

Stock Code: 2015

Feng Hsin Steel Co., Ltd. and its Subsidiaries

**Consolidated Financial Statements and Independent
Auditor's Report**

**January 1 to June 30, 2022
and January 1 to June 30, 2021**

Company Address: No. 998, Sec. 1, Jiahou Rd., Houli Dist., Taichung City 42145
Company Tel. No.: (04)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 Auditor's Report

To: Feng Hsin Steel Co., Ltd.

Foreword

We, as the CPAs, have completed the audit on the balance sheets dated June 30, 2022 and 2021 and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity, consolidated statements of cash flow, and notes to consolidated financial statements from January 1 to June 30, 2022 and 2021 (including summaries of major accounting policies) of Feng Hsin Steel Co., Ltd.. Based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Accounting Standards No. 34 "Interim Financial Reporting" recognized and released by the Financial Supervisory Commission, the management shall be responsible for preparation of financial statements fairly presented. The responsibility of the CPAs is to conclude the financial statements based on the result of the audit.

Scope

The CPAs have performed the review based on Statements on Auditing Standards No. 65 "Audit on financial statement." The procedures performed during the review of financial statements include inquiries (mainly the inquiries to the personnel in charge of finance and accounting affairs), analytical procedures and other review procedures. The scope of review is apparently smaller than the scope of an audit; therefore, the CPAs may not be able to detect all the material matters that may be identifiable under audit, and thus no audit opinion may be provided.

Conclusion

Based on the results of review by us and other CPAs (please refer to the "Other Matters" paragraph), we do not find any incompliance in the preparation of the above-mentioned consolidated financial statements, in all major respects, with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards No. 34 "Interim Financial Reporting" recognized and released by the Financial Supervisory Commission, that may result in inability to fairly presented the consolidated financial position of Feng Hsin Steel Co.,

Ltd. and its subsidiaries as of June 30, 2022 and 2021, and the consolidated financial performance and cash flows from January 1 to June 30, 2022 and 2021.

Other Matters - About other CPAs' review

The financial statements of some investees referred to in the consolidated financial statements as of June 30, 2022 and 2021 were not reviewed by us but by other CPAs. Therefore, the amount identified by us with respect to said investees in the review conclusion about said consolidated financial statements was based on the other CPA's review report. Said investees' investments under equity method were NT\$910,568 thousand and NT\$747,025 thousand as of June 30, 2022 and 2021, both accounting for 3% of the total consolidated assets. The shares of profit or loss of associates & joint ventures accounted for using the equity method were NT\$90,137 thousand, NT\$33,616 thousand, NT\$126,617 thousand and NT\$47,723 thousand from April 1 to June 30, 2022 and 2021 and January 1 to June 30, 2022 and 2021, accounting for 8%, 3%, 6% and 2% of the consolidated net profit before tax, respectively.

/s/Chen, Ming Hung

/s/Yen, Wen Pi

Ernst & Young, Taiwan

27 July 2022

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.

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2022, December 31, 2021 and June 30, 2021

(Those dated June 30, 2022 and 2021 were only reviewed but not audited in accordance with the Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

Assets			30-Jun-22		31-Dec-21		30-Jun-21	
Code	Accounting Titles	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	IV and VI.1	\$377,718	1	\$1,221,496	5	\$538,858	2
1120	Financial assets at fair value through other comprehensive income -	IV and VI.2	1,538,774	6	1,925,798	7	4,036,565	15
1140	Contract asset - current	IV and VI.14.15	444,567	2	461,511	2	543,750	2
1150	Notes receivable - net	IV and VI.15	17,797	-	946	-	8,584	-
1170	Accounts receivable - net	IV and VI.3.15	1,936,511	7	1,913,374	7	1,437,550	5
1200	Other receivables		28,846	-	44,964	-	40,406	-
130x	Inventories	IV and VI.4	8,162,254	31	7,390,581	27	6,630,716	25
1410	Prepayment	VI.5	688,400	3	712,798	3	644,577	2
1470	Other current assets		13,567	-	7,611	-	7,588	-
11xx	Total current assets		13,208,434	50	13,679,079	51	13,888,594	51
	Non-current assets							
1517	Financial assets at fair value through other comprehensive income -	IV and VI.2	1,228,393	5	1,405,218	5	1,331,606	5
1550	Investment under equity method	IV and VI.6	1,643,841	6	1,632,521	6	1,428,953	5
1600	Property, plant and equipment	IV and VI.7	8,937,113	34	8,946,284	33	9,250,791	34
1755	Right-of-use assets	IV and VI.16	361,930	1	172,823	1	175,879	1
1760	Investment property - net	IV and VI.8	692,461	3	694,434	3	696,408	3
1840	Deferred income tax assets	IV	95,242	-	103,633	-	107,959	-
1900	Other non-current assets	VI.9	131,995	1	238,224	1	224,702	1
15xx	Total non-current assets		13,090,975	50	13,193,137	49	13,216,298	49
1xxx	Total assets		\$26,299,409	100	\$26,872,216	100	\$27,104,892	100

(Please refer to the Notes for Consolidated Financial Statements.)

