

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Address: No.998, Sec. 1, Jiahou Rd., Houli Dist., Taichung City 421, Taiwan ,R.O.C.
Telephone: 886-4-2556-5101

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report

To FENG HSIN STEEL Co., Ltd.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2020 and 2019, and their consolidated financial performance and cash flows for the years ended 31 December 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor(s), 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 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

As of 31 December 2020, the Group's net inventories amounted to NT\$3,301,468 thousand which represented 14% of the total consolidated assets. The amount of inventories was significant to the Group's financial statements. The Group manufacture and sell various types of steel products. The main ingredient is iron scrap. The material and finished goods are affected by the fluctuation of international prices that may cause significant changes in inventory prices. As a result, the calculation of net realizable value was complicated, we therefore determined this a key audit mater. Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control; evaluating the adequacy of accounting policies around obsolete inventories; evaluating stocktaking plan and selecting important storage locations to observe inventory counts to ensure inventory quantities and status; obtaining inventory aging schedule to test whether inbound and outbound records are accurate; re-calculating the unit cost of inventories; evaluating and testing net realizable value adopted by management; testing selling prices; and implementing analytical procedures with respect to the gross profit ratios by products. We also assessed the adequacy of disclosures of inventories. Please refer to Note 6 to the Group's consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. Investment in these associates and joint ventures under equity method amounted to NT\$744,203 thousand and NT\$696,101 thousand, both representing 3% of the consolidated total assets as of 31 December 2020 and 2019, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$83,504 thousand and NT\$79,764 thousand, both representing 3% of the consolidated net income before tax for the years ended 31 December 2020 and 2019, respectively; and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$159 thousand and NT\$173 thousand, both representing 0% of the consolidated other comprehensive income for the years ended 31 December 2020 and 2019, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 accompanying notes, 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 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of FENG HSIN STEEL CO., Ltd. as of and for the years ended 31 December 2020 and 2019.

/s/Chen, Ming Hung

/s/Yen, Wen Pi

Ernst & Young, Taiwan

25 February 2021

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2020.12.31	2019.12.31
Current Assets			
Cash and cash equivalents	4, 6.(1)	\$2,175,269	\$1,566,952
Financial assets at fair value through other comprehensive income-current	4, 6.(2)	1,700,311	-
Contract assets, current	4, 6.(14),(15)	397,242	239,141
Notes receivable, net	4, 6.(15)	11,006	25,287
Accounts receivable, net	4, 6.(3),(15)	1,478,967	1,532,271
Other receivables		8,579	20,516
Inventories, net	4, 6.(4)	3,301,468	4,307,181
Prepayments	6.(5)	668,739	671,224
Other current assets		7,352	2,620
Total current assets		<u>9,748,933</u>	<u>8,365,192</u>
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	4, 6.(2)	1,072,262	1,082,398
Investments accounted for under the equity method	4, 6.(6)	1,426,954	1,367,312
Property, plant and equipment	4, 6.(7)	9,436,032	9,846,122
Right-of-use asset	4, 6.(16)	178,936	212,184
Investment property, net	4, 6.(8)	698,381	380,417
Deferred tax assets	4, 6.(20)	109,222	111,510
Other non-current assets	6.(9)	343,142	101,641
Total non-current assets		<u>13,264,929</u>	<u>13,101,584</u>
Total assets		<u><u>\$23,013,862</u></u>	<u><u>\$21,466,776</u></u>

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Notes	2020.12.31	2019.12.31
Current liabilities			
Short-term loans	4, 6.(10)	\$329,941	\$381,151
Contract liabilities, current	4, 6.(14)	134,198	131,372
Notes payable		-	241
Accounts payable	7	1,302,794	1,176,403
Other payables	6.(11)	1,026,124	998,743
Current tax liabilities	4	414,836	120,585
Lease liabilities, current	4, 6.(16)	5,109	6,238
Other current liabilities		2,159	1,376
Total current liabilities		<u>3,215,161</u>	<u>2,816,109</u>
Non-current liabilities			
Lease liabilities, noncurrent	4, 6.(16)	174,803	204,165
Net defined benefit obligation, noncurrent	4, 6.(12)	155,688	159,488
Total non-current liabilities		<u>330,491</u>	<u>363,653</u>
Total liabilities		<u>3,545,652</u>	<u>3,179,762</u>
Equity attributable to the parent company			
Capital			
Common stock	6.(13)	5,815,994	5,815,994
Additional paid-in capital	6.(13)	560,097	588,123
Retained earnings	6.(13)		
Legal reserve		4,354,532	4,158,088
Special reserve		278,241	316,503
Unappropriated earnings		8,543,337	7,686,547
Total Retained earnings		<u>13,176,110</u>	<u>12,161,138</u>
Other components of equity			
Unrealized gains (losses) measured at fair value through other comprehensive income financial asset	4	(83,991)	(278,241)
Total Other components of equity		<u>(83,991)</u>	<u>(278,241)</u>
Total equity		<u>19,468,210</u>	<u>18,287,014</u>
Total liabilities and equity		<u>\$23,013,862</u>	<u>\$21,466,776</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	2020	2019
Operating revenues	4,6.(14)	\$27,298,051	\$27,735,611
Operating costs	6.(17),7	(23,448,762)	(24,870,034)
Gross Profit-net		<u>3,849,289</u>	<u>2,865,577</u>
Operating expenses	6.(17)		
Sales and marketing expenses		(410,547)	(441,118)
General and administrative expenses		(304,047)	(290,567)
Research and development expenses		(43,833)	(44,890)
Subtotal		<u>(758,427)</u>	<u>(776,575)</u>
Operating Income		<u>3,090,862</u>	<u>2,089,002</u>
Non-operating income and expenses			
Interest income		3,480	2,535
Other income	4,6.(18)	65,015	56,321
Other gains and losses	6.(18)	(11,542)	47,185
Finance costs	6.(18)	(5,917)	(13,533)
Share of profit or loss of associates and joint ventures	6.(6)	95,044	209,220
Subtotal		<u>146,080</u>	<u>301,728</u>
Income from continuing operations before income tax		<u>3,236,942</u>	<u>2,390,730</u>
Income tax expense	4,6.(20)	(617,516)	(428,375)
Net income		<u>2,619,426</u>	<u>1,962,355</u>
Other comprehensive income	6.(19)		
Items that will not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		(7,784)	2,437
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		340,694	38,262
Share of other comprehensive of associates and joint ventures		159	173
Income tax related to items that will not to be reclassified subsequently to profit or loss		1,525	(522)
Total other comprehensive loss, net of tax		<u>334,594</u>	<u>40,350</u>
Total comprehensive income		<u>\$2,954,020</u>	<u>\$2,002,705</u>
Net income attributable to:			
Stockholders of the parent		\$2,619,426	\$1,962,355
Non-controlling interests		-	-
		<u>\$2,619,426</u>	<u>\$1,962,355</u>
Comprehensive income attributable to:			
Stockholder of the parent		\$2,954,020	\$2,002,705
Non-controlling interests		-	-
		<u>\$2,954,020</u>	<u>\$2,002,705</u>
Earnings per share (NTD)	4,6.(21)		
Earnings per share-basic		\$4.50	\$3.37
Earnings per share-diluted		\$4.50	\$3.37

