

**HSING TA CEMENT CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Hsing Ta Cement Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Hsing Ta Cement Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 Accountants 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Occurrence of revenue recognition of cement sales

Description

Please refer to Note 4(28) of the financial statements for accounting policies on revenue recognition and Note 6(18) for details of operating revenue.

The Group's operating revenue mainly consists of cement sales revenue, revenue from recycling and treatment and rental revenue. The revenue from cement sales amounted to NTD 7,460,933 thousand, constituting 98.26% of the 2020 operating revenue. The price of cement often fluctuates due to the prices of raw materials, market supply and demand as well as the general economic situation. Sales prices and order quantities are based on the contracts signed with individual customers. Cement sales revenue is recognised when customers collect the cement, which is based on the dispatch reports prepared by the cement factory according to actual collection situation. The Group's counterparties are numerous, and the types of products, the related prices and the qualities are various. Also, the information process, recording and maintenance of the relevant reports mainly relies on manual operation. Therefore, more audit staff were required to perform the procedures. Additionally, since the cement sales revenue is material to the financial statements, we consider the occurrence of revenue recognition of cement sales as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of revenue recognition policies and procedures for cement sales based on our understanding of the Group's business and the industry it operates in, and confirmed that these were consistently applied in the financial statements.
2. Obtained an understanding of the order, collection and delivery processes, and assessed as well as tested the relevant internal control procedures including sample testing the prices and quantities on the cement order reports and agreed them with the records on the cement sales register cards and the collection reports as well as checking whether the quantities on the collection report were consistent with the records on the delivery sheets and the daily dispatch reports.

3. Verified the monthly dispatch reports used by the management for revenue recognition, including sample testing the quantities on the reports whether they were consistent with the records on the daily dispatch reports, and recalculating the amount of the revenue and agreeing them with the recorded revenue.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as at and for the years ended December 31, 2020 and 2019.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 of the current period 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.

Lai, Chung-Hsi

Hsu, Ming-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,276,512	19	\$ 874,572	8
1110	Financial assets at fair value through profit or loss - current	6(2)	1,126,395	10	1,317,327	12
1136	Current financial assets at amortised cost	6(3) and 8	129,429	1	73,019	1
1150	Notes receivable, net	6(4)	1,687,340	14	2,035,960	18
1170	Accounts receivable, net	6(4)	390,257	3	495,586	4
1200	Other receivables		3,638	-	3,120	-
130X	Inventories	6(5)	893,683	8	830,282	7
1410	Prepayments		65,597	1	53,235	1
1470	Other current assets		145	-	4	-
11XX	Current assets		6,572,996	56	5,683,105	51
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	233,766	2	273,016	2
1535	Financial assets at amortised cost - non-current	6(3) and 8	226,244	2	224,578	2
1550	Investments accounted for under equity method	6(6)	-	-	-	-
1600	Property, plant and equipment	6(7) and 8	2,928,658	25	3,093,153	28
1755	Right-of-use assets	6(8)	152,475	1	157,056	1
1760	Investment property - net	6(10)	1,445,742	12	1,454,358	13
1780	Intangible assets		49,460	1	51,243	-
1840	Deferred income tax assets	6(25)	34,875	-	57,828	1
1920	Guarantee deposits paid		32,486	-	32,959	-
1990	Other non-current assets, others		134,351	1	163,998	2
15XX	Non-current assets		5,238,057	44	5,508,189	49
1XXX	Total assets		\$ 11,811,053	100	\$ 11,191,294	100

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HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current contract liabilities	6(18)	\$ 62,491	-	\$ 85,532	1
2150	Notes payable		111,203	1	75,868	1
2160	Notes payable - related parties	7	1,091	-	1,161	-
2170	Accounts payable		1,173,364	10	947,007	8
2200	Other payables	6(11) and 7	556,945	5	601,282	5
2230	Current income tax liabilities	6(25)	249,898	2	312,962	3
2280	Current lease liabilities		6,322	-	6,459	-
2320	Long-term liabilities, current portion	6(12)	-	-	225,244	2
2399	Other current liabilities, others		1,307	-	1,210	-
21XX	Current Liabilities		2,162,621	18	2,256,725	20
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	4,797	-	5,936	-
2580	Non-current lease liabilities		15,980	-	18,263	-
2640	Accrued pension liabilities	6(13)	48,491	1	161,626	2
2670	Other non-current liabilities, others		38,148	-	118,622	1
25XX	Non-current liabilities		107,416	1	304,447	3
2XXX	Total liabilities		2,270,037	19	2,561,172	23
Equity attributable to owners of parent						
	Share capital	6(14)				
3110	Share capital - common stock		3,419,579	29	3,419,579	31
	Capital surplus	6(15)				
3200	Capital surplus		22,651	-	22,551	-
	Retained earnings	6(16)				
3310	Legal reserve		1,428,368	12	1,332,001	12
3320	Special reserve		231,848	2	118,512	1
3350	Unappropriated retained earnings		2,570,971	22	2,157,722	19
	Other equity interest	6(17)				
3400	Other equity interest		(175,551)	(1)	(231,848)	(2)
31XX	Equity attributable to owners of the parent		7,497,866	64	6,818,517	61
36XX	Non-controlling interest		2,043,150	17	1,811,605	16
3XXX	Total equity		9,541,016	81	8,630,122	77
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 11,811,053	100	\$ 11,191,294	100

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

HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(10)(18) and 7	\$	7,593,294	100	\$ 7,822,895	100
5000 Operating costs	6(5)(10)(13)(23)(24) and 7	(	4,983,512)	(65)	(5,218,440)	(67)
5900 Gross profit			2,609,782	35	2,604,455	33
Operating expenses	6(13)(23)(24) and 7					
6100 Selling expenses		(	184,119)	(3)	(180,922)	(2)
6200 General and administrative expenses		(	310,250)	(4)	(357,032)	(5)
6450 Expected credit losses	12(2)	(	13,054)	-	-	-
6000 Total operating expenses		(	507,423)	(7)	(537,954)	(7)
6900 Operating profit			2,102,359	28	2,066,501	26
Non-operating income and expenses						
7100 Interest income	6(19)		9,261	-	8,098	-
7010 Other income	6(20)		25,953	-	33,184	-
7020 Other gains and losses	6(21)	(	16,982)	-	(842)	-
7050 Finance costs	6(22)	(	2,160)	-	(18,487)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(6)		-	-	238	-
7000 Total non-operating income and expenses			16,072	-	22,191	-
7900 Profit before income tax			2,118,431	28	2,088,692	26
7950 Income tax expense	6(25)	(	669,558)	(9)	(630,075)	(8)
8200 Profit for the year		\$	1,448,873	19	\$ 1,458,617	18

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HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(13)	(\$ 6,540)	-	(\$ 1,953)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	1,308	-	390	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(5,232)	-	(1,563)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(17)	85,525	1	(169,974)	(2)
8360	Components of other comprehensive income that will be reclassified to profit or loss		85,525	1	(169,974)	(2)
8300	Other comprehensive income (loss) for the year		<u>\$ 80,293</u>	<u>1</u>	<u>(\$ 171,537)</u>	<u>(2)</u>
8500	Total comprehensive income for the year		<u>\$ 1,529,166</u>	<u>20</u>	<u>\$ 1,287,080</u>	<u>16</u>
	Profit, attributable to:					
8610	Owners of the parent		\$ 1,004,034	13	\$ 963,670	11
8620	Non-controlling interest		444,839	6	494,947	7
			<u>\$ 1,448,873</u>	<u>19</u>	<u>\$ 1,458,617</u>	<u>18</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,055,403	14	\$ 849,783	10
8720	Non-controlling interest		473,763	6	437,297	6
			<u>\$ 1,529,166</u>	<u>20</u>	<u>\$ 1,287,080</u>	<u>16</u>
	Basic earnings per share					
9750	Total basic earnings per share	6(26)	<u>\$ 2.94</u>		<u>\$ 2.82</u>	
	Diluted earnings per share					
9850	Total diluted earnings per share	6(26)	<u>\$ 2.92</u>		<u>\$ 2.81</u>	

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

HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Capital surplus			Retained earnings			Exchange differences on translation of foreign financial statements	Total	Non-controlling interest	Total equity
Notes	Ordinary share	treasury share transactions	others	Legal reserve	Special reserve	Unappropriated retained earnings					
<u>2019</u>											
		\$ 3,419,579	\$ 22,299	\$ 153	\$1,247,977	\$ 42,354	\$1,628,351	(\$ 118,512)	\$6,242,201	\$1,447,886	\$7,690,087
		-	-	-	-	-	963,670	-	963,670	494,947	1,458,617
	6(17)	-	-	-	-	-	(551)	(113,336)	(113,887)	(57,650)	(171,537)
		-	-	-	-	-	963,119	(113,336)	849,783	437,297	1,287,080
	6(16)										