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2022, December 31, 2021 and June 30, 2021

(Those dated June 30, 2022 and 2021 were only reviewed but not audited in accordance with the Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

Liability and Equity			30-Jun-22		31-Dec-21		30-Jun-21	
Code	Accounting Titles	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loan	IV and VI.10	\$2,474,316	9	\$890,802	3	\$2,109,051	8
2130	Contract liability - current	IV and VI.14	175,218	1	171,057	1	285,661	1
2150	Notes payable		874	-	-	-	429	-
2170	Accounts payable	VII	1,598,079	6	1,597,724	6	1,218,135	4
2200	Other payables	VI.11	777,321	3	1,190,281	4	782,289	3
2230	Current income tax liabilities	IV	424,132	2	676,982	3	399,234	1
2280	Lease liability - current	IV and VI.16	38,756	-	3,898	-	4,827	-
2300	Other current liabilities		1,344	-	2,260	-	2,125	-
21xx	Subtotal of current liabilities		5,490,040	21	4,533,004	17	4,801,751	17
	Non-current liabilities							
2570	Deferred income tax liabilities	IV	25,687	-	20	-	198	-
2580	Lease liabilities - non-current	IV and VI.16	329,264	1	170,906	1	175,103	1
2640	Net defined benefit liabilities - non-current	IV and VI.12	-	-	68,455	-	157,336	1
2645	Deposits received		31	-	31	-	32	-
25xx	Subtotal of non-current liabilities		354,982	1	239,412	1	332,669	2
2xxx	Total liabilities		5,845,022	22	4,772,416	18	5,134,420	19
	Equity attributed to the owner of parent company							
31xx	Capital stock							
3100	Capital stock - common shares	VI.13	5,815,994	22	5,815,994	22	5,815,994	21
3200	Capital surplus	VI.13	453,319	2	452,514	2	523,808	2
3300	Retained earnings	VI.13						
3310	Legal reserve		5,068,002	19	4,630,509	17	4,354,532	16
3320	Special reserve		-	-	83,991	-	278,241	1
3350	Unallocated earnings		9,326,109	36	10,800,945	40	10,257,727	38
33xx	Subtotal of retained earnings		14,394,111	55	15,515,445	57	14,890,500	55
3400	Other equity							
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	IV	(197,592)	(1)	318,742	1	740,170	3
3453	Gains (losses) on hedging instruments, associates and joint ventures accounted for using the equity method		(11,445)	-	(2,895)	-	-	-
3400	Subtotal of other equity		(209,037)	(1)	315,847	1	740,170	3
3xxx	Total equity		20,454,387	78	22,099,800	82	21,970,472	81
	Total liabilities and equity		\$26,299,409	100	\$26,872,216	100	\$27,104,892	100

(Please refer to the Notes for Consolidated Financial Statements.)

Feng Hsin Steel Co., Ltd. and its Subsidiaries
Consolidated Statements of Comprehensive Income
April 1 to June 30, 2022 and 2021, and January 1 to June 30, 2022 and 2021
(Reviewed only but not audited in accordance with the Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