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the parent company						Total Equity
	Common Stock	Additional Paid-in Capital	Retained earnings			Other components of equity	
			Legal Reserve	Special reserve	Unappropriated Earnings	Unrealized Gains (losses) measured at fair value through other comprehensive income	
Balance as of 1 January 2019	\$5,815,994	\$615,583	\$3,863,847	\$46,888	\$8,612,358	\$(316,503)	\$18,638,167
Appropriation and distribution of 2018 retained earnings							
Legal reserve			294,241		(294,241)		-
Special reserve				269,615	(269,615)		-
Cash dividends					(2,326,398)		(2,326,398)
Change in other paid-in capital							
Change in other paid-in capital of associates and joint ventures accounted for using the equity method		(28,385)					(28,385)
Change in other paid-in capital		925					925
Net income for the year ended 31 December 2019					1,962,355		1,962,355
Other comprehensive income (loss), net of tax for the year ended 31 December 2019					2,088	38,262	40,350
Total comprehensive income (loss)	-	-	-	-	1,964,443	38,262	2,002,705
Balance as of 31 December 2019	\$5,815,994	\$588,123	\$4,158,088	\$316,503	\$7,686,547	\$(278,241)	\$18,287,014
Balance as of 1 January 2020	\$5,815,994	\$588,123	\$4,158,088	\$316,503	\$7,686,547	\$(278,241)	\$18,287,014
Appropriation and distribution of 2019 retained earnings							
Legal reserve			196,444		(196,444)		-
Cash dividends					(1,744,798)		(1,744,798)
Reversal of special reserve				(38,262)	38,262		-
Change in other paid-in capital							
Change in other paid-in capital of associates and joint ventures accounted for using the equity method		(28,867)					(28,867)
Change in other paid-in capital		841					841
Net income for the year ended 31 December 2020					2,619,426		2,619,426
Other comprehensive income (loss), net of tax for the year ended 31 December 2020					(6,100)	340,694	334,594
Total comprehensive income (loss)	-	-	-	-	2,613,326	340,694	2,954,020
Disposal of financial assets at fair value through other comprehensive income					146,444	(146,444)	-
Balance as of 31 December 2020	\$5,815,994	\$560,097	\$4,354,532	\$278,241	\$8,543,337	\$(83,991)	\$19,468,210

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2020	2019
Cash flows from operating activities:		
Net income before tax	\$3,236,942	\$2,390,730
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	1,184,374	1,114,364
Amortization	3,000	3,000
Net gain of financial assets and liabilities at fair value through profit or loss	(520)	-
Interest expense	5,917	13,533
Interest income	(3,480)	(2,535)
Dividend income	(48,056)	(30,583)
Share of profit of associates and joint ventures	(95,044)	(209,220)
Gain on disposal of property, plant and equipment	(497)	(34,329)
Loss on disposal of other assets	98	-
Other items	(544)	-
Changes in operating assets and liabilities:		
(Increase) Decrease in current contract assets	(158,101)	11,783
Decrease (Increase) in notes receivable	15,122	(21,566)
Decrease (Increase) in accounts receivable	53,304	(76,572)
Decrease in other receivables	8,700	11,656
Decrease in inventories, net	1,007,086	2,435,929
Increase in prepayments	(40,114)	(174,274)
Increase in other current assets	(1,892)	(504)
Increase (Decrease) in current contract liabilities	2,826	(39,528)
Decrease in notes payable	(241)	(2,231)
Increase (Decrease) in accounts payable	129,036	(379,728)
Increase in other payables	39,594	86,131
Increase in other current liabilities	783	156
Decrease in net defined benefit obligation	(23,612)	(13,698)
Cash generated from operations	5,314,681	5,082,514
Interest received	3,480	2,478
Dividends received	51,293	26,783
Interest paid	(3,186)	(10,917)
Income tax paid	(319,452)	(605,721)
Net cash provided by operating activities	5,046,816	4,495,137

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English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(2,666,305)	-
Disposal of financial assets at fair value through other comprehensive income	1,303,417	-
Return of paid-in capital for capital reduction in financial assets at fair value through other comprehensive income	13,407	3,528
Acquisition of financial assets at fair value through profit or loss	(10,000)	-
Disposal of financial assets at fair value through profit or loss	10,520	-
Acquisition of investments accounted for under the equity method	(52,122)	(188,129)
Decrease in investments accounted for under the equity method	-	4,268
Acquisition of property, plant and equipment	(726,663)	(874,744)
Disposal of property, plant and equipment	150	14,553
Acquisition of investment properties	(321,843)	-
Increase in non-current-assets	(244,501)	(59,851)
Dividends received	58,816	496,393
Net cash used in investing activities	(2,635,124)	(603,982)
Cash flows from financing activities:		
Decrease in short-term loans	(51,210)	(637,382)
Cash payments for the principal of lease liability	(7,367)	(10,756)
Cash dividends	(1,744,798)	(2,326,398)
Net cash used in financing activities	(1,803,375)	(2,974,536)
Net increase in cash and cash equivalents	608,317	916,619
Cash and cash equivalents at beginning of period	1,566,952	650,333
Cash and cash equivalents at end of period	\$2,175,269	\$1,566,952

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

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. History and organization

FENG HSIN STEEL Co., Ltd. (the Company) was incorporated in 1969. The Company operates in the blast furnaces and steel mills sector. Its products include angle irons, steel channel, flat structural frames and shafts. In June 1989, the second steel-rolling plants began operations, thus, the Company is capable of producing of other types of steel products such as: carbon steel and particular steel. Also, the second steel plant completed trail run in 1997. The second steel plant works primarily to produce particular types of steelnet, which supplies the first steel-rolling plant work and second steel-rolling plant work to ensure the control over quality and reduce manufacturing costs. The Company was approved for listing on the Taiwan Stock Exchange (“TWSE”) in 1991. The Company’s common shares were publicly traded on the TWSE on 25 May 1992. The Company’s registered office and the main business location is at No.998, Sec.1, Jiahou Rd., Houli Dist., Taichung, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended 31 December 2020 and 2019 were authorized for issue by the Company’s board of directors (the Board) on 25 February 2021.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after 1 January 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

- (a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies’ financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

(a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue. The new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as "TIFRSs").

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries 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.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;

- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31 December 2020	31 December 2019
The Company	GREAT FORTUNE HOLDING LIMITED	Trading and holding Group	100 %	100%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle.
- (b) The Group holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance

sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes ;
- B. the time value of money ; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default

occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Materials — Weighted average of actual procurements

Finished goods and work in process — Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity. Finished goods and work in process are accounted under the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over

which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	6~56 years
Machinery and equipment	3~41 years
Transportation equipment	4~16 years

Furniture, fixtures and equipment	3~17 years
Leasehold improvements	2~25 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(12) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	30~50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group have applied the practical expedient to all rent concessions that meet the conditions for it.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is iron and steel, and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Group's sale of goods is within 10 to 75 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract

asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides maintenance services for the sale of iron and steel. Such services are separately priced or negotiated, and provided based on contract periods. As the Group provides the maintenance services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue is recognized by straight -line method over the contract period.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financial component arise.

(16) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in

which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the

temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in

the consolidated financial statements:

(a) Investment Properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is insignificant.

(b) Operating lease commitment — Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(b) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or

future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2020	2019
Cash on hand	\$948	\$963
Demand deposits	1,074,729	1,166,029
Cash equivalents	1,099,592	399,960
Total	<u>\$2,175,269</u>	<u>\$1,566,952</u>

(2) Financial assets at fair value through other comprehensive income

As of 31 December

	2020	2019
Equity instrument investments measured at fair value through other comprehensive income – Current:		
Listed companies stocks	<u>\$1,700,311</u>	<u>\$ -</u>
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Listed companies stocks	\$245,294	\$302,826
Unlisted companies stocks	<u>826,968</u>	<u>779,572</u>
Total	<u>\$1,072,262</u>	<u>\$1,082,398</u>

Financial assets at fair value through other comprehensive income were not pledged.

The Group disposed of equity instrument measured at fair value through other comprehensive income for the year ended 2020. Upon derecognition, the fair value of the investments was NT\$1,303,417 thousand, and the cumulative disposal gain in the amount of NT\$146,444 thousand was transferred from other equity to retained earnings.

The return of paid-in capital for capital reduction from Ascentek Venture Capital Corporation amounted to NT\$13,407 thousand and NT\$3,528 thousand as of 23 November 2020 and 1 August 2019.