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

HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,118,431	\$ 2,088,692
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(7)(8)(10)(23)	318,741	325,508
Amortisation expense	6(23)	5,771	4,694
Expected credit losses	12(2)	13,054	-
Net gain on financial assets at fair value through profit or loss	6(2)(21)	(30,675)	(26,314)
Interest expense	6(8)(22)	2,160	18,487
Interest income	6(19)	(9,261)	(8,098)
Dividend revenue	6(20)	(15,627)	(8,290)
Share of profit of associates and joint ventures accounted for using equity method	6(6)	-	(238)
Gain on lease modification	6(8)(21)	(688)	-
Loss on disposal of property, plant and equipment	6(21)	7,526	5,852
Loss on disposals of investments	6(21)	-	1,471
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		348,620	330,445
Accounts receivable, net		92,275	(251,807)
Other receivables	(	646)	3,318
Inventories	(	63,401)	(21,026)
Prepayments	(	12,362)	(11,521)
Other current assets	(	141)	166
Changes in operating liabilities			
Current contract liabilities	(	23,041)	14,136
Notes payable		35,335	(3,686)
Notes payable - related parties	(	70)	376
Accounts payable		226,357	68,334
Other payables	(	41,343)	188,908
Other current liabilities, others		97	97
Net defined benefit liability	(	113,982)	(47,185)
Cash inflow generated from operations		2,857,130	2,672,319
Income taxes paid	(	709,500)	(533,990)
Net cash flows from operating activities		2,147,630	2,138,329

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HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 1,859,655)	(\$ 2,579,436)
Proceeds from disposal of financial assets at fair value through profit or loss		2,104,308	1,701,473
Acquisition of financial assets at amortised cost		(137,578)	(12,017)
Proceeds from disposal of financial assets at amortised cost		79,502	-
Proceeds from capital reduction of financial assets at fair value through profit or loss		33,410	-
Proceeds from liquidation of financial assets at fair value through profit or loss		10,384	-
Acquisition of property, plant and equipment	6(7)(27)	(128,374)	(168,206)
Acquisition of investment property	6(10)	-	(328)
Proceeds from disposal of property, plant and equipment		11,908	1,061
Decrease in refundable deposits		473	21,859
Decrease (increase) in other non-current assets, others		50,174	(55,080)
(Increase) decrease in prepayments for business facilities		(22,765)	7,545
Interest received		9,389	7,637
Dividends received		15,627	8,290
Net cash flows from (used in) investing activities		<u>166,803</u>	<u>(1,067,202)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayments of long-term debt	6(28)	(222,538)	(324,538)
Increase in guarantee deposits received	6(28)	(8,775)	14,021
(Decrease) increase in shareholder accounts		(72,000)	48,000
Payments of lease liabilities	6(28)	(3,071)	(3,665)
Cash dividend paid	6(16)	(376,154)	(273,566)
Interest paid		(3,350)	(20,747)
Dividends paid to non-controlling interests	4(3)	(242,218)	(143,771)
Expired unclaimed dividends transferred to capital surplus		100	99
Net cash flows used in financing activities		<u>(928,006)</u>	<u>(704,167)</u>
Effect of exchange rate changes on cash and cash equivalents		15,513	(44,692)
Net increase in cash and cash equivalents		1,401,940	322,268
Cash and cash equivalents at beginning of year		874,572	552,304
Cash and cash equivalents at end of year		<u>\$ 2,276,512</u>	<u>\$ 874,572</u>

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

HSING TA CEMENT CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. History and Organisation

Hsing Ta Cement Co., Ltd. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and the Company’s shares have been approved by Securities Commission, Ministry of Finance to be listed on October 7, 1991. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in quarrying, processing, warehousing and distribution of minerals, manufacturing, processing, warehousing and distribution of limestone chemicals, cement products and limestone related industry, treatment of general waste, sales and leasing of real estate, consultancy of building management, etc.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 30, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	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
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2020	December 31, 2019
The Company SPC	Soaring Power Corp. (SPC)	Overseas investment	66.67	66.67
	Jiangsu Xinning New Building Materials Co., Ltd. (XN)	Manufacturing of new building materials, new special cement clinker, silicate cement clinker, general cement and special cement, mineral powder, stone, commercial concrete and cement products; recycling and wholesale of recycled materials; treatment and recycling of sewage; sales of self-produced products and provide related supporting services	100.00	100.00
The Company	Synergy Development Co., Ltd (Synergy)	Agency service of real estates, etc.	98.00	98.00
The Company	Hsin I Ready Mixed Concrete Co., Ltd. (HSIN I)	Manufacturing and sales of concrete	55.20	55.20
XN	Nanjing Xinrong New Green Materials Co., Ltd. (Nanjing Xinrong)	Research and development of new environmental protection materials, technology promotion services; development and service of energy conservation and environmental protection technology; manufacturing of special equipment for environmental protection; promotion services of environmental protection technologies and energy conservation technologies; manufacturing and wholesale of non-metallic ore and products; wholesale of chemical products (excluding hazardous chemicals); fine processing of non-metallic ore	52.72	52.72
XN	Jiangsu Xinning New Building Materials Trading CO.,Ltd (Xinning Trading)	Sales of cement products, building materials, light building materials, building decoration materials, asbestos products and ecological environment material as well as research and development of new material technology	100.00	-

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2020 and 2019, the non-controlling interest amounted to \$2,043,150 and \$1,811,605, respectively. The information on non-controlling interest and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2020		December 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)
HSIN I	Taiwan	\$ 194,237	44.80%	\$ 169,152	44.80%
SPC	Virgin Islands	1,782,503	33.33%	1,572,722	33.33%

Summarised financial information of the subsidiaries:

Balance sheets

	HSIN I	
	December 31, 2020	December 31, 2019
Current assets	\$ 394,300	\$ 395,131
Non-current assets	228,112	240,403
Current liabilities	(180,982)	(176,662)
Non-current liabilities	(7,866)	(81,301)
Total net assets	<u>\$ 433,564</u>	<u>\$ 377,571</u>
	SPC-Consolidated	
	December 31, 2020	December 31, 2019
Current assets	\$ 4,904,429	\$ 4,310,368
Non-current assets	2,165,196	2,281,311
Current liabilities	(1,620,473)	(1,761,882)
Non-current liabilities	(35,991)	(42,716)
Total net assets	<u>\$ 5,413,161</u>	<u>\$ 4,787,081</u>

Statements of comprehensive income

	HSIN I	
	Year ended December 31	
	2020	2019
Revenue	\$ 954,996	\$ 760,833
Profit before income tax	72,806	38,015
Income tax expense	(16,135)	(8,027)
Profit for the year from continuing operations	56,671	29,988
Profit for the year	56,671	29,988
Other comprehensive loss, net of tax	(678)	(2,256)
Total comprehensive income for the year	<u>\$ 55,993</u>	<u>\$ 27,732</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 25,085</u>	<u>\$ 12,424</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>
	SPC-Consolidated	
	Year ended December 31	
	2020	2019
Revenue	\$ 5,053,675	\$ 5,621,837
Profit before income tax	1,828,953	2,013,272
Income tax expense	(557,368)	(563,366)
Profit for the year from continuing operations	1,271,585	1,449,906
Profit for the year	1,271,585	1,449,906
Other comprehensive income (loss), net of tax	84,478	(169,974)
Total comprehensive income for the year	<u>\$ 1,356,063</u>	<u>\$ 1,279,932</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 452,000</u>	<u>\$ 426,616</u>
Dividends paid to non-controlling interest	<u>\$ 242,218</u>	<u>\$ 143,771</u>

Statements of cash flows

		HSIN I	
		Year ended December 31	
		2020	2019
Net cash provided by operating activities	\$	131,068	(\$ 48,408)
Net cash provided by investing activities	(	3,996)	(11,318)
Net cash provided by financing activities	(	72,000)	48,000
Increase (Decrease) in cash and cash equivalents		55,072	(11,726)
Cash and cash equivalents, beginning of year		9,960	21,686
Cash and cash equivalents, end of year	\$	65,032	\$ 9,960
		SPC-Consolidated	
		Year ended December 31	
		2020	2019
Net cash provided by operating activities	\$	2,048,940	\$ 2,012,986
Net cash provided by investing activities		171,525	(1,109,782)
Net cash provided by financing activities	(	1,088,792)	(725,034)
Effect of exchange rates on cash and cash equivalents	(	50,010)	40,711
Increase in cash and cash equivalents		1,081,663	218,881
Cash and cash equivalents, beginning of year		554,437	335,556
Cash and cash equivalents, end of year	\$	1,636,100	\$ 554,437

(4) Foreign currency translation

Except for items included in the financial statements of SPC are measured using the New Taiwan dollars, which was determined based on the primary operating management environment, other entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the associates and group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity), but excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	8 ~ 60 years
Machinery and equipment	2 ~ 15 years
Transportation equipment	4 ~ 15 years
Office equipment	3 ~ 15 years
Other equipment	2 ~ 20 years

(16) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 ~ 55 years.

(18) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 to 10 years.
- B. Patent is amortised using the straight-line method over its estimated economic service life of 20 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plans

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
 - iii. Past-service costs are recognised immediately in profit or loss.
- C. Employees' compensation and directors' and supervisors' remuneration
- Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

The Group manufactures and sells limestone chemicals, cement products and limestone related products. Sales are recognised when control of the products has transferred to customers, the consideration is taking into account of business tax, returns, rebates and discounts. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Rental revenue

The Group follows the guidance of IFRS 16 'Leases' to recognise revenue from the leasing of property. Leases are required to be classified as either finance lease or operating lease according to the extent of transition of risks and rewards of ownership. Revenue is recognised through the period of leases.