Code	Accounting Titles	Notes	April 1 to June 30, 2022		April 1 to June 30, 2021		January 1 to June 30, 2022		January 1 to June 30, 2021	
			Amount	%	Amount	%	Amount	%	Amount	%
4100	Operating revenue	IV and VI.14	\$10,858,158	100	\$9,814,630	100	\$20,806,547	100	\$17,710,304	100
5000	Operating cost	VI. 17 and VII	(9,678,856)	(89)	(8,424,157)	(86)	(18,330,659)	(88)	(15,285,613)	(86)
5900	Gross profit		1,179,302	11	1,390,473	14	2,475,888	12	2,424,691	14
6000	Operating expenses	VI.17								
6100	Selling expenses		(125,481)	(1)	(128,260)	(1)	(241,577)	(1)	(257,151)	(1)
6200	Administrative expenses		(91,709)	(1)	(95,308)	(1)	(198,150)	(1)	(173,988)	(1)
6300	R&D expenses		(11,826)	-	(10,949)	-	(24,917)	-	(22,458)	-
6450	Expected credit losses/ (gains)	VI.15	-	-	-	-	1,187	-	-	-
	Total operating expenses		(229,016)	(2)	(234,517)	(2)	(463,457)	(2)	(453,597)	(2)
6900	Operating income		950,286	9	1,155,956	12	2,012,431	10	1,971,094	12
7000	Non-operating revenue and expenditure									
7100	Interest revenue		624	-	423	-	929	-	774	-
7010	Other revenue	IV and VI.18	42,430	-	58,996	1	84,644	-	65,580	-
7020	Other gains and losses	VI.18	16	-	15,976	-	2,686	-	15,376	-
7050	Financial cost	VI.18	(4,929)	-	(2,365)	-	(6,458)	-	(3,555)	-
7060	Shares of associates and joint ventures accounted for using equity method	VI.6	90,735	1	28,759	-	131,514	1	46,900	-
	Total non-operating revenue and expenditure		128,876	1	101,789	1	213,315	1	125,075	-
7900	Net income		1,079,162	10	1,257,745	13	2,225,746	11	2,096,169	12
7950	Income tax expenses	IV and VI.20	(174,030)	(2)	(236,174)	(2)	(443,531)	(2)	(399,675)	(2)
8200	Current net profit		905,132	8	1,021,571	11	1,782,215	9	1,696,494	10
8300	Other comprehensive income	VI.19								
8310	Items not re-classified into income									
8316	Equity instrument at fair value through other comprehensive income		(631,992)	(6)	593,599	6	(499,743)	(3)	842,057	4
	Unrealized valuation gain or loss on investments									
8320	Unrealized gains (losses) from equity instruments investments		(7,445)	-	-	-	(10,687)	-	-	-
	Measured at fair value through other comprehensive income									
8349	Income tax related to items that will not to be reclassified		1,489	-	-	-	2,137	-	-	-
8300	Other comprehensive income for current period (net after tax)		(637,948)	(6)	593,599	6	(508,293)	(3)	842,057	4
8500	Total current comprehensive income		\$267,184	2	\$1,615,170	17	\$1,273,922	6	\$2,538,551	14
8600	Net income attributed to:									
8610	Owner of parent company		\$905,132		\$1,021,571		\$1,782,215		\$1,696,494	
8620	Non-controlling equity		-		-		-		-	
			\$905,132		\$1,021,571		\$1,782,215		\$1,696,494	
8700	Total comprehensive income attributed to:									
8710	Owner of parent company		\$267,184		\$1,615,170		\$1,273,922		\$2,538,551	
8720	Non-controlling equity		-		-		-		-	
			\$267,184		\$1,615,170		\$1,273,922		\$2,538,551	
	EPS (NT\$)	IV and VI.21								
9750	Basic EPS		\$1.56		\$1.76		\$3.06		\$2.92	
9850	Diluted EPS		\$1.55		\$1.75		\$3.05		\$2.91	

(Please refer to the Notes for Consolidated Financial Statements.)

Feng Hsin Steel Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
January 1 to June 30, 2022 and 2021
(Reviewed only but not audited in accordance with the Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

	Item	Equity attributed to the owner of parent company							Total equity
		Capital stock	Capital surplus	Retained earnings			Other equity		
				Legal reserve	Special reserve	Unallocated earnings	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	Gains (losses) on hedging instruments	
Code		3100	3200	3310	3320	3350	3420	3450	3XXX
A1	Balance on January 1, 2021	\$5,815,994	\$560,097	\$4,354,532	\$278,241	\$8,543,337	\$(83,991)	\$ -	\$19,468,210
C7	Changes in other capital surplus								
C17	Changes in associates and joint ventures under the equity		(37,098)						(37,098)
	Changes in other capital surplus		809						809
D1	Net income ended June 30, 2021					1,696,494			1,696,494
D3	Other comprehensive income ended June 30, 2021					-	842,057		842,057
D5	Total current comprehensive income	-	-	-	-	1,696,494	842,057	-	2,538,551
Q1	Disposal of equity instrument at fair value through other comprehensive income					17,896	(17,896)		-
Z1	Balance on June 30, 2021	\$5,815,994	\$523,808	\$4,354,532	\$278,241	\$10,257,727	\$740,170	\$ -	\$21,970,472
A1	Balance on January 1, 2022	\$5,815,994	\$452,514	\$4,630,509	\$83,991	\$10,800,945	\$318,742	\$(2,895)	\$22,099,800
	Appropriation and distribution of 2021 retained earnings								
B1	Provision of legal reserve			437,493		(437,493)			-
B5	Common share cash dividend					(2,907,997)			(2,907,997)
B17	Reversal of special reserve				(83,991)	83,991			-
C7	Changes in other capital surplus								
C17	Changes in associates and joint ventures under the equity					(12,143)			(12,143)
	Changes in other capital surplus		805						805
D1	Net income ended June 30, 2022					1,782,215			1,782,215
D3	Other comprehensive income ended June 30, 2022					-	(499,743)	(8,550)	(508,293)
D5	Total current comprehensive income	-	-	-	-	1,782,215	(499,743)	(8,550)	1,273,922
Q1	Disposal of equity instrument at fair value through other comprehensive income					16,591	(16,591)		-
Z1	Balance on June 30, 2022	\$5,815,994	\$453,319	\$5,068,002	\$ -	\$9,326,109	\$(197,592)	\$(11,445)	\$20,454,387

(Please refer to the Notes for Consolidated Financial Statements.)