(3) Accounts receivables

	As of 31 December	
	2020	2019
Accounts receivables	\$1,481,085	\$1,534,389
Less: loss allowance	<u>(2,118)</u>	<u>(2,118)</u>
Total	<u>\$1,478,967</u>	<u>\$1,532,271</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 10-75 day terms. The total carrying amount are NT\$1,481,085 thousand and NT\$1,534,389 thousand as of 31 December 2020 and 2019, respectively. Please refer to Note 6 (15) for more details on loss allowance of accounts receivables for the year periods ended 31 December 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(4) Inventories

	As of 31 December	
	2020	2019
Raw materials	\$1,405,703	\$1,230,794
Supplies & parts	267,145	744,366

Work in progress	796,631	1,236,781
Finished goods	831,989	1,095,240
Total	<u>\$3,301,468</u>	<u>\$4,307,181</u>

The cost of inventories recognized in expenses amounted to NT\$23,448,762 thousand and NT\$24,870,034 thousand, respectively, for the years ended 31 December 2020 and 2019.

No inventories were pledged.

(5) Prepayments

	As of 31 December	
	2020	2019
Factory supplies	\$578,186	\$598,305
Prepayments of purchases	86,989	69,359
Other prepayments	3,564	3,560
Total	<u>\$668,739</u>	<u>\$671,224</u>

Prepayments were not pledged.

(6) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of 31 December			
	2020		2019	
	Carrying amount	Percentage of ownership(%)	Carrying amount	Percentage of ownership(%)
Investment in associates:				
Listed companies:				
Taiwan Steel Union Co., Ltd.	\$744,203	20.92	\$696,101	20.24
Unlisted companies:				
Fong Yu Resources Co., Ltd.	510,929	29.71	514,794	29.71

Wen-Shan Enterprise Co., Ltd.	<u>171,822</u>	18.00	<u>156,417</u>	18.00
Total	<u>\$1,426,954</u>		<u>\$1,367,312</u>	

For the years ended 31 December 2020, the Group increased its investment in Taiwan Steel Union Co., Ltd. in the amount of NT\$52,122 thousand, which increased its shareholding ratio from 20.24% to 20.92%. Thus, the Group recognized a decrease in capital surplus in the amount of NT\$28,867 thousand.

For the years ended 31 December 2019, the Group increased its investment in Taiwan Steel Union Co., Ltd. in the amount of NT\$43,579 thousand, which increased its shareholding ratio from 19.81% to 20.24%. Thus, the Group recognized a decrease in capital surplus in the amount of NT\$28,347 thousand.

The return of paid-in capital for capital reduction from Feng Ying Development Enterprise Co., Ltd. amounted to NT\$4,268 thousand as of 21 November 2019. Feng Ying Development Enterprise Co., Ltd. was closed down on 22 November 2019.

In the third quarter of 2019, the Group participated in issuance of common stock for cash of Fong Yu Resources Co., Ltd., increasing its investment in Fong Yu Resources Co., Ltd. in the amount of NT\$144,550 thousand. Thus, the Group recognized a decrease in capital surplus in the amount of NT\$38 thousand.

Although the holding of Wen-Shan Enterprise Co., Ltd. is less than 20%, the Group presumed to have significant influence on these invested companies. Hence, it evaluates the investment by using the equity method.

Fair value of the investment in the associate when there is a quoted market price for the investment: Taiwan Steel United Co., Ltd. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Taiwan Steel United Co., Ltd. was NT\$1,766,921 thousand and NT\$1,874,212 thousand as of 31 December 2020 and 2019, respectively.

The Group's investments in Taiwan Steel Union Co., Ltd., Fong Yu Resources Co., Ltd. and Wen-Shan Enterprise Co., Ltd. are not individually material. The summarized financial information based on the Group's investment in associates is as follows:

	For the years ended 31 December	
	2020	2019
Profit from continuing operations	\$95,044	\$209,220
Other comprehensive income (post-tax)	127	139
Total comprehensive income	<u>\$95,171</u>	<u>\$209,359</u>

The above mentioned associates had no contingent liabilities or capital commitments as of 31 December 2020 and 2019. No investment in the associates was pledged.

Our audit, in so far as it related to the investments accounted for under the equity method amounting to NT\$744,203 thousand and NT\$696,101 thousand as of 31 December 2020 and 2019; the related shares of investment income from the associates and joint ventures amounted to NT\$83,504 thousand and NT\$79,764 thousand for the years ended 31 December 2020 and 2019, respectively; and the related shares of other comprehensive income from the associates and joint ventures amounted to NT\$159 thousand and NT\$173 thousand for the years ended 31 December 2020 and 2019, respectively; are based solely on the reports of other independent accountants.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Construction in progress and equipment pending inspection	Total
Cost:								
As of 1 January 2020	\$1,193,967	\$3,439,406	\$16,667,078	\$46,438	\$394,566	\$330,148	\$125,475	\$22,197,078
Additions	91,842	1,063	321,949	2,518	18,069	-	291,222	726,663
Disposals	-	-	(288,904)	-	(2,850)	-	-	(291,754)
Other changes	-	34,660	167,723	-	-	-	(162,429)	39,954
As of 31 December 2020	<u>\$1,285,809</u>	<u>\$3,475,129</u>	<u>\$16,867,846</u>	<u>\$48,956</u>	<u>\$409,785</u>	<u>\$330,148</u>	<u>\$254,268</u>	<u>\$22,671,941</u>
Depreciation and impairment:								
As of 1 January 2020	\$ -	\$1,279,505	\$10,716,926	\$15,159	\$286,391	\$52,975	\$ -	\$12,350,956
Depreciation	-	103,724	1,032,167	2,641	23,791	13,358	-	1,175,681
Disposals	-	-	(287,878)	-	(2,850)	-	-	(290,728)
Other changes	-	-	-	-	-	-	-	-
As of 31 December 2020	<u>\$ -</u>	<u>\$1,383,229</u>	<u>\$11,461,215</u>	<u>\$17,800</u>	<u>\$307,332</u>	<u>\$66,333</u>	<u>\$ -</u>	<u>\$13,235,909</u>

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Construction in progress and equipment pending inspection	Total
Cost:								
As of 1 January 2019	\$1,196,407	\$2,983,623	\$16,550,018	\$26,902	\$376,908	\$261,931	\$417,671	\$21,813,460
Additions	-	15,517	302,608	1,814	25,466	-	529,339	874,744
Disposals	(2,440)	(68,689)	(527,673)	(8,587)	(7,808)	(10,814)	-	(626,011)
Other changes	-	508,955	342,125	26,309	-	79,031	(821,535)	134,885
As of 31 December 2019	<u>\$1,193,967</u>	<u>\$3,439,406</u>	<u>\$16,667,078</u>	<u>\$46,438</u>	<u>\$394,566</u>	<u>\$330,148</u>	<u>\$125,475</u>	<u>\$22,197,078</u>

Depreciation and impairment:

As of 1 January 2019	\$ -	\$1,255,985	\$10,271,273	\$22,373	\$268,659	\$41,870	\$ -	\$11,860,160
Depreciation	-	92,002	973,193	1,373	24,460	12,932	-	1,103,960
Disposals	-	(68,482)	(527,540)	(8,587)	(6,728)	(10,814)	-	(622,151)
Other changes	-	-	-	-	-	8,987	-	8,987
As of 31 December 2019	<u>\$ -</u>	<u>\$1,279,505</u>	<u>\$10,716,926</u>	<u>\$15,159</u>	<u>\$286,391</u>	<u>\$52,975</u>	<u>\$ -</u>	<u>\$12,350,956</u>
Net carrying amount:								
As of 31 December 2020	<u>\$1,285,209</u>	<u>\$2,091,900</u>	<u>\$5,406,631</u>	<u>\$31,156</u>	<u>\$102,453</u>	<u>\$263,815</u>	<u>\$254,268</u>	<u>\$9,436,032</u>
As of 31 December 2019	<u>\$1,193,967</u>	<u>\$2,159,901</u>	<u>\$5,950,152</u>	<u>\$31,279</u>	<u>\$108,175</u>	<u>\$277,173</u>	<u>\$125,475</u>	<u>\$9,846,122</u>

There is no capitalization of interest due to purchase of property, plant and equipment.