(29) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to cost of land use right are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related land use right as reduced depreciation expense.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Lease term

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option, including the expected changes of all fact and situation for the period from the commencement date of lease to the execution date of options. Also, the Company took into consideration the main factors, such as the contract terms and conditions during the option covered period and the importance to lessee's operation if the significant lease improvement and underlying assets incurred during the contract terms. When significant events or significant changes occur within the Company's control, the lease term will be re-estimated.

(2) Critical accounting estimates and assumptions

Impairment assessment of tangible asset

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 1,307	\$ 1,273
Checking accounts	51,340	46,721
Demand deposits	2,092,555	697,428
Time deposits	486,983	426,747
	<u>2,632,185</u>	<u>1,172,169</u>
Less: Time deposits pledged	(276,401)	(224,578)
Time deposits that are not held for the purpose of meeting short-term cash commitments in operations	(79,272)	(73,019)
	<u>\$ 2,276,512</u>	<u>\$ 874,572</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's certain time deposits pledged, shown as 'current financial assets at amortised cost' related to issued notes payable, are provided in Note 8.

C. Details of the Group's certain time deposits pledged, shown as 'non-current financial assets at amortised cost' related to guarantee for mining land and deposits for construction, are provided in Note 8.

D. The Group recognised certain time deposits as 'current financial assets at amortised cost' as they are not held for the purpose of meeting short-term cash commitments in operations.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Domestic listed stocks	\$ 55,159	\$ 55,159
Foreign listed stocks	2,549	2,549
RMB financial products	1,082,213	1,274,280
	1,139,921	1,331,988
Valuation adjustment	(13,526)	(14,661)
	<u>\$ 1,126,395</u>	<u>\$ 1,317,327</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Domestic unlisted shares	\$ 66,570	\$ 130,959
Valuation adjustment	167,196	142,057
	<u>\$ 233,766</u>	<u>\$ 273,016</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 565)	\$ 11,522
RMB financial products	31,240	14,792
	<u>\$ 30,675</u>	<u>\$ 26,314</u>

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits maturing over three months	\$ 79,272	\$ 73,019
Time deposits pledged	50,157	-
	<u>\$ 129,429</u>	<u>\$ 73,019</u>
Non-current items :		
Time deposits pledged	<u>\$ 226,244</u>	<u>\$ 224,578</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31	
	2020	2019
Interest income	<u>\$ 1,677</u>	<u>\$ 1,889</u>

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$355,673 and \$297,597, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 1,687,340	\$ 2,035,960
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 1,687,340</u>	<u>\$ 2,035,960</u>
Accounts receivable	\$ 403,311	\$ 535,278
Less: Allowance for uncollectible accounts	(13,054)	(39,692)
	<u>\$ 390,257</u>	<u>\$ 495,586</u>

A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	December 31, 2020		December 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 1,687,340	\$ 388,443	\$ 2,035,960	\$ 473,600
Up to 30 days	-	1,083	-	8,966
31 to 90 days	-	16	-	8,597
91 to 180 days	-	-	-	1,348
Over 180 days	-	13,769	-	42,767
	<u>\$ 1,687,340</u>	<u>\$ 403,311</u>	<u>\$ 2,035,960</u>	<u>\$ 535,278</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, notes and accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$2,366,405 and \$283,471, respectively.
- C. As of December 31, 2020 and 2019, notes receivable were provided and transferred to suppliers to pay the equivalent amount of payables, which were not due or not derecognised amounting to \$633,069 and \$706,395 (RMB 144,635 thousand and RMB 164,087 thousand), respectively. The Group has the obligation to pay as the endorser if the issuer or acceptor of a note refused to pay at maturity.
- D. The notes receivable of the subsidiary, XN are the bank acceptances which are accepted and guaranteed by the banks. As of December 31, 2020 and 2019, the bank acceptances amounted to \$1,489,932 and \$1,845,507, respectively.
- E. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$1,687,340 and \$2,035,960; \$390,257 and \$495,586, respectively.
- F. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 435,163	\$ -	\$ 435,163
Supplies	290,948	(1,153)	289,795
Work in progress	74,491	-	74,491
Finished goods	94,234	-	94,234
	<u>\$ 894,836</u>	<u>(\$ 1,153)</u>	<u>\$ 893,683</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 341,167	\$ -	\$ 341,167
Supplies	375,054	(1,417)	373,637
Work in progress	43,488	-	43,488
Finished goods	71,990	-	71,990
	<u>\$ 831,699</u>	<u>(\$ 1,417)</u>	<u>\$ 830,282</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2020	2019
Cost of goods sold	\$ 4,925,049	\$ 5,142,881
Underapplied overheads	26,695	47,892
Loss on decline in market value	-	579
Gain on reversal of decline in market value	(264)	-
	<u>\$ 4,951,480</u>	<u>\$ 5,191,352</u>

(6) Investments accounted for using equity method

	2020	2019
At January 1	\$ -	\$ 6,614
Disposal of investments accounted for using equity method	- (	5,381)
Share of profit or loss of investments accounted for using equity method	-	238
Losses on disposal of investments	- (	1,471)
At December 31	<u>\$ -</u>	<u>\$ -</u>

Associates	December 31, 2020	December 31, 2019
Taiwan Ooparts Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

Taiwan Ooparts Co., Ltd. reduced capital to offset losses on May 19, 2019, and increased capital by issuing shares on May 20, 2019. The Group did not participate in the capital increase, and as a result, its shareholding ratio decreased from 41.11% to 18.68%. Hence, the Group no longer has significant influence over the associate. The Group remeasured the investment retained in Taiwan Ooparts Co., Ltd. at its fair value and recognised it as 'non-current financial assets at fair value through profit or loss'. Any difference between fair value and carrying amount is recognised as current disposal loss amounting to \$1,471.

(7) Property, plant and equipment

	2020							
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction	Total
		Owner-occupied	Owner-occupied	Owner-occupied	Owner-occupied	Owner-occupied		
At January 1								
Cost	\$ 550,002	\$ 2,044,643	\$ 5,353,815	\$ 230,543	\$ 68,613	\$ 90,441	\$ 14,864	\$ 8,352,921
Accumulated depreciation and impairment	-	(928,894)	(4,050,737)	(163,101)	(36,106)	(80,930)	-	(5,259,768)
	<u>\$ 550,002</u>	<u>\$ 1,115,749</u>	<u>\$ 1,303,078</u>	<u>\$ 67,442</u>	<u>\$ 32,507</u>	<u>\$ 9,511</u>	<u>\$ 14,864</u>	<u>\$ 3,093,153</u>
Opening net book amount as at January 1	\$ 550,002	\$ 1,115,749	\$ 1,303,078	\$ 67,442	\$ 32,507	\$ 9,511	\$ 14,864	\$ 3,093,153
Additions	4,789	19,718	59,814	4,838	16,393	3,676	17,753	126,981
Disposals	-	(8,334)	(9,239)	(1,578)	(283)	-	-	(19,434)
Reclassifications	-	1,334	-	-	-	480	(1,868)	(54)
Depreciation charge	-	(65,666)	(210,203)	(15,205)	(8,650)	(2,773)	-	(302,497)
Net exchange differences	-	15,478	13,469	281	696	-	585	30,509
Closing net book amount as at December 31	<u>\$ 554,791</u>	<u>\$ 1,078,279</u>	<u>\$ 1,156,919</u>	<u>\$ 55,778</u>	<u>\$ 40,663</u>	<u>\$ 10,894</u>	<u>\$ 31,334</u>	<u>\$ 2,928,658</u>
At December 31								
Cost	\$ 554,791	\$ 2,059,231	\$ 5,357,052	\$ 222,236	\$ 83,413	\$ 94,327	\$ 31,334	\$ 8,402,384
Accumulated depreciation and impairment	-	(980,952)	(4,200,133)	(166,458)	(42,750)	(83,433)	-	(5,473,726)
	<u>\$ 554,791</u>	<u>\$ 1,078,279</u>	<u>\$ 1,156,919</u>	<u>\$ 55,778</u>	<u>\$ 40,663</u>	<u>\$ 10,894</u>	<u>\$ 31,334</u>	<u>\$ 2,928,658</u>

