidiary |
| | Froch Stainless Co., Ltd. | British Samoa | International investment business | 14,959 | 14,959 | 500,000 | 100% | 154,482 | 79,991 | 79,991 | Subsidiary |

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 3) | Carrying Amount as of December 31, 2021 (Note 3) | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|--|--|--|--|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|--|---|
| | | | | | Outward | Inward | | | | | | |
| Froch Metal (suzhou) co., Ltd. | Operating stainless steel and other steel pipe production and sales businesses | \$ 103,236 (US\$ 3,000) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | \$ 110,492 (US\$ 3,400) | \$ - | \$ - | \$ 110,492 (US\$ 3,400) | \$ 49,238 | 100% | \$ 49,238 | \$ 205,797 | \$ - |
| Century Nova Steel, Co., Ltd. - CN | Operating stainless steel and other steel pipe production and sales businesses | 1,680,898 (US\$ 54,000) (Note 1) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | 1,530,998 (US\$ 49,000) | - | - | 1,530,998 (US\$ 49,000) | 241,976 | 100% | 241,976 | 2,195,195 | - |
| Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd. | Import and export business, entrepot trade and trade between enterprises in bonded areas | 16,250 (US\$ 500) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | 4,875 (US\$ 150) | - | - | 4,875 (US\$ 150) | 2,396 | 100% (Note 2) | 2,396 | 25,540 | - |
| Froch Stainless Co., Ltd. - CN | Operating stainless steel and other steel pipe production and sales businesses | 17,951 (US\$ 600) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | 14,959 (US\$ 500) | - | - | 14,959 (US\$ 500) | 95,989 | 100% (Note 5) | 95,989 | 185,378 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4) |
|---|--|--|
| \$ 1,457,176 (US\$ 46,950) | \$ 1,672,697 (US\$ 58,000) | \$ 2,972,911 |

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

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

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

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

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

TABLE 8**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

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

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

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

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STATEMENT 1

Froch Enterprise Co., Ltd.

STATEMENT OF CASH

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

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

Froch Enterprise Co., Ltd.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

DECEMBER 31, 2021

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

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

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

STATEMENT 3

Froch Enterprise Co., Ltd.

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

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

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

STATEMENT 4

Froch Enterprise Co., Ltd.

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

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

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

STATEMENT 5**Froch Enterprise Co., Ltd.****STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

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

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

Note 2: The inventories were not pledged as collateral.

Froch Enterprise Co., Ltd.

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

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

STATEMENT 7**Froch Enterprise Co., Ltd.****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

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

Froch Enterprise Co., Ltd.

STATEMENT OF SHORT-TERM BANK LOANS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

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

STATEMENT 9

Froch Enterprise Co., Ltd.

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

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

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

Froch Enterprise Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

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

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

Froch Enterprise Co., Ltd.

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

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

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

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

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

STATEMENT 12

Froch Enterprise Co., Ltd.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

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

STATEMENT 13

Froch Enterprise Co., Ltd.

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

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

STATEMENT 14**Froch Enterprise Co., Ltd.****STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

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

STATEMENT 15**Froch Enterprise Co., Ltd.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Froch Enterprise Co., Ltd.

By:

PINGYIAOCHANG

Ping-Yiao Chang
President

March 17, 2022

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

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

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

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

Other Matter

We have also audited the parent company only financial statements of Froch Enterprise Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

Notice to Readers

The accompanying 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 audit such consolidated financial statements are those generally applied in the Republic of China.

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS | 2021 | | 2020 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 1,516,988 | 11 | \$ 1,565,467 | 13 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 16,095 | - | 16,357 | - |
| Notes receivable (Notes 4, 8 and 17) | 413,489 | 3 | 266,911 | 2 |
| Trade receivables from unrelated parties (Notes 4, 8 and 17) | 1,208,432 | 8 | 749,747 | 7 |
| Trade receivables from related parties (Notes 4, 17 and 23) | 23,708 | - | - | - |
| Other receivables (Note 4 and 23) | 66,176 | - | 33,162 | - |
| Current tax assets (Notes 4 and 19) | 14 | - | 2,439 | - |
| Inventories (Notes 4, 5 and 9) | 6,146,464 | 43 | 4,255,872 | 37 |
| Prepayments | 156,173 | 1 | 168,156 | 2 |
| Current financial assets (Notes 4, 6 and 24) | 92,724 | 1 | 7,632 | - |
| Other current assets | 818 | - | 543 | - |
| Total current assets | <u>9,641,081</u> | <u>67</u> | <u>7,066,286</u> | <u>61</u> |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment (Notes 4, 11 and 24) | 4,506,451 | 31 | 4,376,031 | 37 |
| Right-of-use asset (Notes 4, 12 and 23) | 120,764 | 1 | 68,792 | 1 |
| Deferred tax assets (Notes 4 and 19) | 15,375 | - | 31,837 | - |
| Prepayments for equipment | 128,715 | 1 | 109,077 | 1 |
| Refundable deposits (Note 23) | 16,774 | - | 15,969 | - |
| Total non-current assets | <u>4,788,079</u> | <u>33</u> | <u>4,601,706</u> | <u>39</u> |
| TOTAL | <u>\$ 14,429,160</u> | <u>100</u> | <u>\$ 11,667,992</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 13) | \$ 4,945,398 | 34 | \$ 3,568,566 | 31 |
| Contract liabilities - current (Notes 4 and 17) | 377,612 | 3 | 210,754 | 2 |
| Notes payable to unrelated parties | 48,930 | - | 10,959 | - |
| Trade payables to unrelated parties | 139,682 | 1 | 106,139 | 1 |
| Trade payables to related parties (Note 23) | - | - | 24,558 | - |
| Other payables (Notes 14 and 23) | 337,578 | 3 | 217,449 | 2 |
| Current tax liabilities (Notes 4 and 19) | 268,837 | 2 | 22,240 | - |
| Lease liability - current (Notes 4, 12 and 23) | 36,823 | - | 21,765 | - |
| Current portion of long-term borrowings (Notes 13 and 24) | 465,094 | 3 | 456,895 | 4 |
| Other current liabilities | 5,704 | - | 3,776 | - |
| Total current liabilities | <u>6,625,658</u> | <u>46</u> | <u>4,643,101</u> | <u>40</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 13 and 24) | 2,393,905 | 17 | 2,760,529 | 24 |
| Deferred tax liabilities (Notes 4 and 19) | 325,671 | 2 | 256,360 | 2 |
| Lease liability - non-current (Notes 4, 12 and 23) | 62,117 | 1 | 24,006 | - |
| Net defined benefit liabilities - non-current (Notes 4 and 15) | 56,116 | - | 65,085 | - |
| Guarantee deposits (Note 23) | 10,842 | - | 9,542 | - |
| Total non-current liabilities | <u>2,848,651</u> | <u>20</u> | <u>3,115,522</u> | <u>26</u> |
| Total liabilities | <u>9,474,309</u> | <u>66</u> | <u>7,758,623</u> | <u>66</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Ordinary shares | 2,805,260 | 20 | 2,805,260 | 24 |
| Capital surplus | 463,471 | 3 | 463,471 | 4 |
| Retained earnings | | | | |
| Legal reserve | 208,546 | 1 | 198,107 | 2 |
| Special reserve | 230,890 | 2 | 246,961 | 2 |
| Unappropriated earnings | 1,496,652 | 10 | 426,460 | 4 |
| Other equity | (249,968) | (2) | (230,890) | (2) |
| Total equity | <u>4,954,851</u> | <u>34</u> | <u>3,909,369</u> | <u>34</u> |
| TOTAL | <u>\$ 14,429,160</u> | <u>100</u> | <u>\$ 11,667,992</u> | <u>100</u> |

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2021 | | 2020 | |
|---|-------------------|-----------|------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 17 and 23) | \$ 15,238,772 | 100 | \$ 10,560,947 | 100 |
| OPERATING COSTS (Notes 9, 18 and 23) | <u>12,422,135</u> | <u>82</u> | <u>9,622,919</u> | <u>91</u> |
| GROSS PROFIT | <u>2,816,637</u> | <u>18</u> | <u>938,028</u> | <u>9</u> |
| OPERATING EXPENSES (Notes 18 and 23) | | | | |
| Selling and marketing expenses | 849,097 | 5 | 524,723 | 5 |
| General and administrative expenses | <u>240,577</u> | <u>2</u> | <u>178,437</u> | <u>2</u> |
| Total operating expenses | <u>1,089,674</u> | <u>7</u> | <u>703,160</u> | <u>7</u> |
| PROFIT FROM OPERATIONS | <u>1,726,963</u> | <u>11</u> | <u>234,868</u> | <u>2</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 7,535 | - | 6,040 | - |
| Other income (Notes 18 and 23) | 14,337 | - | 12,367 | - |
| Other gains and losses (Note 18) | 14,493 | - | 45,751 | 1 |
| Finance costs (Notes 18 and 23) | <u>(105,503)</u> | <u>-</u> | <u>(110,710)</u> | <u>(1)</u> |
| Total non-operating expenses | <u>(69,138)</u> | <u>-</u> | <u>(46,552)</u> | <u>-</u> |
| PROFIT BEFORE INCOME TAX | 1,657,825 | 11 | 188,316 | 2 |
| INCOME TAX EXPENSE (Notes 4 and 19) | <u>453,265</u> | <u>3</u> | <u>79,965</u> | <u>1</u> |
| NET PROFIT FOR THE YEAR | <u>1,204,560</u> | <u>8</u> | <u>108,351</u> | <u>1</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| (Note 4) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 15) | 329 | - | (4,955) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19) | <u>(66)</u> | <u>-</u> | <u>991</u> | <u>-</u> |
| | 263 | - | (3,964) | - |

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2021 | | 2020 | |
|---|---------------------|----------|-------------------|----------|
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ (19,078) | - | \$ 16,071 | - |
| Other comprehensive income (loss) for the year, net of income tax | (18,815) | - | 12,107 | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | \$ 1,185,745 | 8 | \$ 120,458 | 1 |
| EARNINGS PER SHARE (Note 20) | | | | |
| Basic | \$ 4.29 | | \$ 0.38 | |
| Diluted | \$ 4.29 | | \$ 0.38 | |