As of 31 December 2020 and 2019 deeds of certain agriculture land amounted to NT\$147,267 thousand and NT\$55,425 thousand, respectively. The ownership of the land was not transferred to the Group. The Group had entered into a trust deed with the entrusted registrant for such agriculture land.

Property, plant and equipment were not pledged.

(8) Investment property

The Group has entered into commercial property leases on its owned investment properties with terms of between 1 and 10 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	Land	Buildings	Total
Cost:			
As of 1 January 2020	\$376,867	\$6,086	\$382,953
Additions	129,610	192,233	321,843
Disposals	-	(6,086)	(6,086)
As of 31 December 2020	<u>\$506,477</u>	<u>\$192,233</u>	<u>\$698,710</u>
Depreciation :			
As of 1 January 2020	\$ -	\$2,536	\$2,536
Depreciation	-	1,039	1,039
Disposals	-	(3,246)	(3,246)
As of 31 December 2020	<u>\$ -</u>	<u>\$329</u>	<u>\$329</u>

	Land	Buildings	Total
Cost:			
As of 1 January 2019	\$376,867	\$6,086	\$382,953
Additions	-	-	-
As of 31 December 2019	<u>\$376,867</u>	<u>\$6,086</u>	<u>\$382,953</u>
Depreciation :			
As of 1 January 2019	\$ -	\$1,318	\$1,318
Depreciation	-	1,218	1,218
As of 31 December 2019	<u>\$ -</u>	<u>\$2,536</u>	<u>\$2,536</u>
Net carrying amount :			
As of 31 December 2020	<u>\$506,477</u>	<u>\$191,904</u>	<u>\$698,381</u>
As of 31 December 2019	<u>\$376,867</u>	<u>\$3,550</u>	<u>\$380,417</u>

	For the years ended 31 December	
	2020	2019
Rental income from investment property	\$2,296	\$2,657
Less:		
Direct operating expenses from investment property generating rental income	-	-
Direct operating expenses from investment property not generating rental income	-	-
Total	<u>\$2,296</u>	<u>\$2,657</u>

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized at Level 3. The fair value of certain investment properties was NT\$627,522 thousand as at February 2017. The fair value has been determined based on valuations performed by an independent appraiser. The valuation method used is comparison approach and land development analysis approach, and the discount rate used is 5.58%.

The Group consulted the real estate transaction inquiry service website of the Ministry of the Interior on 31 December 2020 and 2019 to check recent transaction prices in similar locations and found that the fair value of said investment real estate was equivalent to the fair value evaluated by the independent external appraisal expert engaged in February 2017.

The fair value of the investment properties newly added by the Group in August 2020 was valued at NT\$441,347 thousand by the independent external appraisal expert engaged by the Group, and the evaluation methods adopted were the comparative method and the income

method. The main income capitalization rate was assumed at 2.31%. The Group assessed that the fair value of these investment properties as of 31 December 2020 did not have significant fluctuations.

(9) Other non-current assets

	As of 31 December	
	2020	2019
Advance payments in equipment	\$316,530	\$74,343
Refundable deposits	7,081	5,112
Other non-current assets - other	19,531	22,186
Total	<u>\$343,142</u>	<u>\$101,641</u>

(10) Short-term borrowings

	Interest Rates (%)	As of 31 December	
		2020	2019
Unsecured bank loans	0.52%-1.25%	<u>\$329,941</u>	<u>\$381,151</u>

The Group's unused short-term lines of credits amounted to NT\$6,084,526 thousand and NT\$9,045,230 thousand as of 31 December 2020 and 2019, respectively.

(11) Other payables

	As of 31 December	
	2020	2019
Accrued Salary and bonus	\$344,290	\$280,280
Accrued Utilities	194,542	177,502
Pollution control payable	176,499	214,010
Accrued Discount	162,391	174,272
Others	148,402	152,679
Total	<u>\$1,026,124</u>	<u>\$998,743</u>

(12) Post-employment benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2020 and 2019 were NT\$20,796 thousand and NT\$19,691 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$13,065 thousand to its defined benefit plan during the 12 months beginning after 31 December 2020.

The weighted average duration of the defined benefits obligation was 8 years of 31 December 2020.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2020	2019
Current period service costs	\$8,895	\$10,656
Past service cost	163	-
Gains and losses arising from settlements	348	-
Net interest on the net defined benefit liabilities/assets)	1,336	1,868
Total	<u>\$10,742</u>	<u>\$12,524</u>

Reconciliations of the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	31 December 2020	31 December 2019	1 January 2019
Defined benefit obligation	\$708,911	\$696,770	\$709,018
Plan assets at fair value	(544,366)	(516,396)	(512,509)
Net defined benefit obligation	164,545	180,374	196,509
Less: current portion	(8,857)	(20,886)	(14,798)
Net defined benefit obligation-noncurrent	<u>\$155,688</u>	<u>\$159,488</u>	<u>\$181,711</u>

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at 1 January 2019	\$709,018	\$(512,509)	\$196,509
Current period service costs	10,656	-	10,656
Interest expense (income)	6,956	(5,088)	1,868
Subtotal	<u>17,612</u>	<u>(5,088)</u>	<u>12,524</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	1	-	1
Actuarial gains and losses arising from changes in financial assumptions	15,391	-	15,391
Experience adjustments	997	-	997
Remeasurements of the defined benefit assets	<u>-</u>	<u>(18,826)</u>	<u>(18,826)</u>
Subtotal	<u>16,389</u>	<u>(18,826)</u>	<u>(2,437)</u>
Payments of benefit obligation	(46,249)	40,249	(6,000)
Contributions by employer	<u>-</u>	<u>(20,222)</u>	<u>(20,222)</u>
As of 31 December 2019	696,770	(516,396)	180,374
Current period service costs	8,895	-	8,895
Interest expense (income)	5,136	(3,800)	1,336
Past service cost and gains and losses arising from settlements	511	-	511
Subtotal	<u>14,542</u>	<u>(3,800)</u>	<u>10,742</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	129	-	129
Actuarial gains and losses arising from changes in financial assumptions	26,862	-	26,862
Experience adjustments	(1,581)	-	(1,581)
Remeasurements of the defined benefit assets	<u>-</u>	<u>(17,626)</u>	<u>(17,626)</u>

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Subtotal	25,410	(17,626)	7,784
Payments of benefit obligation	(12,961)	8,289	(4,672)
Contributions by employer	-	(26,143)	(26,143)
Liquidation or reduction of payment	(14,850)	11,310	(3,540)
As of 31 December 2020	<u>\$708,911</u>	<u>\$(544,366)</u>	<u>\$164,545</u>

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As of 31 December	
	2020	2019
Discount rate	0.30%	0.75%
Expected rate of salary increases	0.50%	0.50%

Sensitivity analysis for significant assumption are shown below:

	For the years ended 31 December			
	2020		2019	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$ -	\$14,823	\$ -	\$15,391
Discount rate decrease by 0.25%	15,300	-	15,906	-
Future salary increase by 0.25%	15,230	-	15,906	-
Future salary decrease by 0.25%	-	14,830	-	15,466

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(13) Equities

(a) Common stock

The Company's authorized capital was both NT\$7,000,000 thousand as at 31 December 2020 and 2019, each at a par value of NT\$10. The Company has issued 581,599,424 common shares both as at 31 December 2020 and 2019. The paid-up capital was NT\$5,815,994 thousand. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of 31 December	
	2020	2019
Additional paid-in capital	\$271,134	\$271,134
Treasury share transactions	175,263	175,263
Share of changes in net assets of associates and joint ventures accounted for using the equity method	108,392	137,259
Gain on sale of assets	665	665
Donated assets	218	218
Other	4,425	3,584
Total	<u>\$560,097</u>	<u>\$588,123</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Legal reserve

The Company Act provides that companies must retain at least 10% of their annual earnings, as defined in the Act, until such retention equals the amount of paid-in capital. This retention is accounted for as a legal reserve account. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d) Special reserve

When the Company distributed the earnings, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net

deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(e) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues
- b. Offset prior years' operation losses
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
- d. Set aside or reverse special reserve in accordance with law and regulations
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

As the Company's industry is mature and the Company makes stable profits, most of the dividends will be distributed to shareholders as cash dividends. However, when there is significant capital expenditure, no more than 70% of total dividends can be distributed as stock dividends to shareholders.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 25 February 2021 and 10 June 2020 respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$275,977	\$196,444		
Special reserve	(194,250)	(38,262)		
Common stock -cash dividend	2,035,598	1,744,798	\$3.5	\$3
Total	<u>\$2,117,325</u>	<u>\$1,902,980</u>		

Please refer to Note 6(17) for further details on employees' compensation and remuneration to directors and supervisors.