2019								
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction	Total
		Owner-occupied	Owner-occupied	Owner-occupied	Owner-occupied	Owner-occupied		
At January 1								
Cost	\$ 550,002	\$ 2,000,465	\$ 5,385,750	\$ 224,010	\$ 51,590	\$ 89,984	\$ 17,613	\$ 8,319,414
Accumulated depreciation and impairment	-	(877,725)	(3,868,389)	(156,870)	(31,603)	(77,937)	-	(5,012,524)
	<u>\$ 550,002</u>	<u>\$ 1,122,740</u>	<u>\$ 1,517,361</u>	<u>\$ 67,140</u>	<u>\$ 19,987</u>	<u>\$ 12,047</u>	<u>\$ 17,613</u>	<u>\$ 3,306,890</u>
Opening net book amount as at January 1	\$ 550,002	\$ 1,122,740	\$ 1,517,361	\$ 67,140	\$ 19,987	\$ 12,047	\$ 17,613	\$ 3,306,890
Additions	-	79,409	43,952	18,377	20,483	457	15,353	178,031
Disposals	-	-	(3,344)	(3,490)	(79)	-	-	(6,913)
Reclassifications	-	17,542	-	-	-	-	(17,542)	-
Depreciation charge	-	(66,998)	(218,435)	(13,903)	(6,685)	(2,993)	-	(309,014)
Net exchange differences	-	(36,944)	(36,456)	(682)	(1,199)	-	(560)	(75,841)
Closing net book amount as at December 31	<u>\$ 550,002</u>	<u>\$ 1,115,749</u>	<u>\$ 1,303,078</u>	<u>\$ 67,442</u>	<u>\$ 32,507</u>	<u>\$ 9,511</u>	<u>\$ 14,864</u>	<u>\$ 3,093,153</u>
At December 31								
Cost	\$ 550,002	\$ 2,044,643	\$ 5,353,815	\$ 230,543	\$ 68,613	\$ 90,441	\$ 14,864	\$ 8,352,921
Accumulated depreciation and impairment	-	(928,894)	(4,050,737)	(163,101)	(36,106)	(80,930)	-	(5,259,768)
	<u>\$ 550,002</u>	<u>\$ 1,115,749</u>	<u>\$ 1,303,078</u>	<u>\$ 67,442</u>	<u>\$ 32,507</u>	<u>\$ 9,511</u>	<u>\$ 14,864</u>	<u>\$ 3,093,153</u>

- A. The significant components of buildings and structures include office, factory road maintenance construction, inventory warehouse as well as firefighting and air conditioning equipment, which are depreciated over 30 to 60, 30, 30 to 45 and 8 years, respectively.
- B. As the land with book value of \$65,638 in Wulaokeng Sec., Su'ao Township is a farmland, therefore, the title to the land is temporarily registered to a natural person. However, the Company has set the pledge of land ownership to itself in order to protect its rights.
- C. Information about the property that was pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements - lessee

A. The Group leases various assets including land and office. Rental contracts are typically made for periods of 3 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leased assets may not be used as security for borrowing purposes nor the rights to be transferred to others through business transfer or combination.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land - land use right	\$ 130,653	\$ 131,864
Land - mining land	21,597	25,192
Other equipment	225	-
	<u>\$ 152,475</u>	<u>\$ 157,056</u>

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land - land use right	\$ 3,341	\$ 3,487
Land - mining land	4,251	4,284
Other equipment	36	-
	<u>\$ 7,628</u>	<u>\$ 7,771</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$721 and \$95, respectively.

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

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 411	\$ 529
Expense on short-term lease contracts	5,445	5,505
Expense on leases of low-value assets	214	262
Gain on lease modification	688	-
	<u>\$ 6,758</u>	<u>\$ 6,296</u>

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$8,730 and \$9,961, respectively.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Leasing arrangements - lessor

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 1 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, nor be subleased, lent, sold or granted fully or partially in any different form to the third parties.
- B. For the years ended December 31, 2020 and 2019, the Group recognised rent income in the amounts of \$44,103 and \$43,736, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020		December 31, 2019
2021	\$ 42,501	2020	\$ 44,098
2022	34,311	2021	42,177
2023	743	2022	34,218
2024	557	2023	743
After 2025	-	2024	557
	<u>\$ 78,112</u>		<u>\$ 121,793</u>

(10) Investment property

	2020		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,199,909	\$ 382,369	\$ 1,582,278
Accumulated depreciation	-	(127,920)	(127,920)
	<u>\$ 1,199,909</u>	<u>\$ 254,449</u>	<u>\$ 1,454,358</u>
Opening net book amount as at January 1	\$ 1,199,909	\$ 254,449	\$ 1,454,358
Depreciation charge	-	(8,616)	(8,616)
Closing net book amount as at December 31	<u>\$ 1,199,909</u>	<u>\$ 245,833</u>	<u>\$ 1,445,742</u>
At December 31			
Cost	\$ 1,199,909	\$ 382,369	\$ 1,582,278
Accumulated depreciation	-	(136,536)	(136,536)
	<u>\$ 1,199,909</u>	<u>\$ 245,833</u>	<u>\$ 1,445,742</u>

	2019		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,199,909	\$ 382,041	\$ 1,581,950
Accumulated depreciation	-	(119,197)	(119,197)
	<u>\$ 1,199,909</u>	<u>\$ 262,844</u>	<u>\$ 1,462,753</u>
Opening net book amount as at January 1	\$ 1,199,909	\$ 262,844	\$ 1,462,753
Additions	-	328	328
Depreciation charge	-	(8,723)	(8,723)
Closing net book amount as at December 31	<u>\$ 1,199,909</u>	<u>\$ 254,449</u>	<u>\$ 1,454,358</u>
At December 31			
Cost	\$ 1,199,909	\$ 382,369	\$ 1,582,278
Accumulated depreciation	-	(127,920)	(127,920)
	<u>\$ 1,199,909</u>	<u>\$ 254,449</u>	<u>\$ 1,454,358</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2020	2019
Rental income from investment property	<u>\$ 44,103</u>	<u>\$ 43,736</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 18,805</u>	<u>\$ 19,467</u>

B. The fair value of the investment property held by the Group was \$4,004,421 and \$3,904,451 as of December 31, 2020 and 2019, respectively, which was based on the result of internal valuation by the management of the Company using the real estate appraisal methods and the transaction prices of similar properties nearby. The details of the valuation methods are as follows:

- (a) Direct capitalisation method of income approach: The Group adjusts the factors that affect the price of the subject property through the differences due to the local factors and individual factors between the comparable properties and the subject property to obtain the reasonable rents of the subject property; and calculates the effective gross income with deduction of the related expenses, then use an appropriate capitalisation rate to obtain the income value of the subject property.
- (b) The Group estimates the value of the subject property by comprehensive consideration of transaction prices from sales through agents of the neighbouring comparable properties which possess the same nature and have similar characteristics and the transaction prices of real estate from the Ministry of Interior.

- C. On June 19, 2000, the Company was approved to develop the lands with book value of \$673,413 in Guanxi by the Tai 89 Nei-Ying-Zi Letter No. 8983677 issued by Construction and Planning Agency Ministry of the Interior through the submitted application of 'Integrated Development and Construction Plan of Hsing Ta Guanxi Community'. However, the titles to certain lands, categorised as cultivated land, were temporarily registered to natural persons and shall be subsequently registered to the Company after the lands are categorised as non-cultivated land in accordance with laws as the Company signed trust deeds with each individual natural person. The Company has set the pledge of land ownership to itself in order to protect its rights.
- D. On May 25, 2020, the Company entered into a joint construction agreement with CHAINQUI CONSTRUCTION DEVELOPMENT CO., LTD. (CHAINQUI). Under the agreement, the Company provides the above-land structures and lands located in No. 602-1 and 603, 2nd Subsec., Chengzhong Sec., Zhongzheng Dist., Taipei City, and CHAINQUI provides construction fund for the building construction.

(11) Other payables

	December 31, 2020	December 31, 2019
Wages and salaries payable	\$ 268,106	\$ 241,992
Other accrued expense	208,044	294,071
Business tax payable	71,780	52,779
Payables on equipment and construction	8,432	9,825
Interest payable	-	1,191
Other payables, others	583	1,424
	<u>\$ 556,945</u>	<u>\$ 601,282</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	December 31, 2020	Foreign currency amount
Long-term bank				
Unsecured USD borrowings	Credit line of USD 30 million from February 4, 2015 to February 3, 2020	3.19%	\$ -	USD -
			-	
Less: Current portion			-	-
			<u>\$ -</u>	

Type of borrowings	Borrowing period	Interest rate range	December 31, 2019	Foreign currency amount
Long-term bank borrowings				
Unsecured USD borrowings	Credit line of USD 30 million from February 4, 2015 to February 3, 2020	3.59% ~ 4.04%	\$ 225,244	USD 7,500 thousand
Less: Current portion			(225,244) \$ -	7,500 thousand

A. On January 15, 2015, XN entered into a USD 30 million non-revolving syndicated loan agreement with 5 banks including Chinatrust Commercial Bank, Mega International Commercial Bank Co., Ltd. and E.Sun Commercial Bank, Ltd. etc. with the agreement period of 5 years from the first drawdown. The syndicated loan was used to repay the outstanding of the syndicated loan (“the 2010 syndicated loan”) signed on January 4, 2010. The Company was the joint guarantor for the new syndicated loan. The new syndicated loan, was fully drawn on February 4, 2015 to repay the outstanding of the 2010 syndicated loan, and was also fully repaid on February 3, 2020.