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

| | Ordinary Shares (Note 16) | Capital Surplus (Note 16) | Retained Earnings (Note 16) | | | Other Equity Exchange Differences on Translation of the Financial Statements of | Treasury shares (Note 16) | Total Equity |
|---|---------------------------------|---------------------------------|-----------------------------|--------------------|-----------------------------|--|---------------------------------|---------------------|
| | | | Legal Reserve | Special Reserve | Unappropriate d Earnings | Foreign Operations | | |
| BALANCE AT JANUARY 1, 2020 | \$ 2,865,260 | \$ 464,646 | \$ 171,117 | \$ 144,960 | \$ 594,327 | \$ (246,961) | \$ - | \$ 3,993,349 |
| Appropriation of 2019 earnings | | | | | | | | |
| Legal reserve | - | - | 26,990 | - | (26,990) | - | - | - |
| Special reserve | - | - | - | 102,001 | (102,001) | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (143,263) | - | - | (143,263) |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 108,351 | - | - | 108,351 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (3,964) | 16,071 | - | 12,107 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 104,387 | 16,071 | - | 120,458 |
| Buy-back of ordinary shares | - | - | - | - | - | - | (61,175) | (61,175) |
| Cancelation of treasury shares | (60,000) | (1,175) | - | - | - | - | 61,175 | - |
| BALANCE AT DECEMBER 31, 2020 | <u>2,805,260</u> | <u>463,471</u> | <u>198,107</u> | <u>246,961</u> | <u>426,460</u> | <u>(230,890)</u> | <u>-</u> | <u>3,909,369</u> |
| Appropriation of 2020 earnings | | | | | | | | |
| Legal reserve | - | - | 10,439 | - | (10,439) | - | - | - |
| Special reserve | - | - | - | (16,071) | 16,071 | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (140,263) | - | - | (140,263) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 1,204,560 | - | - | 1,204,560 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | 263 | (19,078) | - | (18,815) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 1,204,823 | (19,078) | - | 1,185,745 |
| BALANCE AT DECEMBER 31, 2021 | <u>\$ 2,805,260</u> | <u>\$ 463,471</u> | <u>\$ 208,546</u> | <u>\$ 230,890</u> | <u>\$ 1,496,652</u> | <u>\$ (249,968)</u> | <u>\$ -</u> | <u>\$ 4,954,851</u> |

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

| | 2021 | 2020 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,657,825 | \$ 188,316 |
| Adjustments for: | | |
| Depreciation expense | 252,626 | 236,964 |
| Expected credit loss recognized (reversed) on trade receivables | 2,360 | (77) |
| Net gain on fair value changes of financial assets at fair value through profit or loss | (258) | (820) |
| Finance costs | 105,503 | 110,710 |
| Interest income | (7,535) | (6,040) |
| Gain on disposal of property, plant and equipment | (59) | (849) |
| Reversal of write-down of inventories | (3,390) | (45,640) |
| Net loss (gain) on foreign currency exchange | 8,175 | (10,970) |
| Gain on lease modification | (854) | (107) |
| Changes in operating assets and liabilities | | |
| Notes receivable | (151,952) | (36,181) |
| Trade receivables | (488,798) | 36,121 |
| Other receivables | (36,039) | (5,019) |
| Inventories | (1,919,196) | (543,963) |
| Prepayments | 8,217 | (50,855) |
| Other current assets | (275) | 2,832 |
| Contract liabilities | 169,943 | 63,357 |
| Notes payable | 37,971 | (8,535) |
| Trade payables | 8,977 | (11,037) |
| Other payables | 82,492 | 42,825 |
| Other current liabilities | 1,928 | 721 |
| Net defined benefit liabilities | (8,640) | (6,315) |
| Cash used in operations | (280,979) | (44,562) |
| Interest received | 7,535 | 6,040 |
| Interest paid | (105,549) | (111,408) |
| Income tax paid | (117,528) | (59,855) |
| Net cash used in operating activities | <u>(496,521)</u> | <u>(209,785)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through profit or loss | (14,019) | (18,070) |
| Proceeds from sale of financial assets at fair value through profit or loss | 14,539 | 15,476 |
| Payments for property, plant and equipment | (264,643) | (305,809) |
| Proceeds from disposal of property, plant and equipment | 522 | 2,974 |
| Increase in refundable deposits | (874) | - |
| Decrease in refundable deposits | - | 2,927 |
| Increase in other financial assets | (86,319) | (5,175) |
| Increase in prepayments for equipment | (66,984) | (140,117) |
| Net cash used in investing activities | <u>(417,778)</u> | <u>(447,794)</u> |

(Continued)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

| | 2021 | 2020 |
|--|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | \$ 1,402,899 | \$ 576,187 |
| Proceeds from long-term borrowings | 100,000 | 900,000 |
| Repayments of long-term borrowings | (458,425) | (370,126) |
| Proceeds from guarantee deposits received | 1,300 | 574 |
| Repayment of the principal portion of lease liabilities | (37,661) | (39,254) |
| Dividends paid to owners of the Company | (140,263) | (143,263) |
| Payments for buy-back of ordinary shares | <u>-</u> | <u>(61,175)</u> |
| Net cash generated from financing activities | <u>867,850</u> | <u>862,943</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(2,030)</u> | <u>27,324</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (48,479) | 232,688 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,565,467</u> | <u>1,332,779</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,516,988</u> | <u>\$ 1,565,467</u> |

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 of the Company and its subsidiaries (collectively, the “Group”) 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 March 17, 2022.

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

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

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

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

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

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The 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 an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. 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).

e. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries and branches in other countries that use currency which is different from the currency of the Company) are translated into the

presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

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

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

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

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

i. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

a. Measurement categories

1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

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

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

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

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

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

j. Revenue recognition

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

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

k. Leasing

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

1) The Group as lessor

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

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

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between

the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

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

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

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

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

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

1. Borrowing costs

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the

foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Cash on hand | \$ 2,062 | \$ 2,070 |
| Bank deposits | 1,607,650 | 1,505,557 |
| Cash equivalents (investments with original maturities of less than 3 months) | <u>-</u> | <u>65,472</u> |
| | 1,609,712 | 1,573,099 |
| Less: Other financial assets-current | <u>(92,724)</u> | <u>(7,632)</u> |
| | <u>\$ 1,516,988</u> | <u>\$ 1,565,467</u> |

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

7. FINANCIAL INSTRUMENTS AT FVTPL

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

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Notes receivable</u> | | |
| Notes receivable - operating | \$ 415,781 | \$ 268,257 |
| Less: Allowance for impairment loss | <u>(2,292)</u> | <u>(1,346)</u> |
| | <u>\$ 413,489</u> | <u>\$ 266,911</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 1,215,101 | \$ 755,025 |
| Less: Allowance for impairment loss | <u>(6,669)</u> | <u>(5,278)</u> |
| | <u>\$ 1,208,432</u> | <u>\$ 749,747</u> |

a. Notes receivable

The aging of notes receivable is as follows:

| | December 31 | |
|--------------|--------------------|-------------------|
| | 2021 | 2020 |
| Not past due | \$ 415,781 | \$ 268,257 |
| Past due | <u>-</u> | <u>-</u> |
| | <u>\$ 415,781</u> | <u>\$ 268,257</u> |

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

b. Trade receivables

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

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

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

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

The following table details the loss allowance of trade receivables:

| | 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>December 31, 2021</u> | | | | | | | | | |
| Expected credit loss rate | - | 1% | 5% | 15% | 30% | 45% | 70% | 100% | |
| Gross carrying amount | \$1,089,606 | \$ 80,761 | \$ 27,503 | \$ 14,256 | \$ 437 | \$ 579 | \$ 9 | \$ 1,950 | \$1,215,101 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>(808)</u> | <u>(1,375)</u> | <u>(2,138)</u> | <u>(131)</u> | <u>(261)</u> | <u>(6)</u> | <u>(1,950)</u> | <u>(6,669)</u> |
| Amortized cost | <u>\$1,089,606</u> | <u>\$ 79,953</u> | <u>\$ 26,128</u> | <u>\$ 12,118</u> | <u>\$ 306</u> | <u>\$ 318</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$1,208,432</u> |

| | 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>December 31, 2020</u> | | | | | | | | | |
| Expected credit loss rate | - | 1% | 5% | 15% | 30% | 45% | 70% | 100% | |
| Gross carrying amount | \$685,535 | \$ 25,758 | \$ 25,846 | \$ 15,533 | \$ 193 | \$ 1,409 | \$ 147 | \$ 604 | \$755,025 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>(258)</u> | <u>(1,292)</u> | <u>(2,330)</u> | <u>(58)</u> | <u>(634)</u> | <u>(102)</u> | <u>(604)</u> | <u>(5,278)</u> |
| Amortized cost | <u>\$685,535</u> | <u>\$ 25,500</u> | <u>\$ 24,554</u> | <u>\$ 13,203</u> | <u>\$ 135</u> | <u>\$ 775</u> | <u>\$ 45</u> | <u>\$ -</u> | <u>\$749,747</u> |

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

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

| | <u>December 31</u> | |
|---|--------------------|-----------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 6,624 | \$ 6,961 |
| Add (less): Net remeasurement of loss allowance | 2,360 | (77) |
| Less: Amounts written off | - | (323) |
| Foreign exchange gains and losses | <u>(23)</u> | <u>63</u> |
| Balance at December 31 | <u>\$ 8,961</u> | <u>\$ 6,624</u> |

9. INVENTORIES

| | <u>December 31</u> | |
|----------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Finished goods | \$ 1,850,155 | \$ 1,283,248 |
| Work in progress | 969,468 | 933,410 |
| Raw materials | 2,834,629 | 1,793,608 |
| Supplies | 70,366 | 45,618 |
| Inventory in transit | <u>421,846</u> | <u>199,988</u> |
| | <u>\$ 6,146,464</u> | <u>\$ 4,255,872</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$12,422,135 thousand and \$9,622,919 thousand, respectively. The cost of goods sold included reversal of write-downs inventory of \$3,390 thousand and \$45,640 thousand, respectively. Inventory write-downs were reversed as a result of increased selling prices in certain markets.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

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

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

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments in 2021 and 2020 were calculated based on financial statements which have been audited.

11. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|--------------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Assets used by the Group | \$ 4,352,616 | \$ 4,218,737 |
| Assets leased under operating leases | <u>153,835</u> | <u>157,294</u> |
| | <u>\$ 4,506,451</u> | <u>\$ 4,376,031</u> |

a. Assets used by the Group

| For the Year Ended December 31, 2021 | | | | | | |
|--------------------------------------|--------------------|-------------------|--------------------|-------------------|----------------------|--------------------|
| | Beginning Balance | Additions | Disposals | Reclassified | Exchange Differences | Ending Balance |
| <u>Cost</u> | | | | | | |
| Land | \$1,321,622 | \$ 822 | \$ - | \$ - | \$ - | \$1,322,444 |
| Buildings | 1,271,806 | 19,766 | (219) | 24,109 | (2,693) | 1,312,769 |
| Machinery and equipment | 3,801,570 | 93,142 | (13,451) | 43,888 | (7,553) | 3,917,596 |
| Transportation equipment | 85,014 | 12,303 | (350) | - | (68) | 96,899 |
| Other equipment | 691,005 | 5,937 | (1,819) | 6,392 | (204) | 701,311 |
| Property under construction | 32,195 | 172,002 | - | (28,236) | (29) | 175,932 |
| | <u>7,203,212</u> | <u>\$ 303,972</u> | <u>\$ (15,839)</u> | <u>\$ 46,153</u> | <u>\$ (10,547)</u> | <u>7,526,951</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Buildings | 387,426 | \$ 27,055 | \$ (55) | \$ - | \$ (783) | 413,643 |
| Machinery and equipment | 2,185,337 | 154,009 | (13,349) | - | (3,372) | 2,322,625 |
| Transportation equipment | 72,995 | 3,779 | (350) | - | (50) | 76,374 |
| Other equipment | 338,717 | 24,738 | (1,622) | - | (140) | 361,693 |
| | <u>2,984,475</u> | <u>\$ 209,581</u> | <u>\$ (15,376)</u> | <u>\$ -</u> | <u>\$ (4,345)</u> | <u>3,174,335</u> |
| | <u>\$4,218,737</u> | | | | | <u>\$4,352,616</u> |
| For the Year Ended December 31, 2020 | | | | | | |
| | Beginning Balance | Additions | Disposals | Reclassified | Exchange Differences | Ending Balance |
| <u>Cost</u> | | | | | | |
| Land | \$1,269,527 | \$ 52,095 | \$ - | \$ - | \$ - | \$1,321,622 |
| Buildings | 1,113,842 | 26,003 | - | 124,182 | 7,779 | 1,271,806 |
| Machinery and equipment | 3,581,560 | 94,173 | (4,903) | 108,741 | 21,999 | 3,801,570 |
| Transportation equipment | 83,952 | 2,474 | (1,609) | - | 197 | 85,014 |
| Other equipment | 580,971 | 89,674 | (710) | 20,468 | 602 | 691,005 |
| Property under construction | 144,133 | 27,631 | - | (139,648) | 79 | 32,195 |
| | <u>6,773,985</u> | <u>\$ 292,050</u> | <u>\$ (7,222)</u> | <u>\$ 113,743</u> | <u>\$ 30,656</u> | <u>7,203,212</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Buildings | 360,996 | \$ 24,127 | \$ - | \$ - | \$ 2,303 | 387,426 |
| Machinery and equipment | 2,033,099 | 145,049 | (2,778) | - | 9,967 | 2,185,337 |
| Transportation equipment | 71,023 | 3,439 | (1,609) | - | 142 | 72,995 |
| Other equipment | 317,240 | 21,778 | (710) | - | 409 | 338,717 |
| | <u>2,782,358</u> | <u>\$ 194,393</u> | <u>\$ (5,097)</u> | <u>\$ -</u> | <u>\$ 12,821</u> | <u>2,984,475</u> |
| | <u>\$3,991,627</u> | | | | | <u>\$4,218,737</u> |

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

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

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

| | For the Year Ended December 31, 2021 | | |
|---|---|------------------|---------------------------|
| | Beginning Balance | Additions | Ending Balance |
| <u>Cost</u> | | | |
| Land | \$ 70,040 | \$ - | \$ 70,040 |
| Land improvement | 4,312 | - | 4,312 |
| Buildings | 117,961 | - | 117,961 |
| Other equipment | <u>19,275</u> | <u>-</u> | <u>19,275</u> |
| | <u>211,588</u> | <u>\$ -</u> | <u>211,588</u> |
| <u>Accumulated depreciation</u> | | | |
| Land improvement | 2,620 | \$ 86 | 2,706 |
| Buildings | 40,280 | 2,076 | 42,356 |
| Other equipment | <u>11,394</u> | <u>1,297</u> | <u>12,691</u> |
| | <u>54,294</u> | <u>\$ 3,459</u> | <u>57,753</u> |
| | <u>\$ 157,294</u> | | <u>\$ 153,835</u> |
| For the Year Ended December 31, 2020 | | | |
| | Beginning Balance | Additions | Ending Balance |
| <u>Cost</u> | | | |
| Land | \$ 70,040 | \$ - | \$ 70,040 |
| Land improvement | 4,312 | - | 4,312 |
| Buildings | 117,961 | - | 117,961 |
| Other equipment | <u>13,373</u> | <u>5,902</u> | <u>19,275</u> |
| | <u>205,686</u> | <u>\$ 5,902</u> | <u>211,588</u> |
| <u>Accumulated depreciation</u> | | | |
| Land improvement | 2,534 | \$ 86 | 2,620 |
| Buildings | 38,203 | 2,077 | 40,280 |
| Other equipment | <u>10,741</u> | <u>653</u> | <u>11,394</u> |
| | <u>51,478</u> | <u>\$ 2,816</u> | <u>54,294</u> |
| | <u>\$ 154,208</u> | | <u>\$ 157,294</u> |

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

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

| | December 31 | |
|----------------|--------------------|------------------|
| | 2021 | 2020 |
| Year 1 | \$ 2,743 | \$ 2,743 |
| Year 2 | 2,743 | 2,743 |
| Year 3 | 2,743 | 2,743 |
| Year 4 | 2,743 | 2,743 |
| Year 5 | 1,829 | 2,743 |
| Year 6 onwards | <u>-</u> | <u>1,829</u> |
| | <u>\$ 12,801</u> | <u>\$ 15,544</u> |

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

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

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---------------------------------------|------------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Land | \$ 113,025 | \$ 53,441 |
| Buildings | <u>7,739</u> | <u>15,351</u> |
| | <u>\$ 120,764</u> | <u>\$ 68,792</u> |
| | For the Year Ended December 31 | |
| | 2021 | 2020 |
| Additions to right-of-use assets | <u>\$ 98,272</u> | <u>\$ 8,153</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 35,028 | \$ 35,084 |
| Buildings | <u>4,558</u> | <u>4,671</u> |
| | <u>\$ 39,586</u> | <u>\$ 39,755</u> |

b. Lease liabilities

| | December 31 | |
|------------------------|--------------------|-------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Current | \$ 36,823 | \$ 21,765 |
| Non-current | \$ 62,117 | \$ 24,006 |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|-----------|--------------------|-------------|
| | 2021 | 2020 |
| Land | 1.67%-3.88% | 1.67%-3.88% |
| Buildings | 1.67%-3.88% | 1.67%-3.88% |

c. Material leasing activities and terms - as lessee

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 the land. The land is used for the construction of production plants, office buildings and staff dormitories.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2021 | 2020 |
| Expenses relating to low-value asset leases | \$ 1,453 | \$ 1,450 |
| Total cash outflow for leases | \$ (40,557) | \$ (41,964) |

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

13. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Unsecured borrowings | | |
| Letter of credit borrowings | \$ 2,209,635 | \$ 1,228,726 |
| Line of credit borrowings | <u>2,735,763</u> | <u>2,339,840</u> |
| | <u>\$ 4,945,398</u> | <u>\$ 3,568,566</u> |
| <u>Interest rates</u> | | |
| Letter of credit borrowings | 0.85%-1.39% | 1.25%-1.35% |
| Line of credit borrowings | 0.85%-1.41% | 0.88%-1.48% |

b. Long-term borrowings

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

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

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

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

In accordance with the provisions of the syndicated loan agreement, if the Company's annual standalone financial statements do not meet the above financial ratios, the Company shall not be deemed to be in breach of its financial commitment if the improvement is completed within 6 months from April 1 of the following year (the improvement period), provided that the interest rate for the period from April 1 to the improvement date shall be increased by 0.125%

per annum; however, if the borrower fails to complete the improvement within the improvement period, it shall (1) pay a penalty at the rate of 0.125% of the principal balance on the expiration date of the improvement period, and (2) increase the interest rate by 0.05% per annum from the expiration date of the improvement period to the actual improvement date. If the improvement is not completed and is notified by the lead bank, it shall be adjusted within 3 months through capital increase via cash or such other means as the lead bank agrees. A breach of the financial ratio shall not be deemed to be a breach if the borrower fully complies with the foregoing agreement.

14. OTHER PAYABLES

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2021 | 2020 |
| Payables for salaries or bonuses | \$ 99,566 | \$ 84,204 |
| Payables for freight | 98,705 | 55,996 |
| Payables for purchases of equipment | 42,764 | 3,435 |
| Payables for compensation of employees and remuneration of directors | 30,780 | 2,868 |
| Payables for commission | 886 | 830 |
| Others | <u>64,877</u> | <u>70,116</u> |
| | <u>\$ 337,578</u> | <u>\$ 217,449</u> |

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute amounts at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Discount rate(s) | 0.70% | 0.30% |
| Expected rate(s) of salary increase | 2% | 2% |

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

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

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

| | December 31 | |
|---|--------------------|-------------|
| | 2021 | 2020 |
| Expected contributions to the plans for the next year | \$ 2,316 | \$ 2,208 |
| Average duration of the defined benefit obligation | 8 years | 9 years |

- c. Froch Enterprise International Co., Ltd., Century Nova Steel Co., Ltd., and Froch Stainless Co., Ltd. have no employee pension plan.

16. EQUITY

a. Ordinary shares

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

A holder of issued ordinary share with a par value of \$10 is entitled to vote and receive dividends.

b. Capital surplus

| | <u>December 31</u> | |
|-----------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Issuance of ordinary shares | \$ 370,809 | \$ 370,809 |
| Treasury share transactions | <u>92,662</u> | <u>92,662</u> |
| | <u>\$ 463,471</u> | <u>\$ 463,471</u> |

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

c. Retained earnings and dividends policy

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

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

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

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings at August 19, 2021 and June 12, 2020, respectively, were as follows:

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

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

| | Appropriation of Earnings |
|---------------------------------|--------------------------------------|
| Legal reserve | \$ 120,482 |
| Special reserve | 19,078 |
| Cash dividends | 561,052 |
| Cash dividends per share (NT\$) | 2 |

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

d. Treasury shares

| Purpose of Buy-back | Shares Cancelled (In Thousands of Shares) |
|---------------------------------------|--|
| Number of shares at January 1, 2020 | - |
| Increase during the year | 6,000 |
| Decrease during the year | <u>(6,000)</u> |
| Number of shares at December 31, 2020 | <u>-</u> |

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

17. REVENUE

| | For the Year Ended December 31 | |
|---------------------------------------|---|---------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | | |
| Revenue from sale of goods | \$15,215,869 | \$10,543,032 |
| Other operating revenue | | |
| Revenue from sale of electricity | 22,176 | 17,349 |
| Revenue from processing service | <u>727</u> | <u>566</u> |
| | <u>\$15,238,772</u> | <u>\$10,560,947</u> |

a. Contract balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|--|----------------------|----------------------|---------------------|
| Notes receivable and trade receivables | <u>\$ 1,645,629</u> | <u>\$ 1,016,658</u> | <u>\$ 1,024,337</u> |
| Contract liabilities - current | | | |
| Sale of goods | <u>\$ 377,612</u> | <u>\$ 210,754</u> | <u>\$ 154,950</u> |