Feng Hsin Steel Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash Flow
January 1 to June 30, 2022 and 2021

(Reviewed only but not audited in accordance with the Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

Code	Item	January 1 to June 30, 2022	January 1 to June 30, 2021
AAAA	Cash flow from operating activities:		
A10000	Current income before tax	\$2,225,746	\$2,096,169
A20000	Adjustment:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expenses	626,821	610,212
A20200	Amortization	1,500	1,500
A20300	Expected credit gain	(1,187)	-
A20400	Net gain on financial assets at fair value through profit or loss	-	(3,753)
A20900	Interest expenses	6,458	3,555
A21200	Interest revenue	(929)	(774)
A21300	Dividend revenue	(76,398)	(43,074)
A22300	Share of profit of associates and joint ventures accounted for using equity method	(131,514)	(46,900)
A22500	Gain on disposal of property, plant and equipment	585	(3,767)
A30000	Changes in current assets/liabilities related to operating activities:		
A31125	Decrease in contract assets - current	16,944	(146,508)
A31130	Decrease (increase) in notes receivable	(14,859)	3,231
A31150	Increase in accounts receivable	(23,137)	41,417
A31180	Decrease (increase) in other receivable	31,750	(2,449)
A31200	Decrease (increase) in inventories	(771,585)	(3,325,706)
A31230	Decrease (increase) in prepayment	(14,427)	(9,215)
A31240	Increase in other current assets	(5,956)	(236)
A32125	Increase in contract liability - current	4,161	151,463
A32130	Increase in notes payable	874	429
A32150	Increase in accounts payable	355	(84,659)
A32180	Decrease in other payables	(319,835)	(242,368)
A32230	Increase (decrease) in other current liabilities	(916)	(34)
A32240	Decrease in net defined benefit liabilities	(162,683)	(7,210)
A33000	Cash inflow (outflow) from operations	1,391,768	(1,008,677)
A33100	Interest collected	957	832
A33200	Dividends collected	60,738	13,638
A33300	Interest paid	(3,948)	(1,817)
A33500	Income tax paid	(660,186)	(413,816)
AAAA	Cash flow from operating activities:	789,329	(1,409,840)
BBBB	Cash flow from investing activities:		
B00010	Acquisition of financial assets at fair value through other	(90,258)	(1,867,514)
B00020	Disposal of financial assets at fair value through other	154,364	118,829
B00030	Refund of capital decrease from financial assets at fair value through other comprehensive income	-	706
B00100	Acquisition of financial assets at fair value through profit or loss	-	(37,680)
B00200	Disposal of financial assets at fair value through profit or loss	-	41,433
B01800	Acquisition of investment under the equity method	(19,916)	(62,043)
B02700	Acquisition of property, plant and equipment	(569,290)	(387,072)
B02800	Disposal of property, plant and equipment	7,061	733
B06800	Decrease in other non-current assets	104,729	116,940
B07600	Dividends collected	117,280	71,231
BBBB	Net cash outflow from investing activities	(296,030)	(2,004,437)
CCCC	Cash flow from financing activities:		
C00100	Increase (decrease) in short-term loan	1,583,514	1,779,110
C03000	Increase in deposits received	-	32
C04020	Payment of lease liabilities	(12,594)	(1,276)
C04500	Cash dividends	(2,907,997)	
CCCC	Net cash inflow (outflow) from financing activities	(1,337,077)	1,777,866
EEEE	Increase (decrease) in the current cash and cash equivalents	(843,778)	(1,636,411)
E00100	Balance of cash and cash equivalents, beginning	1,221,496	2,175,269
E00200	Balance of cash and cash equivalents, ending	\$377,718	\$538,858

(Please refer to the Notes for Consolidated Financial Statements.)

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

January 1 to June 30, 2022

And 2021

(Reviewed only but not audited in accordance with the Generally Accepted Auditing Standards.)

(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 steelnets, 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 30 June 2022 and 2021 were authorized for issue by the Company’s board of directors (the Board) on 27 July 2022.