B. The details of guarantee for the abovementioned new syndicated loan are provided in Note 9.

(13) Pensions

A. (a) The Company and HSIN I have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.

The Company and its domestic subsidiaries contribute monthly an amount equal to 15% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	(\$ 218,936)	(\$ 224,325)
Fair value of plan assets	170,445	62,699
Net defined benefit liability	(\$ 48,491)	(\$ 161,626)

(c) Movements in net defined benefit liabilities are as follows:

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 224,325)	\$ 62,699	(\$ 161,626)
Current service cost	(2,202)	-	(2,202)
Interest (expense) income	(1,570)	439	(1,131)
	(228,097)	63,138	(164,959)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,952	1,952
Change in financial assumptions	(8,385)	-	(8,385)
Experience adjustments	(107)	-	(107)
	(8,492)	1,952	(6,540)
Pension fund contribution	-	123,008	123,008
Paid pension	17,653	(17,653)	-
At December 31	(\$ 218,936)	\$ 170,445	(\$ 48,491)

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 248,022)	\$ 42,031	(\$ 205,991)
Current service cost	(2,570)	-	(2,570)
Interest (expense) income	(2,232)	378	(1,854)
	(252,824)	42,409	(210,415)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,344	1,344
Change in financial assumptions	(4,291)	-	(4,291)
Experience adjustments	994	-	994
	(3,297)	1,344	(1,953)
Pension fund contribution	-	50,742	50,742
Paid pension	31,796	(31,796)	-
At December 31	(\$ 224,325)	\$ 62,699	(\$ 161,626)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and HSIN I's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and HSIN I have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 5,295)	\$ 5,485	\$ 4,881	(\$ 8,724)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 5,344)	\$ 5,539	\$ 4,943	(\$ 8,751)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amounts to \$57,144.
- (g) As of December 31, 2020, the weighted average duration of that retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	7,028
1-2 year(s)		14,824
2-5 years		35,318
Over 5 years		70,424
	\$	<u>127,594</u>

- B. (a) Effective July 1, 2005, the Company and HSIN I have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and HSIN I contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, XN, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2020 and 2019, was 16% and 16%, respectively. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2020 and 2019 were \$10,923 and \$20,904, respectively.

(14) Share capital

As of December 31, 2020, the Company’s authorised capital was \$5,400,000, consisting of 540,000 thousand shares, and the paid-in capital was \$3,419,579 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When setting aside special reserve or retained when necessary, the Board of Directors shall present the distribution of the remaining earnings, if any, along with prior accumulated undistributed earnings for the approval of the stockholders at the stockholders' meetings.
- B. The Company's dividend policy is summarised below:
The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. If legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is no longer required to be set aside, and the special reserve could be set aside or reversed in accordance with relevant laws and regulations where necessary. The Board of Directors should propose the distribution including distribution ratios of the remaining earnings along with accumulated unappropriated retained earnings from prior periods for the approval of the shareholders. The dividends shall be distributed, in the form of cash, based on the distributable earnings for current year after reserving required funds in line with the long-term financial planning and investment or major capital budget planning, no less than one third of accumulated distributable earnings of the Company.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriations of earnings of years 2019 and 2018 as resolved by the stockholders at their meetings on June 23, 2020 and June 21, 2019 are as follows:

	Year ended December 31			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 96,367		\$ 84,024	
Special reserve	113,336		76,158	
Cash dividends	376,154	\$ 1.10	273,566	\$ 0.80

F. The appropriation of 2020 earnings was resolved by the Board of Directors on March 30, 2021.

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 99,911	
Special reserve (reversal)	(56,297)	
Cash dividends	512,937	\$ 1.50

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(17) Other equity items

	2020	
	Currency translation	Total
At January 1	(\$ 231,848)	(\$ 231,848)
Currency translation differences:		
- Group	56,297	56,297
At December 31	(\$ 175,551)	(\$ 175,551)

	2019	
	Currency translation	Total
At January 1	(\$ 118,512)	(\$ 118,512)
Currency translation differences:		
- Group	(113,336)	(113,336)
At December 31	(\$ 231,848)	(\$ 231,848)

(18) Operating revenue

	Year ended December 31	
	2020	2019
Revenue from contracts with customers	\$ 7,549,191	\$ 7,779,159
Others - rental revenue	44,103	43,736
	<u>\$ 7,593,294</u>	<u>\$ 7,822,895</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Year ended <u>December 31, 2020</u>	Taiwan		China			Total
	Cement products	Revenue from recycling and treatment	Cement products	Revenue from recycling and treatment	Others	
Revenue from external customer contracts	<u>\$ 2,433,033</u>	<u>\$ 62,484</u>	<u>\$ 5,027,900</u>	<u>\$ 23,086</u>	<u>\$ 2,688</u>	<u>\$ 7,549,191</u>
Timing of revenue recognition						
At a point in time	\$ 2,433,033	\$ -	\$ 5,027,900	\$ -	\$ 2,688	\$ 7,463,621
Over time	-	62,484	-	23,086	-	85,570
	<u>\$ 2,433,033</u>	<u>\$ 62,484</u>	<u>\$ 5,027,900</u>	<u>\$ 23,086</u>	<u>\$ 2,688</u>	<u>\$ 7,549,191</u>

Year ended <u>December 31, 2019</u>	Taiwan		China			Total
	Cement products	Revenue from recycling and treatment	Cement products	Revenue from recycling and treatment	Others	
Revenue from external customer contracts	<u>\$ 2,113,511</u>	<u>\$ 43,811</u>	<u>\$ 5,620,338</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 7,779,159</u>
Timing of revenue recognition						
At a point in time	\$ 2,113,511	\$ -	\$ 5,620,338	\$ -	\$ 1,499	\$ 7,735,348
Over time	-	43,811	-	-	-	43,811
	<u>\$ 2,113,511</u>	<u>\$ 43,811</u>	<u>\$ 5,620,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,779,159</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities – revenue from cement sales in advance	<u>\$ 62,491</u>	<u>\$ 85,532</u>	<u>\$ 71,396</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Cement sales contracts	<u>\$ 71,251</u>	<u>\$ 57,427</u>

(19) Interest income

	Year ended December 31	
	2020	2019
Interest income from bank deposits	\$ 7,581	\$ 6,206
Interest income from financial assets measured at amortised cost	1,677	1,889
Other interest income	3	3
	<u>\$ 9,261</u>	<u>\$ 8,098</u>

(20) Other income

	Year ended December 31	
	2020	2019
Dividend income	\$ 15,627	\$ 8,290
Other income	10,326	24,894
	<u>\$ 25,953</u>	<u>\$ 33,184</u>

(21) Other gains and losses

	Year ended December 31	
	2020	2019
Net gains on financial assets at fair value through profit or loss	\$ 30,675	\$ 26,314
Net foreign exchange losses	(35,551)	(17,931)
Losses on disposals of property, plant and equipment	(7,526)	(5,852)
Losses on disposals of investments	-	(1,471)
Gains arising from lease modifications	688	-
Miscellaneous disbursements	(5,268)	(1,902)
	<u>(\$ 16,982)</u>	<u>(\$ 842)</u>

(22) Finance costs

	Year ended December 31	
	2020	2019
Interest expense		
Bank borrowings	\$ 1,002	\$ 17,664
Shareholder accounts	747	285
Lease liabilities	411	529
Others	-	9
	<u>\$ 2,160</u>	<u>\$ 18,487</u>

(23) Expenses by nature

	Year ended December 31	
	2020	2019
Change in inventory of finished goods and work in progress - raw materials and supplies used	\$ 2,404,740	\$ 2,607,388
Employee benefit expense	640,815	631,050
Depreciation charges on property, plant and equipment as well as investment property	311,113	317,737
Depreciation charges on right-of-use assets	7,628	7,771
Amortisation charges	5,771	4,694
Other expenses	2,120,868	2,187,754
Operating cost and operating expenses	<u>\$ 5,490,935</u>	<u>\$ 5,756,394</u>