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

b. Disaggregation of revenue

| | For the Year Ended December 31 | |
|-------------|-----------------------------------|---------------------|
| | 2021 | 2020 |
| Asia | \$ 9,987,755 | \$ 6,847,893 |
| America | 2,273,497 | 1,392,745 |
| Europe | 1,244,906 | 1,039,153 |
| Middle East | 833,710 | 777,075 |
| Others | <u>876,001</u> | <u>486,166</u> |
| | <u>\$15,215,869</u> | <u>\$10,543,032</u> |

18. COMPREHENSIVE INCOME FOR THE YEAR

Net profit comprised of the following items:

a. Other income

| | For the Year Ended December 31 | |
|-------------------------|-----------------------------------|------------------|
| | 2021 | 2020 |
| Rental income (Note 23) | \$ 3,943 | \$ 3,143 |
| Others | <u>10,394</u> | <u>9,224</u> |
| | <u>\$ 14,337</u> | <u>\$ 12,367</u> |

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|-----------------------------------|------------------|
| | 2021 | 2020 |
| Gain on disposal of property, plant and equipment | \$ 59 | \$ 849 |
| Fair value changes of financial assets at FVTPL | 258 | 820 |
| Net foreign exchange gains | 14,705 | 51,393 |
| Others | <u>(529)</u> | <u>(7,311)</u> |
| | <u>\$ 14,493</u> | <u>\$ 45,751</u> |

c. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---|-------------------|
| | 2021 | 2020 |
| Interest on bank loans | \$ 104,284 | \$ 112,374 |
| Interest on lease liabilities | 1,443 | 1,260 |
| Less: Capitalized interest | <u>(224)</u> | <u>(2,924)</u> |
| | <u>\$ 105,503</u> | <u>\$ 110,710</u> |

Information about capitalized interest was as follows:

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

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|-------------------|
| | 2021 | 2020 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 213,450 | \$ 197,884 |
| Operating expenses | <u>39,176</u> | <u>39,080</u> |
| | <u>\$ 252,626</u> | <u>\$ 236,964</u> |

e. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---|-------------------|
| | 2021 | 2020 |
| Short-term benefits | \$ 662,884 | \$ 562,914 |
| Post-employment benefits | | |
| Defined contribution plan | 25,301 | 16,517 |
| Defined benefit plans (Note 15) | 192 | 490 |
| Other employee benefits | <u>31,517</u> | <u>25,227</u> |
| Total employee benefits expense | <u>\$ 719,894</u> | <u>\$ 605,148</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 414,730 | \$ 370,960 |
| Operating expenses | <u>305,164</u> | <u>234,188</u> |
| | <u>\$ 719,894</u> | <u>\$ 605,148</u> |

f. Compensation of employees and remuneration of directors and supervisors

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

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

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

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

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

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

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|--------------------------------|------------------|
| | 2021 | 2020 |
| Current tax | | |
| In respect of the current year | \$ 364,526 | \$ 47,820 |
| Adjustments for prior year | 3,032 | 3,998 |
| Deferred tax | | |
| In respect of the current year | 86,621 | 28,147 |
| Adjustments for prior year | (914) | - |
| Income tax expense recognized in profit or loss | <u>\$ 453,265</u> | <u>\$ 79,965</u> |

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

| | For the Year Ended December 31 | |
|--|---|-------------------|
| | 2021 | 2020 |
| Profit before tax from continuing operations | <u>\$ 1,657,825</u> | <u>\$ 188,316</u> |
| Income tax expense calculated at the statutory rate | \$ 450,854 | \$ 73,524 |
| Nondeductible expenses in determining taxable income | 389 | 2,527 |
| Tax-exempt income | (96) | (84) |
| Unrecognized loss carryforwards | (914) | - |
| Adjustments for prior years' tax | <u>3,032</u> | <u>3,998</u> |
| Income tax expense recognized in profit or loss | <u>\$ 453,265</u> | <u>\$ 79,965</u> |

The corporate income tax rate was 20%. The applicable tax rate used by subsidiaries in China is 25%. For Froch Enterprise International Co., Ltd., Century Nova Steel Co., Ltd., and Froch Stainless Co., Ltd., there is no local corporate income tax law in the places that they operated; therefore, they do not have income tax.

b. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2021 | 2020 |
| Current tax assets | | |
| Prepaid income tax | \$ - | \$ 57 |
| Tax refund receivable | <u>14</u> | <u>2,382</u> |
| | <u>\$ 14</u> | <u>\$ 2,439</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 268,837</u> | <u>\$ 22,240</u> |

c. Deferred tax assets and liabilities

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

| | For the Year Ended December 31, 2021 | | | |
|----------------------------------|---|---|---|----------------------------|
| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Allowance for impairment loss | \$ 8,331 | \$ (639) | \$ - | \$ 7,692 |
| Defined benefit obligations | <u>9,477</u> | <u>(1,728)</u> | <u>(66)</u> | <u>7,683</u> |
| | 17,808 | (2,367) | (66) | 15,375 |
| Tax losses | <u>14,029</u> | <u>(14,029)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 31,837</u> | <u>\$ (16,396)</u> | <u>\$ (66)</u> | <u>\$ 15,375</u> |

(Continued)

For the Year Ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---------------------------------|----------------------------|---|---|----------------------------------|
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Foreign investment income | \$ 210,012 | \$ 69,835 | \$ - | \$ 279,847 |
| Land appreciation tax | 45,775 | - | - | 45,775 |
| Others | <u>573</u> | <u>(524)</u> | <u>-</u> | <u>49</u> |
| | <u>\$ 256,360</u> | <u>\$ 69,311</u> | <u>\$ -</u> | <u>\$ 325,671</u> (Concluded) |

For the Year Ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---------------------------------|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Allowance for impairment loss | \$ 17,387 | \$ (9,056) | \$ - | \$ 8,331 |
| Defined benefit obligations | 9,749 | (1,263) | 991 | 9,477 |
| Others | <u>1,468</u> | <u>(1,468)</u> | <u>-</u> | <u>-</u> |
| | 28,604 | (11,787) | 991 | 17,808 |
| Tax losses | <u>-</u> | <u>14,029</u> | <u>-</u> | <u>14,029</u> |
| | <u>\$ 28,604</u> | <u>\$ 2,242</u> | <u>\$ 991</u> | <u>\$ 31,837</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Foreign investment income | \$ 178,979 | \$ 31,033 | \$ - | \$ 210,012 |
| Land appreciation tax | 45,775 | - | - | 45,775 |
| Others | <u>1,217</u> | <u>(644)</u> | <u>-</u> | <u>573</u> |
| | <u>\$ 225,971</u> | <u>\$ 30,389</u> | <u>\$ -</u> | <u>\$ 256,360</u> |

d. Income tax assessments

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

20. EARNINGS PER SHARE

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

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

21. CAPITAL MANAGEMENT

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

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

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

22. FINANCIAL INSTRUMENTS

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

The management believes that the carrying amounts of financial assets and financial liabilities are close to fair value or the fair value cannot be measured reliably.

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

Fair value hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|-----------|---------|---------|-----------|
| <u>December 31, 2021</u> | | | | |
| Financial assets at FVTPL | | | | |
| Mutual funds | \$ 16,095 | \$ - | \$ - | \$ 16,095 |
| <u>December 31, 2020</u> | | | | |
| Financial assets at FVTPL | | | | |
| Mutual funds | \$ 16,357 | \$ - | \$ - | \$ 16,357 |

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

c. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|-----------|
| | 2021 | 2020 |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | \$ 16,095 | \$ 16,357 |
| Financial assets at amortized cost (1) | 3,338,291 | 2,638,888 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (2) | 8,341,429 | 7,154,637 |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, other financial assets - current and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

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

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's 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 Group's 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.

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) are set out in Note 27.

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 \$5,287 thousand and \$3,045 thousand respectively for the years ended December 31, 2021 and 2020, respectively.

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

b) Interest rate risk

The Group is exposed to interest rate risk because entities the Group borrows 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.

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Fair value interest rate risk | | |
| Financial assets | \$ 92,724 | \$ 73,104 |
| Financial liabilities | 98,940 | 45,771 |
| Cash flow interest rate risk | | |
| Financial assets | 1,514,866 | 1,497,865 |
| Financial liabilities | 7,804,397 | 6,785,990 |
| <u>Sensitivity analysis</u> | | |

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates of 25 basis point (0.25%) would have resulted in a decrease in the interest expense before tax by approximately \$15,724 thousand and \$13,220 thousand for the years ended December 31, 2021 and 2020, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

The following table details the Group's remaining contractual maturities for its non-

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

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

| Non-derivative Financial Liabilities | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---------------------------------------|-------------------|---------------------------|---------------------|-------------------|
| <u>December 31, 2021</u> | | | | | |
| Non-interest bearing | \$ 519,340 | \$ 6,850 | \$ - | \$ 462 | \$ 10,380 |
| Lease liabilities | 3,228 | 6,456 | 28,822 | 64,249 | - |
| Variable interest rate liabilities | <u>550,330</u> | <u>705,773</u> | <u>4,154,389</u> | <u>1,774,278</u> | <u>619,627</u> |
| | <u>\$ 1,072,898</u> | <u>\$ 719,079</u> | <u>\$ 4,183,211</u> | <u>\$ 1,838,989</u> | <u>\$ 630,007</u> |
| | | | | | |
| Non-derivative Financial Liabilities | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
| <u>December 31, 2020</u> | | | | | |
| Non-interest bearing | \$ 353,554 | \$ 5,551 | \$ - | \$ 235 | \$ 9,307 |
| Lease liabilities | 3,399 | 6,798 | 14,163 | 23,912 | 2,858 |
| Variable interest rate liabilities | <u>250,330</u> | <u>436,213</u> | <u>3,338,918</u> | <u>2,077,647</u> | <u>682,882</u> |
| | <u>\$ 607,283</u> | <u>\$ 448,562</u> | <u>\$ 3,353,081</u> | <u>\$ 2,101,794</u> | <u>\$ 695,047</u> |