(14) Operating revenue

	For the years ended 31 December	
	2020	2019
Revenue from contracts with customers		
Sale revenue	\$27,186,421	\$27,622,481
Revenue arising from rendering of services	111,630	113,130
Total	<u>\$27,298,051</u>	<u>\$27,735,611</u>

Analysis of revenue from contracts with customers during the year periods ended 31 December 2020 and 2019 are as follows:

(1) Disaggregation of revenue

- A. The Group is a single operating department and should report the income information disclosed by the department. Please refer to the preceding paragraph for details.
- B. The income types of contracts with customers from 1 January to 31 December 2020 and 2019 are all recognized at a certain point in time.

(2) Contract balances

A. Contract assets - current

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Sales of goods	<u>\$397,242</u>	<u>\$239,141</u>	<u>\$250,924</u>

The significant changes in the Group's balances of contract assets during the twelve-month periods ended 31 December 2020 and 2019 are as follows :

	12 month period ended 31 December	
	2020	2019
The beginning balance transferred to accounts receivable	\$(239,141)	\$(250,924)
Increase in receivable (excluding the account incurred and transferred to accounts receivable)	397,242	239,141

B. Contract liabilities - current

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Sales of goods	<u>\$134,198</u>	<u>\$131,372</u>	<u>\$170,900</u>

The changes in the Group's balances of contract liabilities during the twelve-month periods ended 31 December 2020 and 2019 were mainly affected by the orders for steel products, the delivery schedule required by the clients and progress schedule.

(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2020 and 2019, the Group expected that all of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year, therefore, it is not required to provide information about the unsatisfied performance obligations.

(4) Assets recognized from costs to fulfil a contract

None.

(15) Expected credit losses

The Group expected credit losses for the year ended 31 December 2020 and 2019: None.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of 31 December 2020 and 2019 are as follows:

(1) the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	As of 31 December	
	2020	2019
Total carrying amount	\$397,242	\$239,141
Expected credit loss rates	0%	0%
Loss allowance	-	-
Total	<u>\$397,242</u>	<u>\$239,141</u>

(2) the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

31 December 2020

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$1,488,248	\$5,030	\$ -	\$ -	\$ -	\$ -	\$1,493,278
Loss ratio	0-1%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	3,305	-	-	-	-	-	3,305
Carrying amount of trade receivables	<u>\$1,484,943</u>	<u>\$5,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,489,973</u>

31 December 2019

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$1,535,913	\$24,950	\$ -	\$ -	\$ -	\$ -	\$1,560,863
Loss ratio	0-1%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	3,305	-	-	-	-	-	3,305
Carrying amount of trade receivables	<u>\$1,532,608</u>	<u>\$24,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,557,558</u>

Note: The Group's trade receivables are not overdue, and the credit loss of its duration period is all recorded in the previous year.

The movement in the provision for impairment of contract assets, note receivables and trade receivables for the year ended 31 December 2020 and 2019 are as follows:

	Contract assets	Note receivables	Trade receivables
As of 1 January 2020	\$ -	\$1,187	\$2,118
Addition/(reversal) for the current period	-	-	-
Write off	-	-	-
As of 31 December 2020	\$ -	\$1,187	\$2,118
As of 1 January 2019	\$ -	\$1,187	\$2,118
Addition/(reversal) for the current period	-	-	-
Write off	-	-	-
As of 31 December 2019	\$ -	\$1,187	\$2,118

(16) Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land, machinery and equipment. The lease terms range from 1 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of 31 December	
	2020	2019
Land	\$176,281	\$207,654
Machinery and equipment	2,655	4,530
Total	\$178,936	\$212,184

During the year period ended 31 December 2020 and 2019, the Group did not add new right-of-use assets.

b. Lease liabilities

	As of 31 December	
	2020	2019
Lease liabilities		
Current	\$5,109	\$6,238
Non-current	174,803	204,165
Total	<u>\$179,912</u>	<u>\$210,403</u>

Please refer to Note 6 (18)(c) for the interest on lease liabilities recognized during the year period ended 31 December 2020 and 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2020 and 2019.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2020	2019
Land	\$5,779	\$7,311
Machinery and equipment	1,875	1,875
Total	<u>\$7,654</u>	<u>\$9,186</u>

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2020	2019
The expenses relating to short-term leases	<u>\$4,154</u>	<u>\$4,750</u>

For the rent concession arising as a direct consequence of the Covid-19 pandemic from 1 January to 31 December 2020, the rent concession in the amount of NT\$544 thousand was recognized as a rental expense deduction. The Group have applied the practical expedient to reflect the changes in rental payments.

D. Cash outflow relating to leasing activities

During the year period ended 31 December 2020 and 2019, the Group's total cash outflows for leases amounting to NT\$12,181 and NT\$14,776 thousand.

E. Other information relating to leasing activities

(i) Variable lease payments

Some of the Group's property rental agreement contain variable payment terms that are linked to certain percentages of sales generated from the leased stores, which is very common in the industry of the Group. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(ii) Extension and termination options

Some of the Group's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(iii) Residual value guarantees

None.

(2) Group as a lessor

Please refer to Note 6 (8) for details on the Group's owned investment properties and investment properties held by the Group as right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 December	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$2,296	\$3,562

Please refer to Note 6 (8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2020 and 2019 are as follow:

	As of 31 December	
	2020	2019
Not later than one year	\$1,849	\$1,849
Later than one year but not later than two years	1,552	1,849
Later than two years but not later than three years	1,323	1,552
Later than three years but not later than four years	785	1,323
Later than four years but not later than five years	785	785
Later than five years	8,635	10,990
Total	<u>\$14,929</u>	<u>\$18,348</u>

- (17) Summary statement of employee benefits, depreciation and amortization expenses by function for the year ended 31 December 2020 and 2019:

Nature \ Function	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$717,397	\$250,817	\$968,214	\$657,977	\$178,236	\$836,213
Labor and health insurance	51,916	15,882	67,798	51,198	17,366	68,564
Pension	26,120	5,418	31,538	26,571	5,594	32,165
Other employee benefits expense	33,016	8,067	41,083	32,791	7,902	40,693
Depreciation	1,135,350	49,024	1,184,374	1,079,808	34,556	1,114,364
Amortization	3,000	-	3,000	3,000	-	3,000

The number of employees of the Group as of 31 December 2020 and 2019 were 890 and 870, respectively.

According to the Articles of Incorporation, no less than 2% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board meeting resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of 31 December 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2020 to be 8.52% and 1.25% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2020 amounted to NT\$305,699 thousand and NT\$45,000 thousand respectively, recognized as employee benefits expense.

A resolution was passed at a board meeting to distribute NT\$305,699 thousand and NT\$45,000 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2020, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2020 were recognized in profit or loss of the subsequent year.

The employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2019 amount to NT\$250,623 thousand and NT\$37,000 thousand respectively. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2019.

(18) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2020	2019
Dividend income	\$48,056	\$30,583
Rental income	2,296	3,562
Others	14,663	22,176
Total	<u>\$65,015</u>	<u>\$56,321</u>

(b) Other gains and losses

	For the years ended 31 December	
	2020	2019
Gains on disposal of property, plant and equipment, net	\$497	\$34,329
Foreign exchange (losses) gains, net	7,206	13,083
Gains on financial assets at fair value through profit or loss	520	-
Others	(19,765)	(227)
Total	<u>\$(11,542)</u>	<u>\$47,185</u>

(c) Finance costs

	For the years ended 31 December	
	2020	2019
Interest on loans from bank	\$3,001	\$10,433
Interest on lease liabilities	2,916	3,100
Total	<u>\$5,917</u>	<u>\$13,533</u>

(19) Components of other comprehensive income

For the year ended 31 December 2020:

	Arising during the period	Reclassification n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(7,784)	\$ -	\$(7,784)	\$1,557	\$(6,227)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	340,694	-	340,694	-	340,694
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	159	-	159	(32)	127
Total of other comprehensive income	<u>\$333,069</u>	<u>\$ -</u>	<u>\$333,069</u>	<u>\$1,525</u>	<u>\$334,594</u>

For the year ended 31 December 2019:

	Arising during the period	Reclassification n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,437	\$ -	\$2,437	\$(487)	\$1,950
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	38,262	-	38,262	-	38,262
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	173	-	173	(35)	138
Total of other comprehensive income	<u>\$40,872</u>	<u>\$ -</u>	<u>\$40,872</u>	<u>\$(522)</u>	<u>\$40,350</u>

(20) Income tax

The major components of income tax expense (income) for the year ended 31 December 2020 and 2019 are as follows:

(A) Income tax expense (income) recognized in profit or loss

	For the years ended 31 December	
	2020	2019
Current income tax expense:		
Current income tax charge	\$615,075	\$399,851
Adjustment in respect of current income tax of prior periods	(1,372)	-
Deferred tax income:		
Deferred tax income relating to origination and reversal of temporary differences	3,813	28,524
Total income tax expense	<u>\$617,516</u>	<u>\$428,375</u>

(B) Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2020	2019
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$(1,557)	\$487
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	32	35
Income tax relating to components of other comprehensive income	<u>\$(1,525)</u>	<u>\$522</u>

(C) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	For the years ended 31 December	
	2020	2019
Accounting profit before tax from continuing operations	<u>\$3,236,942</u>	<u>\$2,390,730</u>
Tax at the domestic rates applicable to profits in the country concerned	\$647,388	\$478,146
Adjustment of in respect of current income tax of prior periods	(1,372)	-
Tax effect of revenues exempt from taxation	(28,770)	(50,039)
Tax effect of expenses not deductible for tax purposes	270	268
Total income tax expenses recognized in profit or loss	<u>\$617,516</u>	<u>\$428,375</u>

(D)Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2020:

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Bonus payable	\$4,701	\$635	\$ -	\$5,336
Impairment losses on available-for-sale financial assets	4,328	-	-	4,328
Loss from price recovery (reduction) of inventories	1,308	-	-	1,308
Unrealized foreign exchange gains or losses	111	255	-	366
Investments accounted for using the equity method	55,443	19	-	55,462
Share of other comprehensive of associates and joint ventures	46	-	(32)	14
Non-current liability – Defined benefit Liability	20,199	(4,722)	-	15,477
Remeasurements of defined benefit plans	15,445	-	1,557	17,002
Difference between book depreciation expense and tax depreciation expense	9,929	-	-	9,929
Deferred tax income		<u>\$(3,813)</u>	<u>\$1,525</u>	
Net deferred tax assets	<u>\$111,510</u>			<u>\$109,222</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$111,510</u>			<u>\$109,222</u>
Deferred tax liabilities	<u>\$ -</u>			<u>\$ -</u>

For the year ended 31 December 2019:

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Bonus payable	\$4,913	\$(212)	\$ -	\$4,701
Impairment losses on available-for-sale financial assets	4,328	-	-	4,328
Loss from price recovery (reduction) of inventories	1,308	-	-	1,308
Unrealized foreign exchange gains or losses	(159)	270	-	111
Investments accounted for using the equity method	55,435	8	-	55,443
Share of other comprehensive of associates and joint ventures	81	-	(35)	46
Non-current liability – Defined benefit Liability	22,939	(2,740)	-	20,199
Remeasurements of defined benefit plans	15,932	-	(487)	15,445
Difference between book depreciation expense and tax depreciation expense	35,779	(25,850)	-	9,929
Deferred tax income		<u>\$(28,524)</u>	<u>\$(522)</u>	
Net deferred tax assets	<u>\$140,556</u>			<u>\$111,510</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$140,715</u>			<u>\$111,510</u>
Deferred tax liabilities	<u>\$(159)</u>			<u>\$ -</u>

The assessment of income tax returns

As of 31 December 2020, the Company's income tax returns through 2018 have been assessed and approved by the tax authority.

(21) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Basic earnings per share	For the years ended 31 December	
	2020	2019
Profit attributable to ordinary equity holders of the Company	\$2,619,426	\$1,962,355
Weighted-average number of ordinary shares for basic earnings per share (in thousands)	581,599	581,599
Basic earnings per share (NT\$)	\$4.50	\$3.37

The Company's diluted earnings per share amounts equal to its basic earnings per share amounts.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Taiwan Steel Union Co., Ltd.	Associate
Wen-Shan Enterprise Co., Ltd.	Associate
Fong Yu Resources Co., Ltd.	Associate
Taiwan Steel Resources Co., Ltd.	Subsidiary of associate

Significant transactions with the related parties

(a) Account Payable

	As of 31 December	
	2020	2019
Associate	\$6,894	\$3,669
Subsidiary of associate	12,513	2,774
Total	\$19,407	\$6,443

(b)Other

Taiwan Steel Union Co., Ltd was commissioned to process the electric arc furnace dust. Other expenditures paid to Taiwan Steel Union Co., Ltd for the years ended 31 December 2020 and 2019 were NT\$79,606 thousand and NT\$31,716 thousand, respectively, and were recorded as manufacturing expenses. The unpaid amounts as of 31 December 2020 and 2019 were NT\$ 6,894 thousand and NT\$3,669 thousand.

Taiwan Steel Resources Co., Ltd. was commissioned to process the reduction slag. Other expenditures paid to Taiwan Steel Resources Co., Ltd. for the years ended 31 December 2020 and 2019 were NT\$65,507 thousand and NT\$2,774 thousand and were recorded as manufacturing expenses. The unpaid amounts as of 31 December 2020 and 2019 were NT\$12,513 thousand and NT\$ 2,774 thousand.

(c)Key management personnel compensation

	For the years ended 31 December	
	2020	2019
Short-term employee benefits	\$91,559	\$82,241
Post-Employment Benefits	347	365
Total	\$91,906	\$82,606

8. Assets pledged as security

None.

9. Commitments and contingencies

(1) As of 31 December 2020 and 2019, the Group issued guaranty notes as security for borrowings in the amount of NT\$10,062,450 thousand and NT\$12,755,250 thousand, respectively.

(2) As of 31 December 2020 and 2019, the Group was issued letters of guarantee by banks in the amount of NT\$30,000 thousand and NT\$50,000 thousand for importing goods, respectively.

(3) Amounts available under unused letters of credit are as follows:

Currency	Carrying amount	
	2020.12.31	2019.12.31
USD	\$58,487	\$33,097
JPY	213,413	258,785
EUR	440	421

The amounts that are available under unused letters of credit above are unguaranteed.