(24) Employee benefit expense

	Year ended December 31	
	2020	2019
Wages and salaries	\$ 481,091	\$ 446,153
Labour and health insurance fees	31,752	33,492
Pension costs	14,255	25,338
Directors' remuneration	77,482	89,504
Other personnel expenses	36,235	36,563
	<u>\$ 640,815</u>	<u>\$ 631,050</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1% to 3% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$24,419 and \$22,140, respectively; while directors' and supervisors' remuneration was accrued at \$77,561 and \$86,352, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 4% of distributable profit of current year. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$23,405 and \$46,812, and will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 623,283	\$ 590,378
Tax on undistributed surplus earnings	20,117	26,323
Prior year income tax underestimation	3,036	4,578
Total current tax	<u>646,436</u>	<u>621,279</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>23,122</u>	<u>8,796</u>
Total deferred tax	<u>23,122</u>	<u>8,796</u>
Income tax expense	<u>\$ 669,558</u>	<u>\$ 630,075</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2020	2019
Remeasurement of defined benefit obligations	<u>\$ 1,308</u>	<u>\$ 390</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 783,795	\$ 770,196
Expenses disallowed by tax regulation	3,312	4,201
Expenses surplus by tax regulation	(4,320)	(1,260)
Tax exempt income by tax regulation	(184,576)	(200,887)
Income surplus by tax regulation	97,192	57,755
Tax losses not recognised as deferred tax assets	(55)	(77)
Change in assessment of realisation of deferred tax assets	-	178
Prior year income tax underestimation	3,036	4,578
Tax on undistributed earnings	20,117	26,323
Tax credit for income derived from Mainland China	(49,059)	(28,906)
Others	116	(2,026)
Income tax expense	<u>\$ 669,558</u>	<u>\$ 630,075</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net sales revenue and expense	\$ 2,820	\$ 3,677	\$ -	\$ 6,497
Unrealised exchange loss	1,704	2,508	-	4,212
Unrealised gross profit from sales	26	21	-	47
Losses on doubtful debts	8,210	(5,327)	-	2,883
Loss on inventory decline in market value	283	(53)	-	230
Impairment loss on investments	2,736	-	-	2,736
Net pension cost	37,005	(23,935)	-	13,070
Remeasurement of defined benefit obligations	1,256	-	169	1,425
Impairment loss on machinery and equipment	3,775	-	-	3,775
Unrealised expenses	13	(13)	-	-
	<u>57,828</u>	<u>(23,122)</u>	<u>169</u>	<u>34,875</u>
Deferred tax liabilities:				
Remeasurement of defined benefit obligations	(5,936)	-	1,139	(4,797)
	<u>(5,936)</u>	<u>-</u>	<u>1,139</u>	<u>(4,797)</u>
	<u>\$ 51,892</u>	<u>\$ 23,122</u>	<u>\$ 1,308</u>	<u>\$ 30,078</u>

2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net sales revenue and expense	\$ 1,830	\$ 990	\$ -	\$ 2,820
Unrealised exchange loss	80	1,624	-	1,704
Unrealised gross profit from sales	20	6	-	26
Losses on doubtful debts	8,210	-	-	8,210
Loss on inventory decline in market value	169	114	-	283
Impairment loss on investments	2,736	-	-	2,736
Net pension cost	46,268	(9,263)	-	37,005
Remeasurement of defined benefit obligations	692	-	564	1,256
Impairment loss on machinery and equipment	3,775	-	-	3,775
Unrealised expenses	-	13	-	13
Tax loss	2,280	(2,280)	-	-
	<u>66,060</u>	<u>(8,796)</u>	<u>564</u>	<u>57,828</u>
Deferred tax liabilities:				
Remeasurement of defined benefit obligations	(5,762)	-	(174)	(5,936)
	<u>(5,762)</u>	<u>-</u>	<u>(174)</u>	<u>(5,936)</u>
	<u>\$ 60,298</u>	<u>(\$ 8,796)</u>	<u>\$ 390</u>	<u>\$ 51,892</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2018	<u>\$ 21,765</u>	<u>\$ 15,834</u>	<u>\$ 15,834</u>	2028
December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2014	\$ 5,051	\$ -	\$ -	2024
2017	4,950	-	-	2027
2018	<u>21,765</u>	<u>16,107</u>	<u>16,107</u>	2028
	<u>\$ 31,766</u>	<u>\$ 16,107</u>	<u>\$ 16,107</u>	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 79,109</u>	<u>\$ 100,708</u>

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(26) Earnings per share

Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,004,034	341,958	\$ 2.94
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,004,034	341,958	
Assumed conversion of all dilutive potential ordinary shares - Employees' compensation	-	1,504	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,004,034	343,462	\$ 2.92

Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 963,670	341,958	\$ 2.82
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 963,670	341,958	
Assumed conversion of all dilutive potential ordinary shares - Employees' compensation	-	1,394	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 963,670	343,352	\$ 2.81

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

Year ended December 31		
	2020	2019
Purchase of property, plant and equipment	\$ 126,981	\$ 178,031
Add: Opening balance of payable on equipment	9,825	-
Less: Ending balance of payable on equipment	(8,432)	(9,825)
Cash paid during the year	\$ 128,374	\$ 168,206

B. Financing activities with no cash flow effects :

	Year ended December 31			
	2020		2019	
Less: Current portion	\$	-	\$	225,244
(28) <u>Changes in liabilities from financing activities</u>				
	2020			
	Long-term borrowings	Guarantee deposits received	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 225,244	\$ 46,622	\$ 24,722	\$ 296,588
Changes in cash flow from financing activities	(222,538)	(8,775)	(3,071)	(234,384)
Changes in other non-cash items	-	-	356	356
Impact of changes in foreign exchange rate	(2,706)	301	295	(2,110)
At December 31	\$ -	\$ 38,148	\$ 22,302	\$ 60,450
	2019			
	Long-term borrowings	Guarantee deposits received	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 552,460	\$ 32,601	\$ 28,540	\$ 613,601
Changes in cash flow from financing activities	(324,538)	14,021	(3,665)	(314,182)
Changes in other non-cash items	-	-	531	531
Impact of changes in foreign exchange rate	(2,678)	-	(684)	(3,362)
At December 31	\$ 225,244	\$ 46,622	\$ 24,722	\$ 296,588

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Chyn Da Freight Co., Ltd.	An entity controlled by key management personnel
Defu Trading Co., Ltd.	An entity controlled by key management personnel
Yang Tang Hai Charity Foundation	An entity controlled by key management personnel
Hsing Ta Ind Co., Ltd.	Other related party
Taiwan Ooparts Co., Ltd.	Other related party
Hiturbo Capital Co., Ltd.	Other related party
House Eco Lohas Co., Ltd.	Other related party
Yang Jee Shing	Key management personnel of the Group

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2020	2019
Sales of services:		
Entities controlled by key management personnel (rental services)	\$ 24	\$ 24
Other related parties (rental services)	<u>120</u>	<u>193</u>
	<u>\$ 144</u>	<u>\$ 217</u>

Services are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases, operating cost and operating expenses

	Year ended December 31	
	2020	2019
Purchases of services:		
Entities controlled by key management personnel (delivery service)	\$ 12,290	\$ 10,860
Entities controlled by key management personnel (rental services)	<u>5,256</u>	<u>5,247</u>
	<u>\$ 17,546</u>	<u>\$ 16,107</u>

Services are purchased from entities controlled by key management personnel on normal commercial terms and conditions.

C. Payables to related parties

	December 31, 2020	December 31, 2019
Notes payable:		
Entities controlled by key management personnel	\$ 1,091	\$ 1,161
Other payables:		
Entities controlled by key management personnel	<u>1,249</u>	<u>1,170</u>
	<u>\$ 2,340</u>	<u>\$ 2,331</u>

The payables to related parties arise mainly from purchase of services. The payables bear no interest.

D. Property transactions

Disposal of property, plant and equipment:

	December 31, 2020	
	Disposal proceeds	Loss on disposal
Other related party	<u>\$ 10,300</u>	<u>(\$ 262)</u>

December 31, 2019 : None

E. Loans to /from related parties

Loans from related parties

(i) Outstanding balance:

	December 31, 2020	December 31, 2019
Key management personnel of the Group	\$ -	\$ 72,000

(ii) Interest expense

	December 31, 2020	December 31, 2019
Key management personnel of the Group	\$ 747	\$ 285
Annual rate	1.7%	1.7%

(3) Key management compensation

	Year ended December 31	
	2020	2019
Short-term employee benefits	\$ 95,351	\$ 101,847
Post-employment benefits	241	146
	<u>\$ 95,592</u>	<u>\$ 101,993</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Time deposits (shown as 'current financial assets at amortised cost')	\$ 50,157	\$ -	Guarantees for notes payable
Time deposits (shown as 'non-current financial assets at amortised cost')	226,244	224,578	Guarantee for mining land and deposits for construction
Land (shown as 'property, plant and equipment')	-	155,272	Guarantee for line of credit
	<u>\$ 276,401</u>	<u>\$ 379,850</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

The details of the outstanding letters of credit for raw materials imports as of December 31, 2020 are as follows:

Currency	Original currency amount (In thousands)
JPY	\$ 23,000
USD	1,965
EUR	102

(2) Commitments

A. (a) On January 15, 2015, XN entered into a USD 30 million non-revolving syndicated loan agreement with 5 banks including Chinatrust Commercial Bank, Mega International Commercial Bank Co., Ltd. and E.Sun Commercial Bank, Ltd. etc. with an agreement period of 5 years from the first drawdown. The Company was the joint guarantor for the syndicated loan.

(b) The Company committed to maintain financial ratios based on the annual and the 2nd quarter of 2020 consolidated financial statements as specified in the syndicated loan agreement entered by XN and 5 banks including Chinatrust Commercial Bank. The details are as follows:

- i. Current ratio shall be maintained at more than 150% (inclusive).
- ii. The debt ratio shall not be more than 50%.
- iii. Interest coverage ratio ((income before tax + depreciation + amortisation + interest expense) / interest expense): Shall be maintained at more than 500% (inclusive).
- iv. The tangible net value (stockholders' equity less intangible assets) shall be maintained at more than \$5.5 billion (inclusive).

As of December 31, 2020, the Group complied with the above financial ratios.