Further information on the maturity analysis of the above financial liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years |
|------------------------------------|-------------------------|---------------------|-------------------|--------------------|
| <u>December 31, 2021</u> | | | | |
| Lease liabilities | \$ 38,506 | \$ 64,249 | \$ - | \$ - |
| Variable interest rate liabilities | <u>5,410,492</u> | <u>1,774,278</u> | <u>425,200</u> | <u>194,427</u> |
| | <u>\$ 5,448,998</u> | <u>\$ 1,838,527</u> | <u>\$ 425,200</u> | <u>\$ 194,427</u> |
| | | | | |
| <u>December 31, 2020</u> | | | | |
| Lease liabilities | \$ 24,360 | \$ 23,912 | \$ 2,858 | \$ - |
| Variable interest rate liabilities | <u>4,025,461</u> | <u>2,077,647</u> | <u>438,306</u> | <u>244,576</u> |
| | <u>\$ 4,049,821</u> | <u>\$ 2,101,559</u> | <u>\$ 441,164</u> | <u>\$ 244,576</u> |

b) Financing facilities

| | December 31 | |
|---------------|---------------------|---------------------|
| | 2021 | 2020 |
| Amount used | \$ 8,249,296 | \$ 6,962,315 |
| Amount unused | <u>6,396,017</u> | <u>7,513,584</u> |
| | <u>\$14,645,313</u> | <u>\$14,475,899</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 name and category

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

b. Sales of goods

| Line Item | Related Party Category | For the Year Ended December 31 | |
|------------------|-------------------------------|---------------------------------------|-------------------|
| | | 2021 | 2020 |
| Sales | Others | <u>\$ 607,791</u> | <u>\$ 433,015</u> |

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

c. Purchases of goods

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

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

d. Rental income

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

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

e. Receivables from related parties

| Line Item | Related Party Category | December 31 | |
|-------------------|------------------------|-------------|----------|
| | | 2021 | 2020 |
| Trade receivables | Others | \$ 23,708 | \$ - |
| Other receivables | Others | 1,522 | 1,786 |
| | | \$ 25,230 | \$ 1,786 |

f. Payables to related parties

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

g. Lease arrangements as lessee

| Line Item | Related Party Category/Name | December 31 | |
|------------------------------------|-----------------------------|-------------|-----------|
| | | 2021 | 2020 |
| Acquisition of right-of-use assets | Others | | |
| | Beittia Metals Co., Ltd. | \$ 94,737 | \$ - |
| | Others | 3,535 | 8,153 |
| | | \$ 98,272 | \$ 8,153 |
| Lease liabilities | Others | | |
| | Beittia Metals Co., Ltd. | \$ 79,276 | \$ 16,359 |
| | Santorics Metals Co., Ltd. | 11,843 | 14,263 |
| | Others | - | 3,075 |
| | | \$ 91,119 | \$ 33,697 |

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

The above is the factory lease agreement signed between the Company and the related parties, and the contract period is from July 1, 2016 to June 30, 2021. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The Company provided a refundable deposit of \$5,000 thousand as a deposit for the lease.

h. Endorsements and guarantees : Refer to Table 2

i. Compensation of key management personnel

| | | For the Year Ended December 31 | |
|--|------------------------------|---------------------------------------|-------------|
| | | 2021 | 2020 |
| | Short-term employee benefits | \$ 33,017 | \$ 15,282 |

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:

| | December 31 | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Property, plant and equipment | \$ 1,760,405 | \$ 1,774,997 |
| Pledged deposits (classified as other financial assets-current) | <u>1,650</u> | <u>7,632</u> |
| | <u>\$ 1,762,055</u> | <u>\$ 1,782,629</u> |

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials amounted to approximately \$436,573 thousand and \$167,460 thousand, respectively.

b. Unrecognized commitments were as follows:

| | December 31 | |
|--|--------------------|-------------|
| | 2021 | 2020 |
| Acquisition of property, plant and equipment | \$ 128,342 | \$ 168,651 |

26. OTHER ITEMS

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

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

| | December 31, 2021 | | | December 31, 2020 | | |
|------------------------------|-------------------|---------------|-----------------|-------------------|---------------|-----------------|
| | Foreign Currency | Exchange Rate | Carrying Amount | Foreign Currency | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | | | | |
| Monetary items | | | | | | |
| USD | \$ 28,446 | 27.68 | \$ 787,385 | \$ 20,443 | 28.48 | \$ 582,217 |
| USD (USD/CNY) | 3,645 | 6.3757 | 100,894 | 5,046 | 6.5249 | 143,710 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items | | | | | | |
| USD | 16,775 | 27.68 | 464,332 | 3,098 | 28.48 | 88,231 |
| USD (USD/CNY) | 34,417 | 6.3757 | 952,663 | 33,083 | 6.5249 | 942,204 |

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

| For the Year Ended December 31 | | | | |
|--------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|
| 2021 | | | 2020 | |
| Foreign Currency | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 28.009 (USD:NTD) | \$ (3,455) | 29.549 (USD:NTD) | \$ (8,709) |
| USD | 6.4512 (USD:CNY) | <u>18,160</u> | 6.8996 (USD:CNY) | <u>60,102</u> |
| | | <u>\$ 14,705</u> | | <u>\$ 51,393</u> |

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries: Table 3
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None

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

29. 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:

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reporting segment.

| | For the Year Ended December 31, 2021 | | For the Year Ended December 31, 2020 | |
|--|---|----------------------|---|----------------------|
| | Department Revenue | Department Profit | Department Revenue | Department Profit |
| Operating areas of the Republic of China | \$ 11,535,889 | \$ 1,251,782 | \$ 7,739,184 | \$ 84,765 |
| Operating areas of the People's Republic of China | <u>3,702,883</u> | <u>489,247</u> | <u>2,821,763</u> | <u>155,979</u> |
| Total from continuing operations | <u>\$ 15,238,772</u> | 1,741,029 | <u>\$ 10,560,947</u> | 240,744 |
| Finance costs | | (105,503) | | (110,710) |
| Exchange gains or losses | | 14,705 | | 51,393 |
| Interest income | | 7,535 | | 6,040 |
| Gains or losses on disposal of property, plant and equipment | | <u>59</u> | | <u>849</u> |
| Profit before tax | | <u>\$ 1,657,825</u> | | <u>\$ 188,316</u> |

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

b. Total segment assets and liabilities

| | December 31 | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| <u>Segment assets</u> | | |
| Operating areas of the Republic of China | \$10,230,197 | \$ 7,819,488 |
| Operating areas of the People's Republic of China | <u>4,183,588</u> | <u>3,816,667</u> |
| Consolidated total assets | <u>\$14,413,785</u> | <u>\$11,636,155</u> |
| <u>Segment liabilities</u> | | |
| Operating areas of the Republic of China | \$ 7,994,432 | \$ 6,383,276 |
| Operating areas of the People's Republic of China | <u>1,154,206</u> | <u>1,118,987</u> |
| Consolidated total liabilities | <u>\$ 9,148,638</u> | <u>\$ 7,502,263</u> |

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

| | For the Year Ended December 31 | |
|----------------------|---|---------------------|
| | 2021 | 2020 |
| Stainless steel tube | \$11,523,725 | \$ 8,458,282 |
| Stainless steel coil | 3,678,219 | 2,074,486 |
| Others | <u>36,828</u> | <u>28,179</u> |
| | <u>\$15,238,772</u> | <u>\$10,560,947</u> |

d. Geographical information

The Group's revenue from external customers by location of operation are detailed below.

| | For the Year Ended December 31 | |
|-------------|---|---------------------|
| | 2021 | 2020 |
| Asia | \$10,010,658 | \$ 6,865,808 |
| America | 2,273,497 | 1,392,745 |
| Europe | 1,244,906 | 1,039,153 |
| Middle East | 833,710 | 777,075 |
| Others | <u>876,001</u> | <u>486,166</u> |
| | <u>\$15,238,772</u> | <u>\$10,560,947</u> |

e. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2021 and 2020.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance (Notes 2 and 3) | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limit | Note |
|-----|--|-----------------------------------|-----------------------------|---------------|--------------------------------|--------------------------------|-------------------------|---------------|----------------------|-----------------------------|----------------------------------|------------------------|------------|-------|-----------------------------------|---------------------------|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Froch Enterprise International Co., Ltd. | Century Nova Steel Co., Ltd. - CN | Other receivables | Yes | \$ 238,331 | \$ 234,292 | \$ 167,860 | 0.2% | Short-term financing | \$ - | Operation | \$ - | - | \$ - | \$ 459,937 (Note 1) | \$ 459,937 (Note 1) | |

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsed/Guaranteed Party | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 2) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|-----|-----------------------------------|------------------------------------|--------------|---|---|--|----------------------------|--|---|--|--|--|---|------|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Froch Enterprise Co., Ltd. | Century Nova Steel, Co., Ltd. - CN | 2 | \$ 2,378,328 | \$ 1,169,935 | \$ 1,134,880 | \$ 885,760 | \$ - | 23 | \$ 2,378,328 | Yes | - | Yes | |
| 1 | Century Nova Steel Co., Ltd. - CN | Froch Metal (suzhou) co., Ltd. | 1 | 526,847 | 21,937 | 21,707 | 712 | - | 1 | 1,053,694 | - | - | Yes | |
| | | Froch Stainless Co., Ltd. - CN | 1 | 526,847 | 21,937 | 21,707 | 145 | - | 1 | 1,053,694 | - | - | Yes | |

Note 1: The relationship between guarantor and guaranteed party:

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

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | DECEMBER 31, 2021 | | | | Note |
|----------------------------|---|---------------------------------------|--|-------------------|-----------------|-----------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Froch Enterprise Co., Ltd. | <u>Mutual funds</u> Shin Kong US Harvest Balance Fund Type A without Dividends (NTD) | None | Financial assets measured at FVTPL - current | 175,919 | \$ 1,949 | - | \$ 1,949 | |
| | TCB US Short Duration High Yield Bond Fund A USD (NTD) | None | Financial assets measured at FVTPL - current | 300,000 | 2,997 | - | 2,997 | |
| | Schroder All Cycle Income Fund A (NTD) | None | Financial assets measured at FVTPL - current | 300,000 | 2,976 | - | 2,976 | |
| | TCB Global Healthcare M-A Income Fund A (NTD) | None | Financial assets measured at FVTPL - current | 500,000 | 5,020 | - | 5,020 | |
| | PineBridge ESG Quantitative Equity Fund A (NTD) | None | Financial assets measured at FVTPL - current | 300,000 | 3,153 | - | 3,153 | |