(4) The following table lists major purchase contracts of the Group:

Contract counterparty	Contract content	Contract amount	Contract amount paid	Unpaid amount as of 31 December 2020
Company A	Crane update project	JPY 263,100	JPY 210,480	JPY 52,620
Company B	Crane update project	\$75,700	\$68,130	\$7,570
Company C	Oxygen field update project	JPY 550,000	JPY 495,000	JPY 55,000
Company D	Roof dust collection renovation project	JPY 198,000	JPY 178,200	JPY 19,800

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

	As of 31 December	
<u>Financial assets</u>	2020	2019
Financial assets at fair value through other comprehensive income	\$2,772,573	\$1,082,398
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	2,174,321	1,565,989
Contract assets	397,242	239,141
Notes and accounts receivable	1,489,973	1,557,558
Other receivables	8,579	20,516
Other financial assets -Non Current	13,686	13,686
Subtotal	4,083,801	3,396,890
Total	<u>\$6,856,374</u>	<u>\$4,479,288</u>
 <u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings	\$329,941	\$381,151
Notes and accounts payable	1,302,794	1,176,644
Other payables	1,026,124	998,743
Lease liabilities	179,912	210,403
Total	<u>\$2,838,771</u>	<u>\$2,766,941</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD, JPY and EUR.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on the borrowings and investments with variable interest rates as of the end of the reporting period, under the assumption that, a change of 10 basis points of interest rates in a reporting period.

Pre-tax sensitivity analysis of changes in related risk factors for the years ended 31 December 2020 and 2019 are as follows:

For the year ended 31 December 2020

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/- 1%	+/-\$(1,375)	\$ -
	NTD/JPY rate +/- 1%	+/-\$(266)	\$ -
	NTD/EUR rate +/- 1%	+/-\$(3)	\$ -
Interest rate risk	Market rate +/- 10 basis points	+/- \$330	\$ -

For the year ended 31 December 2019

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/- 1%	+/-\$(1,844)	\$ -
	NTD/EUR rate +/- 1%	+/-\$(434)	\$ -
Interest rate risk	Market rate +/- 10 basis points	+/- \$381	\$ -

Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through other comprehensive income could have an impact of NT\$19,456 thousand and NT\$3,028 thousand on the equity attributable to the Group for the year periods ended 31 December 2020 and 2019, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivables and lease receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group's internal rating criteria, etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of 31 December 2020 and 2019, account receivables from top ten customers represented 24.53% and 23.22% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank loans. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of 31 December 2020					
Short-term borrowings	\$332,860	\$ -	\$ -	\$ -	\$332,860
Notes and accounts payable	1,302,794	-	-	-	1,302,794
Other payable	1,026,124	-	-	-	1,021,903
Lease liabilities(note)	7,679	11,842	10,883	212,226	242,630
As of 31 December 2019					
Short-term borrowings	\$391,145	\$ -	\$ -	\$ -	\$391,145
Notes and accounts payable	1,176,644	-	-	-	1,176,644
Other payable	998,743	-	-	-	998,743
Lease liabilities(note)	9,240	15,863	12,358	247,155	284,616

Note: Information about the maturities of lease liabilities is provided in the table below :

	Maturities					Total
	Less than 1 year	2 to 5 years	6 to 10 years	11 to 15 years	> 15 years	
2020.12.31	\$7,679	\$22,725	\$27,208	\$27,209	\$157,809	\$242,630
2019.12.31	9,240	28,221	30,894	30,894	185,367	284,616

Derivative financial liabilities

None.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term borrowings	Leases liabilities	Total liabilities from financing activities
As of 1 Jan. 2020	\$381,151	\$210,403	\$591,554
Cash flows	(51,210)	(7,367)	(58,577)
Non-cash changes			
Acquisition	-	(23,124)	(23,124)
As of 31 Dec. 2020	\$329,941	\$179,912	\$509,853

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term borrowings	Leases liabilities	Total liabilities from financing activities
As of 1 Jan. 2019	\$1,018,533	\$218,059	\$1,236,592
Cash flows	(637,382)	(10,756)	(648,138)
Non-cash changes			
Acquisition	-	3,100	3,100
As of 31 Dec. 2019	\$381,151	\$210,403	\$591,554

(7) Fair value of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- D. Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The book value of the Group's financial assets and financial liabilities measured at amortized cost is very close to the fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

None.

(9) Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair

value on a recurring basis is as follows:

As of 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$1,945,605	\$ -	\$826,968	\$2,772,573

As of 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$302,826	\$ -	\$779,572	\$1,082,398

Transfers between Level 1 and Level 2 during the period

During the year period ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at 1 January 2020	\$779,572
Total gains and losses recognized for the year ended 31 December 2020:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	60,803
Return of paid-in capital for capital reduction	(13,407)
Ending balances as at 31 December 2020	<u>\$826,968</u>

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at 1 January 2019	\$799,553
Total gains and losses recognized for the year ended 31 December 2019:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(16,453)
Return of paid-in capital for capital reduction	(3,528)
Ending balances as at 31 December 2019	<u>\$779,572</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 31 December 2020

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input
	techniques	unobservable inputs	information	between inputs and fair value	to fair value
Financial assets at fair value through other comprehensive income					
Stocks and others	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$82,697 thousand

As at 31 December 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks and others	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$77,957 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

- (3) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (Notes 6, 8)	\$ -	\$ -	\$1,068,869	\$1,068,869
Investments accounted for using the equity method (please refer to Notes 6, 6)	1,766,921	-	-	1,766,921

As of 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (Notes 6, 8)	\$ -	\$ -	\$627,522	\$627,522
Investments accounted for using the equity method (please refer to Notes 6, 6)	1,874,212	-	-	1,874,212

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: Thousands

	As of 31 December 2020			As of 31 December 2019		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$7,886	28.0500	\$221,203	\$6,509	30.0500	\$195,597
EUR	-	34.3650	-	-	33.5470	-
JPY	2	0.2706	-	2	0.2752	-
<u>Financial liabilities</u>						
Monetary item:						
USD	\$12,744	28.1500	\$358,720	\$12,604	30.1500	\$379,966
EUR	7	34.7250	252	1,279	33.9070	43,377
JPY	97,060	0.2744	26,633	-	0.2790	-

The Company has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Company had NT\$7,206 thousand and NT\$13,083 thousand foreign exchange gains for the years ended 31 December 2020 and 2019, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

- a. Financing provided to others for the year ended 31 December 2020: None.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2020:
None.
- c. Securities held as of 31 December 2020:

Name of company	Type of securities	Name of securities	Relationship	Financial statement account	December 31, 2020				
					Shares	Book value	Percentage of ownership (%)	Market value/Net assets value	Note
FENG HSIN STEEL CO.,LTD.	Stock	Yuanta/P-shares Taiwan Dividend Plus ETF	-	Financial assets at fair value through other comprehensive income,current	3,376,000	\$101,111	0.15%	\$101,111	
		Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income,current	2,426,000	104,803	0.04%	104,803	
		Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	-	Financial assets at fair value through other comprehensive income,current	717,000	51,911	0.27%	51,911	
		Formosa Plastics Corporation	-	Financial assets at fair value through other comprehensive income,current	1,247,000	120,211	0.02%	120,211	
		Formosa Taffeta Co., Ltd.	-	Financial assets at fair value through other comprehensive income,current	3,162,000	98,180	0.19%	98,180	
		Taiwan Semiconductor Manufacturing Company Limited	-	Financial assets at fair value through other comprehensive income,current	225,000	119,250	-	119,250	
		Synnex Technology International Corporation	-	Financial assets at fair value through other comprehensive income,current	2,426,000	114,022	0.15%	114,022	
		Asustek Computer Incorporation	-	Financial assets at fair value through other comprehensive income,current	401,000	100,450	0.05%	100,450	