B. Capital expenditure contracted for at the balance sheet date but not yet recognised is as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 610	\$ 3,020

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The management reviews the Group's capital structure periodically and considers the costs and risks involved for a particular capital structure. Generally, the Group adopts a prudent risk management strategy.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 1,360,161</u>	<u>\$ 1,590,343</u>
Financial assets at amortised cost		
Cash and cash equivalents	2,276,512	874,572
Financial assets at amortised cost	355,673	297,597
Notes receivable	1,687,340	2,035,960
Accounts receivable	390,257	495,586
Other receivables	3,638	3,120
Guarantee deposits paid	<u>32,486</u>	<u>32,959</u>
	<u>\$ 4,745,906</u>	<u>\$ 3,739,794</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	<u>\$ 112,294</u>	<u>\$ 77,029</u>
Accounts payable	1,173,364	947,007
Other payables	556,945	601,282
Long-term borrowings (including current portion)	-	225,244
Guarantee deposits received	<u>38,148</u>	<u>46,622</u>
	<u>\$ 1,880,751</u>	<u>\$ 1,897,184</u>
Lease liability	<u>\$ 22,302</u>	<u>\$ 24,722</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central finance department (Group finance) under policies. Group finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Exchange rate risk

(i). The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

(ii) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 9,042	28.110	\$ 254,171
SGD : NTD	71	21.662	1,541
JPY : NTD	125	0.2725	34
RMB : NTD	31,800	4.3770	139,189
USD : RMB	9	6.5249	257
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 318	28.110	\$ 8,939

December 31, 2019				
	Foreign currency			
	amount		Book value	
	(In thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 506	30.047	\$	15,204
SGD : NTD	64	22.323		1,429
JPY : NTD	148	0.2765		41
RMB : NTD	31,476	4.305		135,504
USD : RMB	9	6.9762		270
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : RMB	\$ 7,500	6.9762	\$	225,244
USD : NTD	346	30.047		10,396

- (iii). The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$35,551 and \$17,931, respectively.
- (iv). Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2020			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	5%	\$ 12,709	\$	-
SGD : NTD	5%	77		-
JPY : NTD	5%	2		-
RMB : NTD	5%	6,959		-
USD : RMB	5%	13		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	5%	\$ 447	\$	-

Year ended December 31, 2019				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	5%	\$ 760	\$	-
SGD : NTD	5%	71		-
JPY : NTD	5%	2		-
RMB : NTD	5%	6,775		-
USD : RMB	5%	14		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : RMB	5%	\$ 11,262	\$	-
USD : NTD	5%	520		-

ii. Price risk

- (i). The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group is not exposed to commodity price risk.
- (ii). The Group's investments in equity securities comprise domestic listed and unlisted shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$11,118 and \$12,643, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

iii. Cash flow and fair value interest rate risk

- (i). The Group's main interest rate risk arises from short- and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- (ii). The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(iii). If the borrowing interest rate had increased/decreased by 5% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$0 and \$9,010, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents as well as deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- ii. Based on the customers' contract period, financial position and past experience, the default occurs when the contract payments are past due over 150 days.
- iii. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. The Group has written-off financial assets that are still under recourse procedures for the years ended December 31, 2020 and 2019, amounted to \$39,692 and \$0, respectively.
- vi. The Group used the forecastability of overall economic information to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due
<u>December 31, 2020</u>			
Expected loss rate	0.00%-0.03%	0.30%-2.50%	1.00%-5.00%
Total book value	\$ 388,443	\$ 1,083	\$ 16
Loss allowance	\$ 82	\$ 27	\$ 1
	91~180 days past due	Over 181 days past due	Total
	7.50%-50.00%	94.00%-100.00%	
	\$ -	\$ 13,769	\$ 403,311
	\$ -	\$ 12,944	\$ 13,054

On December 31, 2019 no loss allowance for accounts receivable was recognised since the amount calculated using the simplified approach was immaterial.

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	2020	
	Notes receivable	Accounts receivable
At January 1	\$ -	\$ 39,692
Provision for impairment	-	13,054
Write-offs	-	(39,692)
At December 31	\$ -	\$ 13,054
	2019	
	Notes receivable	Accounts receivable
At January 1	\$ -	\$ 39,692
Provision for impairment	-	-
At December 31	\$ -	\$ 39,692

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining the financial statements to meet the requirements of financial ratios, the details are provided in Note 9(2), so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group finance. Group finance invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2020 and 2019, the Group held money market position of \$2,275,205 and \$873,299, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2020					
Notes payable (including related parties)	\$ 112,294	\$ -	\$ -	\$ -	\$ -
Accounts payable	680,006	493,358	-	-	-
Other payables	478,147	78,798	-	-	-
Lease liability (Note)	338	3,504	790	5,317	12,588

Note: It includes interests of expected future payments.

Non-derivative financial liabilities

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2019					
Notes payable (including related parties)	\$ 77,029	\$ -	\$ -	\$ -	\$ -
Accounts payable	697,879	249,128	-	-	-
Other payables	526,270	75,012	-	-	-
Lease liability (Note)	288	6,495	3,640	2,202	15,777
Long-term borrowings (including current portion)(Note)	226,053	-	-	-	-

Note: It includes interests of expected future payments.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in domestic and foreign listed stocks and fund is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The domestic unlisted stocks and RMB financial products invested by the Group are included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(10).
- C. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable, other payables, borrowings and guarantee deposits received) are approximate to their fair values.
- D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at December 31, 2020 and 2019 are as follows:
- (a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 44,182	\$ -	\$ 1,315,979	\$ 1,360,161
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 43,047	\$ -	\$ 1,547,296	\$ 1,590,343

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to equity instruments without active market. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.
 - iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	2020	2019
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	\$ 1,547,296	\$ 658,251
Acquired in the period	1,859,655	2,579,436
Sold in the period	(2,104,308)	(1,701,473)
Gains and losses recognised in profit or loss (Note)	35,784	26,656
Transfers into Level 3	-	5,381
Proceeds from capital reduction in the period	(33,410)	-
Proceeds from liquidation in the period	(10,384)	-
Exchange difference	21,346	(20,955)
At December 31	<u>\$ 1,315,979</u>	<u>\$ 1,547,296</u>

Note: Recorded as non-operating income and expense.

- G. The Group's initial shareholding ratio of TAIWAN OOPARTS CO., LTD. was 41.11%, which was recognised as investment accounted for using equity method. However, TAIWAN OOPARTS CO., LTD. reduced capital to offset losses on May 19, 2019, and increased capital by issuing shares on May 20, 2019. The Group did not participate in the capital increase, the shareholding ratio decreased to 18.68% so that the Group lost significant influence over it. Hence, the Group remeasured the investment retained in TAIWAN OOPARTS CO., LTD. at its fair value and transferred it into Level 3.
- H. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 187,778	Market comparable companies	Price to earnings ratio multiple	9.06~63.60	The higher the multiple, the higher the fair value
			Price to book ratio multiple	0.90~2.42	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20%~40%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	45,988	Net asset value	Net asset value	N/A	The higher the net asset value, the higher the fair value
			Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value
RMB financial products	1,082,213	Calculated based on the contract	Product yield	1.35%~3.75%	The higher the product yield, the higher the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 174,338	Market comparable companies	Price to earnings ratio multiple	10.41 ~ 52.62	The higher the multiple, the higher the fair value
			Price to book ratio multiple	0.89~2.51	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20%~40%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	98,678	Net asset value	Net asset value	N/A	The higher the net asset value, the higher the fair value
			Discount for lack of marketability	0%~10%	The higher the discount for lack of marketability, the lower the fair value
RMB financial products	1,274,280	Calculated based on the contract	Product yield	2.7%~3.9%	The higher the product yield, the higher the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020			
		Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Favourable Change	Unfavourable Change	Favourable Change	Unfavourable Change
Financial assets					
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, discount for lack of marketability, net asset value and product yield	±1%	\$ 13,160	(\$ 13,160)	\$ -

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable Change	Favourable Change	Unfavourable Change
Financial assets						
Equity instrument	Price to earnings ratio multiple, price to book ratio multiple, discount for lack of marketability, net asset value and product yield	±1%	\$ 15,473	(\$ 15,473)	\$ -	\$ -

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table: 6.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment Information

- A. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2020			
	Cement	Others	Reconciliation	Total
Revenue from external customers	\$ 7,460,933	\$ 132,361	\$ -	\$ 7,593,294
Inter-segment revenue	142,159	1,260	(143,419)	-
Total segment revenue	<u>\$ 7,603,092</u>	<u>\$ 133,621</u>	<u>(\$ 143,419)</u>	<u>\$ 7,593,294</u>
Segment income (loss)	<u>\$ 2,019,200</u>	<u>\$ 99,231</u>		<u>\$ 2,118,431</u>

	Year ended December 31, 2019			
	Cement	Others	Reconciliation	Total
Revenue from external customers	\$ 7,733,849	\$ 89,046	\$ -	\$ 7,822,895
Inter-segment revenue	98,089	1,260	(99,349)	-
Total segment revenue	<u>\$ 7,831,938</u>	<u>\$ 90,306</u>	<u>(\$ 99,349)</u>	<u>\$ 7,822,895</u>
Segment income (loss)	<u>\$ 2,028,233</u>	<u>\$ 60,459</u>		<u>\$ 2,088,692</u>

- B. Because the measuring amount of the Group's assets and liabilities was not provided to the Chief Operating Decision-Maker, therefore, such amount was not disclosed.