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 2022. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are 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
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a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The remaining standards and interpretations 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	To be determined by IASB

	Associate or Joint Ventures	
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023

(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 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 period 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.

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 Group's consolidated financial statements for the years from January 1 to June 30, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 "Interim Financial Reporting" recognized and put to effect by FSC.

(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 (%)		
			30 June 2022	31 December 2021	30 June 2021
The Company	GREAT FORTUNE HOLDING LIMITED	Trading and holding Group	100%	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 affects 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 contracts 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 contacts 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.

Interim retirement costs are calculated from the beginning until the end of the interim period using the actuarial pension cost rate determined at the end of the previous year, and adjusted for major market changes, plan modifications, settlements and other one-time events that took place after the end of the interim period.

(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.

Income taxes for the interim period are assessed and disclosed by determining the tax rate applicable to expected total annual earnings, i.e. applying the estimated annual average effective tax rate to interim pre-tax profit. The estimate of annual average effective rate only comprises of current income tax expenses. The deferred income tax shall be recognized and measured in line with the annual financial reporting and under IAS 12 "Income Tax". If the tax rate is changed during the interim period, the effect of the tax rate change to deferred income tax is recognized through profit and loss, other comprehensive income or directly into equity in one entry in the period occurred.

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.

(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

	2022.06.30	2021.12.31	2021.06.30
Cash on hand	\$935	\$955	\$944
Demand deposits	376,783	820,943	537,914
Cash equivalents	-	399,598	-
Total	<u>\$377,718</u>	<u>\$1,221,496</u>	<u>\$538,858</u>

2.Financial assets at fair value through other comprehensive income

	2022.06.30	2021.12.31	2021.06.30
Equity instrument investments measured at fair value through other comprehensive income – Current:			
Listed companies stocks	<u>\$1,538,774</u>	<u>\$1,925,798</u>	<u>\$4,036,565</u>

Equity instrument investments measured at fair value through other comprehensive income – Non-current:

	2022.06.30	2021.12.31	2021.06.30
Listed companies stocks	\$330,285	\$442,185	\$381,476
Unlisted companies stocks	898,108	963,033	950,130
Total	<u>\$1,228,393</u>	<u>\$1,405,218</u>	<u>\$1,331,606</u>

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

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for April 1 to June 30, 2022 and 2021 and January 1 to June 30, 2022 and 2021 is stated as follows:

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Related to investment still held on the balance sheet date	\$39,431	\$37,824	\$76,398	\$38,607
Related to investment derecognized in the current period	-	4,467	-	4,467
Dividend revenue recognized in the current period	<u>\$39,431</u>	<u>\$42,291</u>	<u>\$76,398</u>	<u>\$43,074</u>

Ascentek Venture Capital Corporation, in which the Company holds shares, has completed the liquidation on May 31, 2021, and refunded the share capital, NT\$706 thousand, on June 24, 2021.

The Group disposed of the investment in equity instrument at fair value through other comprehensive income at the fair value, NT\$154,364 thousand, from January 1 to June 30, 2022, and re-stated the unrealized valuation loss accumulated at the time of disposal, NT\$16,591 thousand, from other equity into retained earnings.

The Group disposed of the investment in equity instrument at fair value through other comprehensive income at the fair value, NT\$118,829 thousand, from January 1 to June 30, 2021, and re-stated the unrealized valuation loss accumulated at the time of disposal, NT\$17,896 thousand, from other equity into retained earnings.

3.Accounts receivables

	2022.06.30	2021.12.31	2021.06.30
Accounts receivables	\$1,938,629	\$1,916,679	\$1,439,668
Less: loss allowance	(2,118)	(3,305)	(2,118)
Total	<u>\$1,936,511</u>	<u>\$1,913,374</u>	<u>\$1,437,550</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 10-75 day terms. The total carrying amount are NT\$1,938,629 thousand, NT\$1,916,679 thousand and NT\$1,439,668 thousand as of 30 June 2022, 31 December 2021 and 30 June 2021, respectively. Please refer to Note 6(15) for more details on loss allowance from January 1 to June 30, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

4. Inventories

	2022.06.30	2021.12.31	2021.06.30
Raw materials	\$3,557,962	\$3,384,209	\$3,094,683
Supplies & parts	483,271	400,453	307,506
Work in progress	1,953,904	2,038,649	1,867,094
Finished goods	2,167,117	1,567,270	1,361,433
Total	<u>\$8,162,254</u>	<u>\$7,390,581</u>	<u>\$6,630,716</u>

The inventory costs in the sales recognized by the Group from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021 were NT\$9,678,856 thousand, NT\$8,424,157 thousand, NT\$18,330,659 thousand and NT\$15,285,613 thousand, respectively.