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

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

TABLE 4**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Purchaser or Seller | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|------------------------------------|------------------------------------|--------------|---------------------|--------------|------------|--------------------------|----------------------|--------------------------|-------------------------------------|------------|--------|
| | | | Purchase/Sale | Amount | % of Total | Payment/Collection Terms | Unit Price | Payment/Collection Terms | Ending Balance | % of Total | |
| Froch Enterprise Co., Ltd. | Santorics Metals Co., Ltd. | Others | Sale | \$ (607,791) | (5) | Note 1 | Note 1 | Note 1 | \$ 23,708 | 2 | |
| Froch Enterprise Co., Ltd. | Beittia Metals Co., Ltd. | Others | Purchase | 1,693,290 | 19 | Note 1 | Note 1 | Note 1 | - | - | |
| Century Nova Steel, Co., Ltd. - CN | Froch Metal (Suzhou) Co., Ltd. | Subsidiary | Purchase | 495,342 | 6 | Note 1 | Note 1 | Note 1 | - | - | |
| Century Nova Steel, Co., Ltd. - CN | Froch Metal (Suzhou) Co., Ltd. | Subsidiary | Sale | (849,061) | (25) | Note 2 | Note 2 | Note 2 | 4,208 | 6 | Note 3 |
| Century Nova Steel, Co., Ltd. - CN | Froch Stainless Co., Ltd. - CN | Subsidiary | Sale | (2,416,841) | (71) | Note 2 | Note 2 | Note 2 | 67,234 | 92 | Note 3 |
| Froch Metal (suzhou) co., Ltd. | Century Nova Steel, Co., Ltd. - CN | Subsidiary | Purchase | 849,061 | 100 | Note 2 | Note 2 | Note 2 | (4,208) | (100) | Note 3 |
| Froch Stainless Co., Ltd. - CN | Century Nova Steel, Co., Ltd. - CN | Subsidiary | Purchase | 2,416,841 | 100 | Note 2 | Note 2 | Note 2 | (67,234) | (100) | Note 3 |

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

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

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

DECEMBER 31, 2021

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

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

Note: Significant intercompany accounts and transactions have been eliminated.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

| No. | Company Name | Counterparty | Relationship (Note 1) | Transaction Details | | | Percentage of Consolidated Net Revenue or Total Assets (%) |
|-----|---|------------------------------------|--------------------------|----------------------------------|-----------------|---------------|---|
| | | | | Financial Statements Accounts | Amount (Note 2) | Payment Terms | |
| 1 | Froch Metal (suzhou) co., Ltd. | Century Nova Steel, Co., Ltd. - CN | 3 | Cost of goods sold | \$ 849,061 | T/T 90 days | 6 |
| 2 | Century Nova Steel, Co., Ltd. - CN | Froch Stainless Co., Ltd. - CN | 3 | Sales revenue | 2,416,841 | T/T 90 days | 16 |
| 3 | Froch Enterprise International Co., Ltd. | Century Nova Steel, Co., Ltd. - CN | 3 | Other receivables | 167,860 | - | 1 |

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 YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2021 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|----------------------------|--|------------------------|-----------------------------------|----------------------------|-------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|---------------------------------|------------|
| | | | | December 31, 2021 | December 31, 2020 | Number of Shares | Percentage of Ownership | Carrying Amount (Note 1) | | | |
| Froch Enterprise Co., Ltd. | Century Nova Steel Co., Ltd. | British Virgin Islands | International investment business | \$ 1,530,998 | \$ 1,530,998 | 49,000,000 | 100% | \$ 2,411,087 | \$ 216,443 | \$ 216,443 | Subsidiary |
| | Froch Enterprise International Co., Ltd. | British Cayman Islands | International investment business | 115,366 | 115,366 | 3,550,000 | 100% | 459,937 | 52,742 | 52,742 | Subsidiary |
| | Froch Stainless Co., Ltd. | British Samoa | International investment business | 14,959 | 14,959 | 500,000 | 100% | 154,482 | 79,991 | 79,991 | Subsidiary |

Note 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 YEAR ENDED DECEMBER 31, 2021

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 3 and 6) | Carrying Amount as of December 31, 2021 (Notes 3 and 6) | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|--|--|--|--|---|---------------------|--------|---|-----------------------------------|--|--|---|---|
| | | | | | Outward | Inward | | | | | | |
| Froch Metal (suzhou) co., Ltd. | Operating stainless steel and other steel pipe production and sales businesses | \$ 103,236 (US\$ 3,000) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | \$ 110,492 (US\$ 3,400) | \$ - | \$ - | \$ 110,492 (US\$ 3,400) | \$ 49,238 | 100% | \$ 49,238 | \$ 205,797 | \$ - |
| Century Nova Steel, Co., Ltd. - CN | Operating stainless steel and other steel pipe production and sales businesses | 1,680,898 (US\$ 54,000) (Note 1) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | 1,530,998 (US\$ 49,000) | - | - | 1,530,998 (US\$ 49,000) | 241,976 | 100% | 241,976 | 2,195,195 | - |
| Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd. | Import and export business, entropot trade and trade between enterprises in bonded areas | 16,250 (US\$ 500) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | 4,875 (US\$ 150) | - | - | 4,875 (US\$ 150) | 2,396 | 100% (Note 2) | 2,396 | 25,540 | - |
| Froch Stainless Co., Ltd. - CN | Operating stainless steel and other steel pipe production and sales businesses | 17,951 (US\$ 600) | The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China. | 14,959 (US\$ 500) | - | - | 14,959 (US\$ 500) | 95,989 | 100% (Note 5) | 95,989 | 185,378 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4) |
|---|--|--|
| \$ 1,457,176 (US\$ 46,950) | \$ 1,672,697 (US\$ 58,000) | \$ 2,972,911 |

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

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

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

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

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

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

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

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

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

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

VI. Financial Distress Encountered by the Company and Affiliated Companies in the Last Year, up until the Publication Date of this Annual Report: None

Seven. Review of Financial Position, Operating Results, and Risk Management Issues

I. Financial Position Review and Analysis Chart

Unit: NTD thousands

| Account \ Year | 2020 | 2021 | Variation | |
|-------------------------------|------------|------------|-----------|--------|
| | | | Amount | % |
| Current Assets | 7,066,286 | 9,641,081 | 2,574,795 | 36.44 |
| Property, Plant and Equipment | 4,376,031 | 4,506,451 | 130,420 | 2.98 |
| Intangible and Other Assets | 225,675 | 281,628 | 55,953 | 24.79 |
| Total Assets | 11,667,992 | 14,429,160 | 2,761,168 | 23.66 |
| Current Liabilities | 4,643,101 | 6,625,658 | 1,982,557 | 42.70 |
| Non-current Liabilities | 3,115,522 | 2,848,651 | (266,871) | (8.57) |
| Total Liabilities | 7,758,623 | 9,474,309 | 1,715,686 | 22.11 |
| Paid-in Capital | 2,805,260 | 2,805,260 | 0 | 0.00 |
| Capital Reserves | 463,471 | 463,471 | 0 | 0.00 |
| Retained Earnings | 871,528 | 1,936,088 | 1,064,560 | 122.15 |
| Other Equities | (230,890) | (249,968) | (19,078) | 8.26 |
| Treasury Stock | 0 | 0 | 0 | 0 |
| Total Shareholders' Equity | 3,909,369 | 4,954,851 | 1,045,482 | 26.74 |

Material Changes above 20% in Assets, Liabilities, and Shareholders' Equity in the Last Two Years; Describe the Causes and Impacts of Such Variations:

1. Current Assets and Total Assets: Due to the simultaneous increases in the price and quantity of inventories, current assets increased and in turn led to an increase in total assets.
2. Intangible Assets and Other Assets: Due to the new extension of leasing right-of-use assets upon expiration.
3. Current Liability and Total Liability : As the cash flow for purchasing inventories is using the material purchase loan funded by bank loan change, the current liabilities increased and in turn led to an increase in total liabilities.
4. Retained Earnings and Total Shareholders' Equity: Benefiting from the price increase in raw materials, the spread between selling prices and costs widened, hence net profit after tax increased, which in turn affected retained earnings and total shareholders' equity.

II. Operating Result

(I) Comparative Analysis of Operating Performance

Unit: NTD thousands

| Account | Year | 2020 | 2021 | Variation | Variation (%) |
|---|------|------------------|-------------------|-----------|---------------|
| Net Sales | | 10,560,974 | 15,238,772 | 4,677,825 | 44.29 |
| Cost of Sales | | <u>9,622,919</u> | <u>12,422,135</u> | 2,799,216 | 29.09 |
| Gross Profit | | 938,028 | 2,816,637 | 1,878,609 | 200.27 |
| Operating Expenses | | <u>703,160</u> | <u>1,089,674</u> | 386,514 | 54.97 |
| Operating Profit (Loss) | | 234,868 | 1,726,963 | 1,492,095 | 635.29 |
| Non-operating Income | | 64,158 | 36,365 | (27,793) | (43.32) |
| Non-operating Expenses | | <u>110,710</u> | <u>105,503</u> | (5,207) | (4.70) |
| Pre-Tax Profit (Loss) | | 188,316 | 1,657,825 | 1,469,509 | 780.34 |
| Income Tax Expense (Benefit) | | <u>79,965</u> | <u>453,265</u> | 373,300 | 466.83 |
| Net Income (Loss) | | <u>108,351</u> | <u>1,204,560</u> | 1,096,209 | 1,011.72 |
| Explanation of Variations: | | | | | |
| 1. Net Sales, Operating Cost, Operating Profit, Operating Expense, Pre-tax Profit, Income Tax Expense, and Net Income: Increase in the price of Nickel caused both amount and quantity increases in net sales and costs, as well as after costs. Despite the sharp increase in sea freight expenses, operating profit increased due to the widened spread between prices and costs. It also caused income tax expense and net income to increase. | | | | | |
| 2. Non Operating Income and Gains: Currency exchange gains decreased. | | | | | |

(II) Gross Profit Variation Analysis:

Unit: NTD thousands

| | Variation | Cause of Difference | | | Quantity Difference |
|--------------|-----------|---|--|---|---|
| | | Selling Price Difference | Cost Difference | Difference in Sales Mix | |
| Gross Profit | 1,878,609 | 3,468,537 | (1,660,892) | (42,823) | 113,787 |
| Explanation | | Raw material prices exhibited greater uptrend in 2021 compared to 2020 and affected product selling prices, causing positive impact on selling price differences. | Production cost increased along with material purchase cost, which resulted in negative cost difference. | The sales of better profiting products (stainless steel tubes and pipes) had decreased in the period, which resulted in negative difference in sales mix. | Sales volume increased significantly compared to the previous year, causing positive impact on quantity difference. |

III. Cash Flow

(I) Cash Flow Analysis for the Last 2 Years:

| Ratio \ Year | 2020 | 2021 | Variation (%) |
|------------------------------|--------|--------|---------------|
| Cash Flow Ratio (%) | (4.52) | (7.49) | (65.71) |
| Cash Flow Adequacy Ratio (%) | 96.66 | 21.55 | (77.71) |
| Cash Reinvestment Ratio (%) | (3.63) | (5.85) | (61.15) |

Explanation to Major Variations:
The cash flow from operating activities outflowed in 2021 due to the purchase of inventory and the accounts receivable and notes receivable have significantly outgrown pre-tax net income. Accordingly, the above three ratios, which are dependent on the cash flow from operating activities, were either decreased or turned negative. The variations fluctuated considerably.