(3) Reconciliation for segment income (loss)

- A. The reportable segment income or loss reported to the Chief Operating Decision-Maker is consistent with income/(loss) before tax from continuing operations of the statements of comprehensive income.
- B. The Group did not provide the Chief Operating Decision-Maker with the amount of total assets and liabilities for decision making.

Hsing Ta Cement Co., Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company(%)	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
			Relationship with the endorser/ guarantor (Note 2)											
0	Hsing Ta Cement Co., Ltd.	Hsin I Ready Mixed Concrete Co., Ltd.	2	3,748,933	321,176	321,176	321,176	-	4.28	7,497,866	Y	N	N	
1	Hsin I Ready Mixed Concrete Co., Ltd.	Hsing Ta Cement Co., Ltd.	4	346,851	210,431	210,431	210,431	-	48.54	433,564	N	Y	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Under the Company's "Procedures for Provision of Endorsements and Guarantees", the Company's total guarantees and endorsements to others should not exceed the Company's net asset value based on the latest financial statements, and total guarantees and endorsements provided for a single party should not exceed 50% of the Company's net asset value based on the latest financial statements. The calculation is shown below:

- (1) \$7,497,866 (the net asset value on the 2020 Q4 financial statements) × 50% = \$3,748,933.
- (2) \$7,497,866 (the net asset value on the 2020 Q4 financial statements) × 100% = \$7,497,866.

Under the subsidiary, HSIN I READY MIXED CONCRETE CO., LTD.'s "Procedures for Provision of Endorsements and Guarantees", this company's total guarantees and endorsements to others should not exceed its net asset value based on the latest financial statements, and total guarantees and endorsements provided for a single party should not exceed 80% of its net asset value based on the latest financial statements. The calculation is shown below:

- (3) \$433,564 (the net asset value on the 2020 Q4 financial statements) × 80% = \$346,851.
- (4) \$433,564 (the net asset value on the 2020 Q4 financial statements) × 100% = \$433,564.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Hsing Ta Cement Co., Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares or units (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	
Hsing Ta Cement Co., Ltd.	China Steel Corporation		Current financial assets at fair value through profit or loss	1,698	\$ 42,026		\$ 42,026	
	Hotung Investment Holdings Limited		"	60	2,156		2,156	
Jiangsu Xinning New Building Materials Co., Ltd.	BenliFeng Bubugao Financial Products		"	-	240,735		240,735	
	Bank Of Communication Structured Deposits		"	-	43,770		43,770	
	Bank Of Hangzhou Structured Deposits		"	-	43,770		43,770	
	China Merchants Bank Certificates Of Deposit		"	-	569,010		569,010	
	SPD Bank Certificates Of Deposit		"	-	131,310		131,310	
Nanjing Xinrong New Green Materials Co., Ltd.	BenliFeng Bubugao Financial Products		"	-	53,618		53,618	
					<u>\$ 1,126,395</u>		<u>\$ 1,126,395</u>	

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares or units (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	
Hsing Ta Cement Co., Ltd.	Chin Ta Construction Co., Ltd.		Non-current financial assets at fair value through profit or loss	5,200	\$ 39,920	19.90	\$ 39,920	
	Taiwan Ooparts Co., Ltd.	Other related party	"	538	4,387	18.68	\$ 4,387	
	Taian Insurance Co ,ltd		"	365	5,258	0.12	5,258	
	Pershing Technology Services Corporation		"	2,326	72,379	8.73	72,379	
	Fujitec Taiwan Co., Ltd.		"	70	14,486	2.33	14,486	
	Global Securities Finance Corporation		"	163	1,680	0.88	1,680	
	Da Chiang International Co., Ltd.		"	3,448	89,959	1.72	89,959	
	Kemitek Industrial Corp.		"	167	5,697	0.24	5,697	
	Power Digital Card Co., Ltd.		"	796	-	1.70	-	
	Amcom Communications,inc. (Preferred Stock B)		"	520	-	11.15	-	
	Amcom Communications,inc. (Preferred Stock C)		"	189	-	9.70	-	
					<u>\$ 233,766</u>		<u>\$ 233,766</u>	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9 'Financial instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Hsing Ta Cement Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Hsing Ta Cement Co., Ltd.	Hsin I Ready Mixed Concrete Co., Ltd.	1	Sales revenue	\$ 142,159	Note 4	1.87
0	Hsing Ta Cement Co., Ltd.	Hsin I Ready Mixed Concrete Co., Ltd.	1	Rent income	1,260	Note 5	0.01
0	Hsing Ta Cement Co., Ltd.	Hsin I Ready Mixed Concrete Co., Ltd.	1	Notes receivable	34,588	Note 4	0.29
0	Hsing Ta Cement Co., Ltd.	Hsin I Ready Mixed Concrete Co., Ltd.	1	Advance sales receipts	1,836	-	0.02
1	Nanjing Xinrong New Green Materials Co., Ltd.	Jiangsu Xinning New Building Materials Co., Ltd.	3	Sales revenue	10,335	Note 4	0.14
1	Nanjing Xinrong New Green Materials Co., Ltd.	Jiangsu Xinning New Building Materials Co., Ltd.	3	Accounts receivable	4,421	Note 4	0.04
1	Nanjing Xinrong New Green Materials Co., Ltd.	Jiangsu Xinning New Building Materials Co., Ltd.	3	Notes receivable	2,483	Note 4	0.02

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: The rental charged and the payment terms agreed are available to third parties.

Hsing Ta Cement Co., Ltd. and Subsidiaries

Information on investees

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance	Balance	Number of shares					
				as at December 31, 2020	as at December 31, 2019	(In thousands)	Ownership (%)	Book value	(Note 2(2))	(Note 2(3))	
Hsing Ta Cement Co., Ltd.	Hsin I Ready Mixed Concrete Co., Ltd.	Taipei city	Manufacturing and sales of concrete	\$ 60,720	\$ 60,720	6,072	55.20	\$ 239,090	\$ 56,671	\$ 31,282	Subsidiaries
	Synergy Development Co., Ltd	"	Agency service of real estates, etc.	58,800	58,800	5,880	98.00	63,382	256	251	"
	Soaring Power Corp.	Virgin Islands	Overseas investment	1,488,493	1,488,493	46,587	66.67	3,565,541	1,271,585	847,766	"

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Hsing Ta Cement Co., Ltd. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 3(2)B)	Book value of investments in Mainland China as of December 31 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
Jiangsu Xinning New Building Materials Co., Ltd.	Manufacturing of new building materials, new special cement clinker, various silicate cement and new special cement, mineral powder, stone, commercial concrete and cement products; recycling and wholesale of recycled materials; treatment and recycling of sewage; treatment of solid waste; construction of interior and exterior decoration; sales of self-produced products and provide related supporting services; import and export business of self- management and agent of various goods and techniques (goods and techniques that are restricted to operate and prohibited to import and export by the country are excluded)	\$ 2,385,679	2	\$ 1,487,098	\$ -	\$ -	\$ 1,487,098	\$ 1,388,063	66.67%	\$ 925,422	\$ 3,558,287	\$ 927,650	
		USD 74,880	(Soaring Power Corp.) (Note 1)	USD 46,587			USD 46,587						
Nanjing Xinrong New Green Materials Co., Ltd.	Research and development of new environmental protection materials, technology promotion services; development and service of energy conservation and environmental protection technology; manufacturing of special equipment for environmental protection; promotion services of environmental protection technologies and energy conservation technologies; manufacturing and wholesale of non-metallic ore and products; wholesale of chemical products (excluding hazardous chemicals); fine processing of non-metallic ore	146,764	3	-	-	-	- (	9,251)	35.15% (	3,252)	45,402	-	
		CNY 33,424	(Jiangsu Xinning New Building Materials Co., Ltd.)										

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Hsing Ta Cement Co., Ltd.	\$ 1,487,098 USD 46,587	\$ 1,590,532 USD 49,920	\$ 5,724,609

Note 1: It includes capitalisation of earnings amounting to USD 5,000 with amount of USD 5,000×66.67%=USD 3,333.5 approved by MOEA.

Note 2: Investment methods are classified into the following four categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China : Soaring Power Corp.
- (3) Reinvestments through an existing company in Mainland China approved by MOEA: According to the regulation of MOEA, the Company needs no approval from MOEA for reinvestments through an existing company in Mainland China, thus, those investment amounts are not included in the ceiling on investments.
- (4) Others.

Note 3: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 4: The numbers in this table are expressed in New Taiwan Dollars.

Hsing Ta Cement Co., Ltd. and Subsidiaries

Major shareholders information

December 31, 2020

Table 6

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
YANG CHUNG-HSIUNG	41,528,048	12.14%
YANG REN-HSIUNG	36,108,783	10.55%
YANG JEE SHING	34,426,166	10.06%
HU MEI-HONG	20,668,448	6.04%

Table 6