No inventories were pledged.

5. Prepayments

	2022.06.30	2021.12.31	2021.06.30
Factory supplies	\$585,522	\$593,426	\$557,717
Prepayments of purchases	95,141	116,310	53,994
Other prepayments	7,737	3,062	32,866
Total	<u>\$688,400</u>	<u>\$712,798</u>	<u>\$644,577</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	2022.06.30		2021.12.31		2021.06.30	
	Carrying amount	Percentage of ownership(%)	Carrying amount	Percentage of ownership(%)	Carrying amount	Percentage of ownership(%)
Investment in associates:						
Listed companies:						
Taiwan Steel Union Co., Ltd.	\$910,568	23.44	\$880,227	23.23	\$747,025	21.69
Unlisted companies:						
FengYu Resources Co., Ltd.	548,139	29.08	563,945	29.08	503,917	29.71
Wen-Shan Enterprise Co., Ltd.	185,134	18.00	188,349	18.00	178,011	18.00
	<u>\$1,643,841</u>		<u>\$1,632,521</u>		<u>\$1,428,953</u>	

The Group increased capital in Taiwan Steel Union Co., Ltd. by NT\$19,916 thousand from January 1 to June 30, 2022 and thereby caused its shareholdings to increase from 23.23% to 23.44%. Meanwhile, the Group recognized a decrease in retained earnings in the amount of NT\$12,143 thousand.

The Group increased capital in Taiwan Steel Union Co., Ltd. by NT\$63,428 thousand from January 1 to June 30, 2021 and thereby caused its shareholdings to increase from 20.92% to 21.69%. Meanwhile, the Group decreased other capital surpluses by NT\$37,098 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\$2,170,238 thousand, NT\$2,093,655 thousand and NT\$1,778,351 thousand as of 30 June 2022, 31 December 2021 and 30 June 2021, 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:

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Current net income from continuing operations	\$90,735	\$28,759	\$131,514	\$46,900
Other comprehensive income for the current period (net after tax)	(5,956)	-	(8,550)	-
Total current comprehensive income	<u>\$84,779</u>	<u>\$28,759</u>	<u>\$122,964</u>	<u>\$46,900</u>

The above mentioned associates had no contingent liabilities or capital commitments as of 30 June 2022, 31 December 2021 and 30 June 2021.

No investment in the associates was pledged.

The investments in Taiwan Steel Union Co., Ltd. under the equity method were NT\$910,568 thousand and NT\$747,025 thousand, respectively, on June 30, 2022 and 2021. The share of profit (loss) of associates and joint ventures accounted for using the equity method was NT\$90,137 thousand, NT\$33,616 thousand, NT\$126,617 thousand and NT\$47,723 thousand, respectively, from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021. Said figures are provided based on the financial statements audited by other CPAs.

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:								
2022.01.01	\$1,288,353	\$3,480,061	\$17,131,810	\$48,956	\$427,263	\$336,299	\$165,284	\$22,878,026
Additions	-	1,993	181,194	-	18,327	1,354	366,422	569,290
Disposals	-	(420)	(360,534)	(183)	(6,521)	-	-	(367,658)
Other changes	-	71,884	304,212	-	-	-	(337,271)	38,825
2022.06.30	<u>\$1,288,353</u>	<u>\$3,553,518</u>	<u>\$17,256,682</u>	<u>\$48,773</u>	<u>\$439,069</u>	<u>\$337,653</u>	<u>\$194,435</u>	<u>\$23,118,483</u>