Name of company	Type of securities	Name of securities	Relationship	Financial statement account	December 31, 2020				
					Shares	Book value	Percentage of ownership (%)	Market value/Net assets value	Note
FENG HSIN STEEL CO.,LTD.	Stock	DA-CIN Construction Co., Ltd.	-	Financial assets at fair value through other comprehensive income,current	1,847,000	49,777	0.56%	49,777	
		Huaku Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income,current	575,000	50,485	0.21%	50,485	
		Mega Financial Holding Company Limited	-	Financial assets at fair value through other comprehensive income,current	3,589,000	106,952	0.03%	106,952	
		Sinopac Financial Holdings Company Limited	-	Financial assets at fair value through other comprehensive income,current	9,263,000	106,061	0.08%	106,061	
		WPG Holdings Limited	-	Financial assets at fair value through other comprehensive income,current	2,562,000	109,910	0.15%	109,910	
		YungShin Global Holding Corporation	-	Financial assets at fair value through other comprehensive income,current	1,347,000	60,211	2.02%	60,211	
		Far Eastone Telecommunications Co.,Ltd.	-	Financial assets at fair value through other comprehensive income,current	1,634,000	100,001	0.05%	100,001	
		Pegatron Corporation	-	Financial assets at fair value through other comprehensive income,current	1,583,000	106,536	0.06%	106,536	
		Zhen Ding Technology Holding Limited	-	Financial assets at fair value through other comprehensive income,current	830,000	94,620	0.09%	94,620	
		Taiwan Printed Circuit Board Techvest Co., Ltd.	-	Financial assets at fair value through other comprehensive income,current	1,214,000	53,902	0.45%	53,902	
		Taiwan Hon Chuan Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income,current	861,000	51,918	0.30%	51,918	
				Total		\$1,700,311			
FENG HSIN STEEL CO.,LTD.	Stock	Chien Shing Harbour Service Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	8,203,800	\$245,294	10.11%	\$245,294	
		Fengshuo Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,640,000	220,796	18.20%	220,796	
		Gwo Uei Metals Industry Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,800,000	50,605	19.00%	50,605	
		Gwo Huei Iron & Steel Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,800,000	34,505	19.00%	34,505	

Name of company	Type of securities	Name of securities	Relationship	Financial statement account	December 31, 2020				
					Shares	Book value	Percentage of ownership (%)	Market value/Net assets value	Note
FENG..HSIN STEEL CO.,LTD.	Stock	Ascentek Venture Capital Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	70,560	4,656	5.35%	4,656	
		Taichung International Entertainment Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	1	970	0.03%	970	
		China Trade And Development Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	1,925	25	-	25	
GREAT FORTUNE HOLDING LIMITED	Stock	Shihlien China Holding Co.,Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent Total	23,033,543	515,411	5.63%	515,411	
						<u>\$1,072,262</u>			

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the paid-in capital for the year ended 31 December 2020: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the paid-in capital for the year ended 31 December 2020:

Company Name	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counterparty	Relationship	When counterparty is related party, details of prior transactions				Price Reference	Purpose of Acquisition and Status of Utilization	Other Commitments
							Owner	Relationships	Transfer Date	Amount			
FENG HSIN STEEL CO.,LTD.	Land and Building	Contract date : 10 September 2020 Transferring date : 17 December 2020	\$327,015	\$327,015	Farglory Investment Co., Ltd. Farglory Land Development Co., Ltd.	Non-related party	N/A	N/A	N/A	N/A	Appraisal report issued by Weiming Real Estate Appraiser Firm	To acquire investment property for leasing to increase company revenue	N/A

- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended 31 December 2020: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2020: None.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of year ended 31 December 2020: None.
- i. Financial instruments and derivative transactions: None.
- j. Others: The business relationship, significant transactions and amounts between parent company and subsidiaries: None.

(2) Information on investees

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2020, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2020 (excluding investees in mainland China):

Investment company	Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2020			Net income (loss) of investee company (Note)	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of Shares (thousand)	Percentage of ownership (%)	Book value			
FENG HSIN STEEL CO.,LTD.	GREAT FORTUNE HOLDING LIMITED	Offshore Chamber, P.O. Box217, Apia, Samoa	General investment business	\$971,367	\$971,367	31,406,834	100.00%	\$516,457	\$(95)	\$(95)	Subsidiary company of the Company
FENG HSIN STEEL CO.,LTD.	TAIWAN STEEL UNION CO., LTD.	No. 36, Xiangong N. 1 st Rd., Shengang Township, Changhua County 509, Taiwan (R.O.C.)	General business and hazardous industrial waste treatment, the manufacture and sale of zinc oxide and non-metallic mineral products.	\$199,883	\$147,761	23,279,587	20.92%	\$744,203	\$407,534	\$83,504	Associated company of the Company

Investment company	Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2020			Net income (loss) of investee company (Note)	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of Shares (thousand)	Percentage of ownership (%)	Book value			
FENG HSIN STEEL CO.,LTD.	FONG YU RESOURCES CO., LTD.	No.998, Jiahou Rd., Sec. 1, Houli Dist., Taichung City 421, Taiwan (R.O.C.)	General business and hazardous industrial waste treatment	\$516,250	\$516,250	51,625,000	29.71%	\$510,929	\$(13,012)	\$(3,865)	Associated company of the Company
FENG HSIN STEEL CO.,LTD.	Wen-Shan Enterprise Co., Ltd.	No.16, Wuncyuan Ln., Sec. 1, Dongguan Rd., Heping Dist., Taichung City 42444, Taiwan (R.O.C.)	General business and the operation of hotel industry	\$209,777	\$209,777	18,000,000	18.00%	\$171,822	\$85,588	\$15,405	Associated company of the Company

Note: The Company has recognized investment income from subsidiaries, and the investment income was eliminated in the consolidated report.

(3) Information on investments in mainland China

a. Information on investments in mainland China from the subsidiaries through GREAT FORTUNE HOLDING LIMITED as of 31 December 2020:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2020	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of 31 December 2020
					Outflow	Inflow						
Shihlien Chemical Industrial Jiangsu Co.	Sodium carbonate, which is the ingredient of glass production	USD 800,000,000	Investment in Mainland China companies through a company invested and established in a third region	\$767,246 (USD27,352,800)	-	-	\$767,246 (USD27,352,800)	Note 1	3.15%	\$ -	\$488,816	\$ -

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2020	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of 31 December 2020
					Outflow	Inflow						
Shihlien Brine Huaian Co.	Brine, which is the ingredient of sodium carbonate	USD 32,000,000	Investment in Mainland China companies through a company invested and established in a third region	\$41,705 (USD1,486,800)	-	-	\$41,705 (USD1,486,800)	Note 1	3.94%	\$ -	\$26,595	\$ -

Accumulated Investment in Mainland China as of 31 December 2020 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment
		The lender's net accounts value×60%
\$808,951 (USD 28,839,600)	\$808,951 (USD 28,839,600)	\$11,680,926 (Note 2)

Note 1: The Company's subsidiary's investment in Mainland China was made indirectly through financial assets at fair value through other comprehensive income investee established in the third region.

Note 2: Pursuant to the Investment Commission, Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is limited to 60% of net worth or consolidated net worth.

Note 3: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rates at the financial statement reporting date.

- b. Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

(4) Information on major shareholders

The Company had no shareholders holding more than 5% of its shares on 31 December 2020.

14. Segment information

- (a) The Company is considered as a single operating segment as judged by the managements that, the organization's primary income comes from manufacturing and processing various angle irons, round irons, and flat irons.

(b) Geographical information

i. Revenue from external customers:

	For the years ended 31 December	
	2020	2019
Taiwan	\$24,953,494	\$24,667,706
Export - Asia	1,252,554	1,667,622
Export - Other	1,092,003	1,400,283
Total	<u>\$27,298,051</u>	<u>\$27,735,611</u>

The revenue information above is based on the location of the customers.

ii. Non-current assets:

	As of 31 December	
	2020	2019
Taiwan	<u>10,656,491</u>	<u>\$10,540,364</u>

(c) Information about major customers

No single customer's sales revenue accounted for over 10% of revenue on the Group income statement for the years ended 31 December 2020 and 2019.