(II) Liquidity Analysis for the Next Year:

Unit: NTD thousands

| Beginning Cash Balance | Cash Flow from Operating Activities for the Year | Cash Outflow for the Year | Cash Surplus (Deficit) | Financing of Cash Deficits | |
|------------------------|--|---------------------------|------------------------|----------------------------|-----------------|
| | | | | Investment Plans | Financing Plans |
| 1,516,988 | 1,534,467 | (1,806,146) | 1,245,309 | - | - |

I. Operating Activities: The Company specializes in the production and sales of stainless steel tubes, pipes, sheets, and coils. Changes in net cash from operating activities for 2022 are expected to be mainly attributed to: reduced inventory, non-cash expenses such as depreciation, and inflow from pre-tax profit; the Company estimates a net inflow of NTD1,534,467.

II. Investing Activities: The Company expects to invest NTD180,000,000 to expand the factories in Taiwan and the Mainland, and to revamp machinery and equipment.

III. Financing Activities: The Company expects to occur NTD1,626,146,000 of cash outflow from financing activities this year, due to repayment of long-term and short-term liabilities, cash dividend distribution, etc.

☆ Response Measures and Liquidity Analysis for Cash Flow Deficit: Not applicable

IV. Material Capital Expenditures in the Last Year and Impact on Business Performance

(I) Material Capital Expenditures and Source of Capital

Unit: NTD thousands

| Projects | Actual or Expected Source of Capital | Actual or Expected Date of Completion | Total Capital Required | Actual or Expected Uses of Capital | |
|----------|--------------------------------------|---------------------------------------|------------------------|------------------------------------|------|
| | | | | 2022 | 2023 |
| None | | | | | |

(II) Expected Benefits from Capital Expenditures

1. Expected Increase in Production/Sales Volume and Value, and Gross Profit

Unit: NTD thousands/tonnes

| Year | Project | Production Volume (Tonnes/Year) | Sales Volume (Tonnes/Year) | Sales Value (NTD thousands/year) | Gross Profit (NTD thousands/year) |
|------|---------|---------------------------------|----------------------------|----------------------------------|-----------------------------------|
| None | | | | | |

2. Other Benefits: None

V. Major Reasons of the Profit or Loss Arising from Other Business Investments in the Last Year, Their Improvement Plans. And Investments Plans for the Next Year

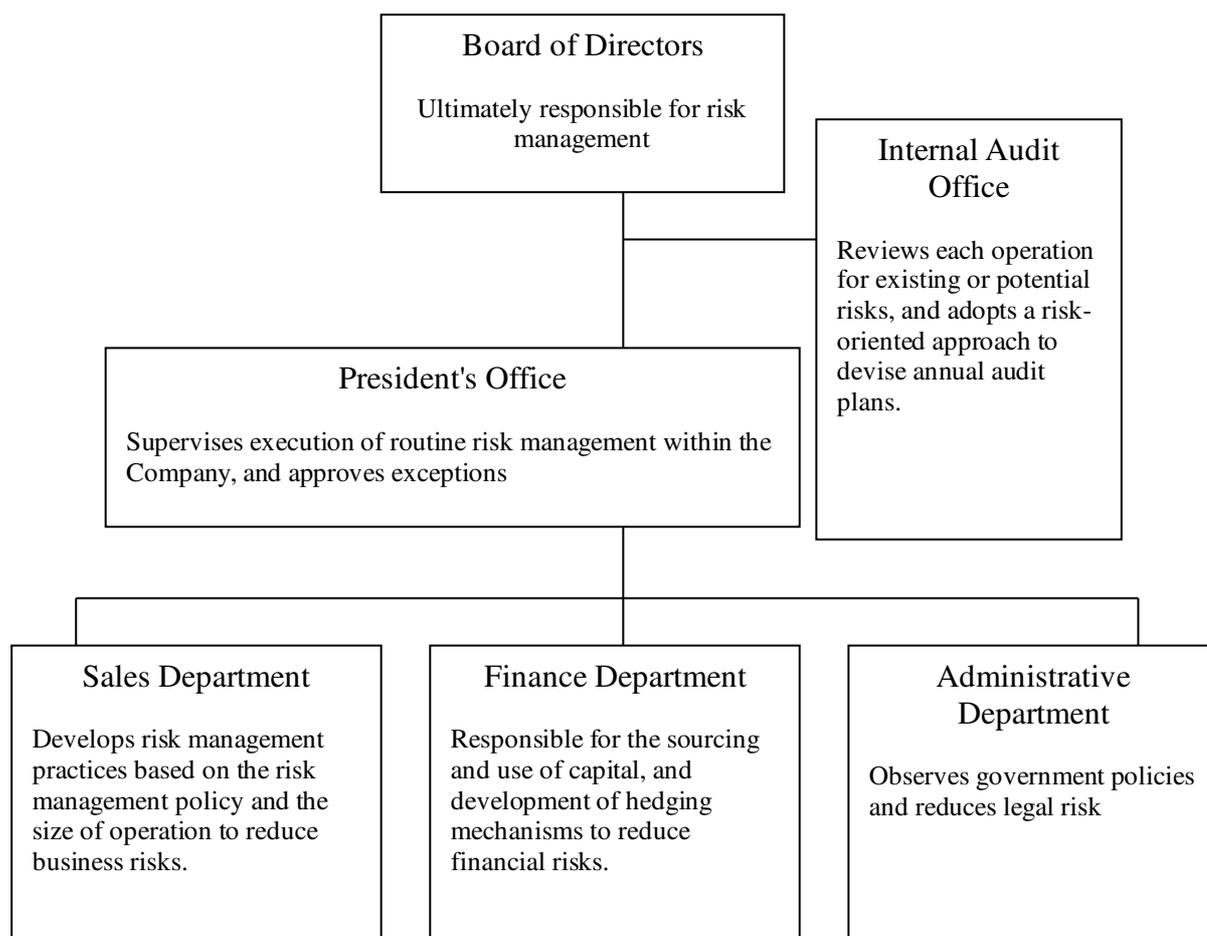
Unit: NTD thousands

| Name of Business Investment | Policy | Profit (Loss) Amount (NTD thousands) | Main Causes of Profit (Loss) | Improvement Plans | Investment Plans for The Coming Year |
|---------------------------------------|--|--------------------------------------|---|-------------------|--|
| Froch Metal (Suzhou) Co., Ltd. | 1. To secure source of raw material. 2. To develop market and distribution channel in the Mainland. | 49,238 | Secured recurring, long-term customers from its prolonged market involvement. | None | None |
| Century Nova Steel Co., Ltd. | | 241,976 | The business currently operates at economies of scale, and is free of any material adverse external impact. | None | Expand product specifications and improve quality to fulfill needs in various markets. |
| Froch International Trading Co., Ltd. | | 2,396 | Revenue coming from leasing of assets; active control of expenses will be exercised to maintain breakeven. | None | None |
| Froch Stainless Co., Ltd. | | 95,989 | Secured recurring, long-term customers from its prolonged market involvement. | None | None |

VI. Evaluation of Risk Factors

(I) Risk Management Organization

1. Organization: Each unit within the Company is responsible for managing operational risks that are relevant to their business activities. The Internal Audit Office reviews each operation for existing or potential risks, and adopts a risk-oriented approach to devise annual audit plans. Risk management organization, framework, and functions are explained below:



2. Below is a description of the Company's risk management practices:

(1) Market Risk

Refers to risk of fair value/price due to exchange rate or interest rate variation. The Company locks in profit by pre-selling foreign currencies or by repaying foreign currency liabilities using assets of the same currency, and thereby avoids exchange rate risk. Due to the fact that the Company is unable to hedge the risks of its inventory using derivatives such as futures, such position exists market risk.

(2) Credit Risk

Financial assets are vulnerable to the risk of customer's defaulting on their contractual obligations. Credit risks are evaluated with contracts having positive fair values as at the balance sheet date. The Company deals only with financial institutions and companies of high credit standing, therefore does not expect to be exposed to any major credit risks.

(3) Liquidity Risk

The Company maintains sufficient working capital, and hence is not exposed to the

risk of being unable to meet contractual obligations due to insufficient liquidity. All available-for-sale financial assets held by the Company are with high market liquidity, and the Company expects to sell such assets quickly on the market at prices close to fair value.

(II) Assessment of Various Risks:

1. Impact of Interest Rate, Exchange Rate, and Inflation on the Company's Earnings, and Response Measures:

◎ Risks

- ◎ The Company's long-term and short-term bank borrowings mostly accrue interests at floating rate. For this reason, changes in market rate will affect the effective long-term/short-term bank borrowing rate, causing fluctuation in future cash flow.
- ◎ The Company locks in profit by pre-selling foreign currencies or by repaying foreign currency liabilities using assets of the same currency, and thereby avoids exchange rate risk.
- ◎ Recovery of the global economy has increased short-term volatility of the price index and given rise to inflation concerns, hence the Company expects an increase in operating costs.

◆ Response Measures:

- ◆ The finance unit will maintain close contact with financial institutions for up-to-date information on interest and exchange rate variations and trends. This knowledge helps reduce adverse impact of interest and exchange rate changes.
- ◆ When offering quotations to export customers, the Company will take into account exchange rate trends in order to minimize the impact that exchange rate volatility has on the profitability of the sales transaction.
- ◆ The Company will open foreign currency accounts with banking partners to hold required foreign currency position. Currency position will be adjusted when appropriate as market rate changes.
- ◆ Financial instruments such as currency forwards and forfeiting foreign account receivables may be used to hedge against exchange rate risks. These instruments will also be managed according to derivatives procedures for risk control enhancement.

2. Policies on High-Risk and Highly Leveraged Investments, Loans to External Parties, Endorsements/Guarantees, and Trading of Derivatives; Describe the Main Causes of Profit or Loss Incurred and Future Response Measures:

The Company has issued endorsements/guarantees totaling USD6,000,000 for Century Nova Steel Co., Ltd. in March 2021, USD10,000,000 for Century Nova Steel Co., Ltd. in May 2021, and USD25,000,000 for Century Nova Steel Co., Ltd. in November 2021 for a total of USD41,000,000. USD32,000,000 have been drawn to date. All above transactions were carried out according to the Company's "Endorsement and Guarantee Policy."

3. Future Research and Development Plans and Projected Expenses:

The Company primarily manufactures stainless steel tubes, pipes, sheets, and coils, and operates in a mature industry where breakthroughs in production technology and equipment are less frequent. For this reason, the Company's R&D budgets are mainly directed toward improvement of existing production procedures and machinery, and do not qualify as new "science, technology, quantitative tool, or statistical method" stipulated in Statute for Industrial Innovation.

4. Financial Impacts and Response Measures in the Event of Changes in Local and Foreign Regulations:

The Company operates in compliance with regulations of the home country and the respective countries it invests in. Expatriates report any significant change in policies or laws back to the headquarters in a timely manner, thereby allowing appropriate decisions, responses, and measures to be made at the management level.