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Construction in progress and equipment pending inspection	Total
2021.01.01	\$1,285,809	\$3,475,129	\$16,867,846	\$48,956	\$409,785	\$330,148	\$254,268	\$22,671,941
Additions	2,544	1,225	95,873	-	12,431	-	274,999	387,072
Disposals	-	(1,442)	(494,417)	-	(6,542)	-	-	(502,401)
Other changes	-	3,319	476,889	-	-	6,151	(452,982)	33,377
2021.06.30	<u>\$1,288,353</u>	<u>\$3,478,231</u>	<u>\$16,946,191</u>	<u>\$48,956</u>	<u>\$415,674</u>	<u>\$336,299</u>	<u>\$76,285</u>	<u>\$22,589,989</u>
Depreciation:								
:								
2022.01.01	\$ -	\$1,486,819	\$12,019,654	\$20,417	\$324,976	\$79,876	\$ -	\$13,931,742
Depreciation	-	52,590	535,574	1,299	13,245	6,844	-	609,552
Disposals	-	(420)	(352,837)	(146)	(6,521)	-	-	(359,924)
Other changes	-	-	-	-	-	-	-	-
2022.06.30	<u>\$ -</u>	<u>\$1,538,989</u>	<u>\$12,202,391</u>	<u>\$21,570</u>	<u>\$331,700</u>	<u>\$86,720</u>	<u>\$ -</u>	<u>\$14,181,370</u>
2021.01.01	\$ -	\$1,383,229	\$11,461,215	\$17,800	\$307,332	\$66,333	\$ -	\$13,235,909
Depreciation	-	52,491	532,529	1,309	12,148	6,705	-	605,182
Disposals	-	(1,442)	(493,909)	-	(6,542)	-	-	(501,893)
Other changes	-	-	-	-	-	-	-	-
2021.06.30	<u>\$ -</u>	<u>\$1,434,278</u>	<u>\$11,499,835</u>	<u>\$19,109</u>	<u>\$312,938</u>	<u>\$73,038</u>	<u>\$ -</u>	<u>\$13,339,198</u>
Net carrying amount:								
2022.06.30	<u>\$1,288,353</u>	<u>\$2,014,529</u>	<u>\$5,054,291</u>	<u>\$27,203</u>	<u>\$107,369</u>	<u>\$250,933</u>	<u>\$194,435</u>	<u>\$8,937,113</u>
2021.12.31	<u>\$1,288,353</u>	<u>\$1,993,242</u>	<u>\$5,112,156</u>	<u>\$28,539</u>	<u>\$102,287</u>	<u>\$256,423</u>	<u>\$165,284</u>	<u>\$8,946,284</u>
2021.06.30	<u>\$1,288,353</u>	<u>\$2,043,953</u>	<u>\$5,446,356</u>	<u>\$29,847</u>	<u>\$102,736</u>	<u>\$263,261</u>	<u>\$76,285</u>	<u>\$9,250,791</u>

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

As of 30 June 2022, 31 December 2021 and 30 June 2021 deeds of certain agriculture land amounted to NT\$149,811 thousand. 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:			
2022.01.01	\$506,477	\$192,233	\$698,710
Additions	-	-	-

	Land	Buildings	Total
2022.06.30	<u>\$506,477</u>	<u>\$192,233</u>	<u>\$698,710</u>
Depreciation :			
2022.01.01	\$ -	\$4,276	\$4,276
Depreciation	-	1,973	1,973
2022.06.30	<u>\$ -</u>	<u>\$6,249</u>	<u>\$6,249</u>
Cost:			
2021.01.01	\$506,477	\$192,233	\$698,710
Additions	-	-	-
2021.06.30	<u>\$506,477</u>	<u>\$192,233</u>	<u>\$698,710</u>
Depreciation :			
2021.01.01	\$ -	\$329	\$329
Depreciation	-	1,973	1,973
2021.06.30	<u>\$ -</u>	<u>\$2,302</u>	<u>\$2,302</u>
Net carrying amount :			
2022.06.30	<u>\$506,477</u>	<u>\$185,984</u>	<u>\$692,461</u>
2021.12.31	<u>\$506,477</u>	<u>\$187,957</u>	<u>\$694,434</u>
2021.06.30	<u>\$506,477</u>	<u>\$189,931</u>	<u>\$696,408</u>

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Rental revenue from investment property	<u>\$718</u>	<u>\$685</u>	<u>\$1,358</u>	<u>\$1,268</u>
Less: Direct operating expenses from investment property generating rental revenue in the current period	-	-	-	(2)
Direct operating expenses from investment property not generating rental revenue in the current period	(1,586)	(1,185)	(1,946)	(1,404)
Total	<u>\$(868)</u>	<u>\$(500)</u>	<u>\$(588)</u>	<u>\$(138)</u>

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value are disclosed. The fair value measurements of the investment properties are categorized at Level 3. The fair value has been determined based on valuations

performed by an independent appraiser and the result is as follows:

2022.06.30

Item	Valuation Method	Valuation Amount	Valuation Time
A	Comparison Method and Land Development Analysis Method	\$895,315	December 2021
B	Comparison Method and Cost Method	69,333	December 2021
C	Comparison Method and the income method	441,347	August 2020
		<u>\$1,405,995</u>	

The fair value of said investment property (Item A,B and C) evaluated by the Group by referring to the information on the Department of Land Administration website, Ministry of Interior and actual transactions in the similar locations on 30 June 2022 appeared to be equivalent to that appraised by an independent appraiser in the latest period.

2021.12.31

Item	Valuation Method	Valuation Amount	Valuation Time
A	Comparison Method and Land Development Analysis Method	\$895,315	December 2021
B	Comparison Method and Cost Method	69,333	December 2021
C	Comparison Method and the income method	441,347	August 2020
		<u>\$1,405,995</u>	

The fair value of said investment property (Item C) evaluated by the Group by referring to the information on the Department of Land Administration website, Ministry of Interior and actual transactions in the similar locations on 31 December 2021 appeared to be equivalent to that appraised by an independent appraiser in the latest period.