5. Financial Impacts and Response Measures in the Event of Technological or Industrial Change:

The Company is part of an industry that are related with industrial development and people's livelihood demands, and currently there is no substitutable product capable of changing the existing industry structure. Furthermore, the Company has proven itself capable of applying new technologies in management, procedure improvement, and new product development; therefore, changes in technology will actually benefit the Company in terms of business expansion.

6. Crisis Management Impacts and Response Measures in the Event of a Change in Corporate Image:

The Company has always valued integrity as the fundamental principle. It adopts a business philosophy of "Pursuing Excellence, and Creating Future" while emphasizing on resources cherishing, environmental protection, and developing businesses proactively. Profits earned from operations are given back to shareholders as well as used in corporate social responsibilities.

7. Expected Benefits and Risks from Mergers and Acquisitions: None

8. Expected Benefits and Risks Associated with Plant Expansions: None

9. Risks Associated with Concentrated Sales or Purchases:

The Company is a professional manufacturer of stainless steel tubes, pipes, sheets, and coils. Raw materials are primarily sourced from YUSCO and Walsin Lihwa, and secondarily from stainless steel mills in the Mainland. YUSCO and Walsin Lihwa are professional manufacturers of stainless steel coils with consistent quality, which the Company has long-term relationship with. For this reason, the Company expects ample supply of resources in the future, and sees no concentration in supply sources. Owing to proactive oversea business efforts, export sales now account for approximately 64% of revenues and the Company's export network currently covers more than 100 countries worldwide. Coupled with the fact that there are thousands of customers in the home country, the Company does not concentrate in any single industry, market, or customer, and therefore is free of sales concentration risk.

10. Impacts and Risks Associated with Major Transfer of Shareholding by Director or Shareholders with More than 10% Ownership: No significant changes, hence only limited change.

11. Impacts and Risks Associated with a Change of Management: None

12. Major Litigations, Non-contentious Cases, or Administrative Litigations Involving the Company or any Director, President, Person-in-charge, Major Shareholder with More than 10% Ownership, or Affiliated Companies, whether Concluded or Pending Judgment, that are Likely to Pose Significant Impact to Shareholders or Security Prices of the Company.

Disclose the Nature of Dispute, the Amount Involved, the Date the Litigation First Started, the Key Parties Involved, and Progress as of the Publication Date of This Annual Report:
None.

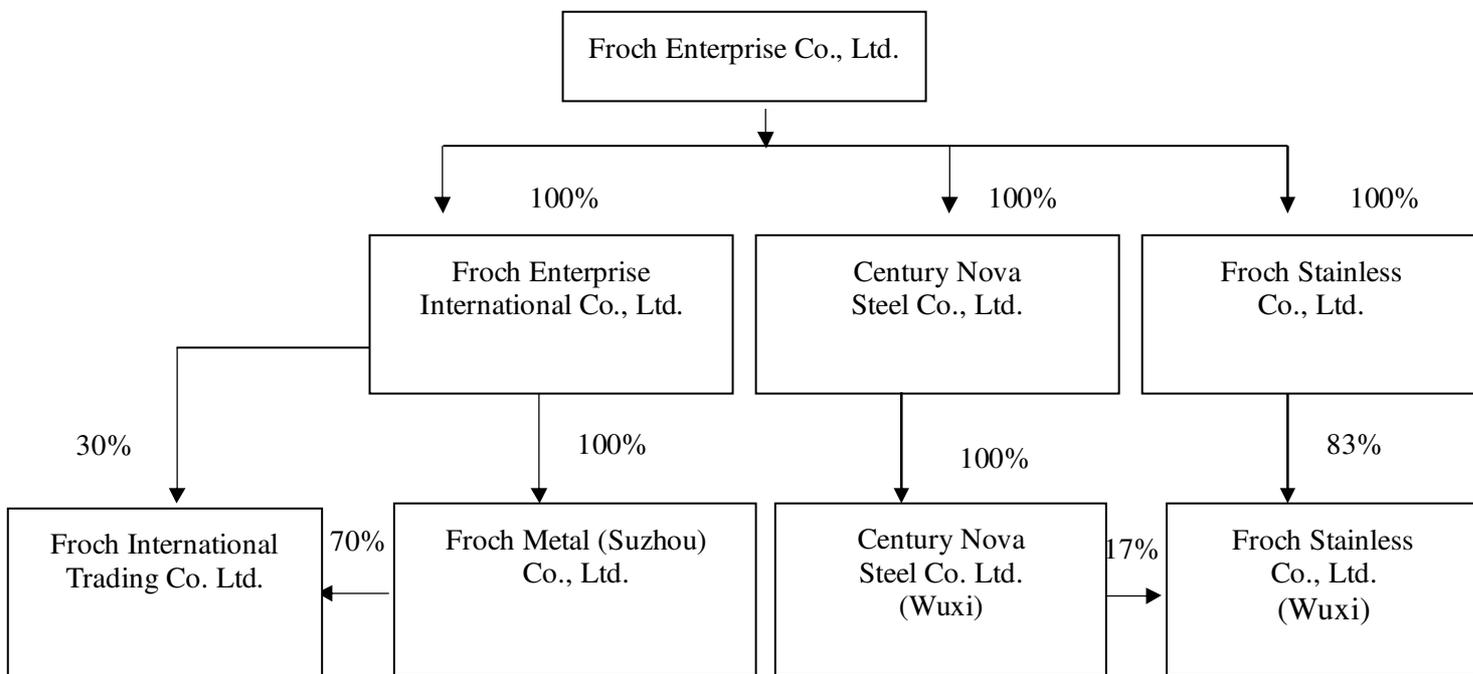
13. Other Significant Risks: None

VII. Other Major Issues: None

Eight. Special Remarks

I. Information of Affiliated Companies

(I) Affiliated Company Chart



(II) Profile of Affiliated Companies

| Company | Relationship with the Company | The Company's Shareholding in the Affiliated Companies | | | The Affiliated Company's Shareholding in the Company | | |
|--|----------------------------------|--|------------|------------------------|--|--------|--------|
| | | Shareholding Percentage | Shares | Amount (NTD thousands) | Shareholding Percentage | Shares | Amount |
| Froch Enterprise International Co., Ltd. | 1 st -tier subsidiary | 100% | 3,550,000 | 115,366 (USD3,550) | 0 | 0 | 0 |
| Froch Metal (Suzhou) Co., Ltd. | 2 nd -tier subsidiary | 100% | 0 | 103,236 (USD3,000) | 0 | 0 | 0 |
| Froch International Trading Co. Ltd. | 3 rd -tier subsidiary | 100% | 0 | 16,250 (USD500) | 0 | 0 | 0 |
| Century Nova Steel Co., Ltd. | 1 st -tier subsidiary | 100% | 49,000,000 | 1,530,998 (USD49,000) | 0 | 0 | 0 |
| Century Nova Steel Co. Ltd. (Wuxi) | 2 nd -tier subsidiary | 100% | 0 | 1,680,898 (USD54,000) | 0 | 0 | 0 |
| Froch Stainless Co., Ltd. | 1 st -tier subsidiary | 100% | 500,000 | 14,959 (USD500) | 0 | 0 | 0 |
| Froch Stainless Co., Ltd. (Wuxi) | 2 nd -tier subsidiary | 100% | 0 | 17,951 (USD600) | 0 | 0 | 0 |

(III) Common Shareholders in Controlling and Controlled Companies: Not applicable

(IV) Businesses Activities Covered by Affiliated Companies:

The Company and its affiliated companies are collectively involved in: manufacturing, trading, and investment activities.

(V) Names and Shareholding Information of Directors, Presidents of Affiliated Companies

| Name of Entity | Title | Name or Name of Representative | Current Shareholding | |
|--|----------|--|-----------------------|---|
| | | | Capital Paid (dollar) | Percentage of Shareholding/Capital Paid (%) |
| Froch Enterprise International Co., Ltd. | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 3,550,000 | 100.00 |
| Century Nova Steel Co., Ltd. | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 49,000,000 | 100.00 |
| Froch Stainless Co. Ltd. | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 500,000 | 100.00 |
| Froch Metal (Suzhou) Co., Ltd. | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 400,000 | 100.00 |
| Century Nova Steel Co. Ltd. (Wuxi) | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 49,000,000 | 100.00 |
| Froch International Trading Co. Ltd. | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 500,000 | 100.00 |
| Froch Stainless Co., Ltd. (Wuxi) | Chairman | Froch Enterprise Co., Ltd. Representative: Ping-Yiao Chang | USD 500,000 | 100.00 |

(VI) Performance of Affiliated Companies

Unit: Foreign currency and NTD thousands

| Name of Entity | Capital | Total Assets | Total Liabilities | Net Worth | Sales Revenue | Operating Income (Loss) | Net Income (Loss) (after Tax) | Earnings (Losses) per Share (dollar) |
|--|------------|--------------|-------------------|-----------|---------------|-------------------------|-------------------------------|--------------------------------------|
| Froch Enterprise International Co., Ltd. | USD 3,550 | 459,937 | 0 | 459,937 | 0 | 0 | 52,742 | USD 0.53 |
| Century Nova Steel Co., Ltd. | USD 49,000 | 2,411,087 | 0 | 2,411,087 | 0 | 0 | 216,443 | USD 0.16 |
| Froch Stainless Co. Ltd. | USD 500 | 154,482 | 0 | 154,482 | 0 | 0 | 79,991 | USD 5.71 |
| Froch Metal (Suzhou) Co., Ltd. | USD 3,000 | 272,575 | 66,778 | 205,797 | 942,699 | 59,978 | 49,238 | USD 0.59 |
| Century Nova Steel Co. Ltd. (Wuxi) | USD 54,000 | 3,350,145 | 1,154,950 | 2,195,195 | 3,406,101 | 288,344 | 241,976 | USD 0.16 |
| Froch International Trading Co. Ltd. | USD 500 | 27,207 | 1,667 | 25,540 | 11,767 | 349 | 2,396 | USD 0.17 |
| Froch Stainless Co., Ltd. (Wuxi) | USD 600 | 359,986 | 174,608 | 185,378 | 2,616,144 | 126,105 | 95,989 | USD 5.71 |

(VII) Consolidated Report of Affiliated Companies: Please refer to "Latest Audited Consolidated Financial Statements" in Section Six. Financial Overview.

(VIII) Affiliation Report: None.

- II. Private Placement of Securities in the Last Year up until the Publication Date of Annual Report: None
- III. Holding or Disposal of the Company's Shares by Subsidiaries in the Last Financial Year, up until the Publication Date of this Annual Report: None
- IV. Other Material Supplementary Information: None
- V. Events Significant to Shareholders' Interests or the Company's Securities Price, as Defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the Last Year up until the Publication Date of this Annual Report: None