2021.06.30

Item	Valuation Method	Valuation Amount	Valuation Time
A	Comparison Method and Land Development Analysis Method	\$599,003	February 2017
B	Comparison Method and Cost Method	28,519	February 2017
C	Comparison Method and the income method	441,347	August 2020
		<u>\$1,068,869</u>	

The fair value of said investment property (Item A,B and C) evaluated by the Group by referring to the information on the Department of Land Administration website,

Ministry of Interior and actual transactions in the similar locations on 30 June 2021 appeared to be equivalent to that appraised by an independent appraiser in the latest period.

9. Other non-current assets

	2022.06.30	2021.12.31	2021.06.30
Advance payments in equipment	\$85,891	\$221,026	\$199,935
Refundable deposits	12,786	1,012	7,081
Net defined benefit assets	18,632	-	-
Other	14,686	16,186	17,686
Total	<u>\$131,995</u>	<u>\$238,224</u>	<u>\$224,702</u>

10. Short-term borrowings

	Interest Rates (%)	2022.06.30	2021.12.31	2021.06.30
Unsecured bank loans	0.80~3.38%	<u>\$2,474,316</u>	<u>\$890,802</u>	<u>\$2,109,051</u>

The Group's unused short-term lines of credits amounted to NT\$3,665,524 thousand, NT\$8,810,482 thousand and NT\$6,824,277 thousand as of 30 June 2022, 31 December 2021 and 30 June 2021, respectively.

11. Other payables

	2022.06.30	2021.12.31	2021.06.30
Accrued Salary and bonus	\$236,822	\$412,500	220,612
Accrued Discount	182,111	170,964	179,264
Accrued Utilities	155,428	207,798	145,306
Pollution control payable	95,966	131,011	143,302
Accrued Remuneration to directors	36,261	65,500	34,195
Others	70,733	202,508	59,610
Total	<u>\$777,321</u>	<u>\$1,190,281</u>	<u>\$782,289</u>

12. Post-employment benefits

Defined contribution plan

The expenses of the defined contribution plan recognized by the Group from April 1 to June 30, 2022 and 2021 were NT\$6,250 thousand and NT\$5,638 thousand, respectively, and those from January 1 to June 30, 2022 and 2021 were NT\$12,187 thousand and NT\$10,953 thousand, respectively.

Defined benefits plan

The expenses of the defined benefit plan recognized by the Group from April 1 to June 30, 2022 and 2021 were NT\$2,019 thousand and NT\$2,119 thousand, respectively, and the expenses of the defined contribution plan recognized from

January 1 to June 30, 2022 and 2021 were NT\$4,037 thousand and NT\$4,237 thousand, respectively.

13. Equities

(1) Common stock

The Company's authorized capital was NT\$7,000,000 thousand as at 30 June 2022, 31 December 2021 and 30 June 2021, each at a par value of NT\$10. The Company has issued 581,599,424 common shares as at 30 June 2022, 31 December 2021 and 30 June 2021. The paid-up capital was NT\$5,815,994 thousand. Each share has one voting right and a right to receive dividends.

(2) Capital surplus

	2022.06.30	2021.12.31	2021.06.30
Additional paid-in capital	\$271,134	\$271,134	\$271,134
Treasury share transactions	175,263	175,263	175,263
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	-	71,294
Gain on sale of assets	665	665	665
Donated assets	218	218	218
Other	6,039	5,234	5,234
Total	<u>\$453,319</u>	<u>\$452,514</u>	<u>\$523,808</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.

(3) 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.

(4) 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.

(5) 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 2021 and 2020 appropriation of earnings distribution and dividends per share as approved by general shareholders' meeting on June 9, 2021 and July 22, 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$437,493	\$275,977		
Special reserve	(83,991)	(194,250)		
Common stock -cash dividend	2,907,997	2,035,598	\$5.0	\$3.5

Note: The board of directors of the company was authorized by the articles of association and passed resolution of cash dividend on February 24, 2022.

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

14. Operating revenue

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Revenue from Contracts with Customers				
Revenue from sale of goods	\$10,824,216	\$9,782,376	\$20,745,369	\$17,640,654
Revenue from	33,942	32,254	61,178	69,650

rendering of
services

Total	<u>\$10,858,158</u>	<u>\$9,814,630</u>	<u>\$20,806,547</u>	<u>\$17,710,304</u>
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Revenue from Contracts with Customers generated by the Group from April 1 to June 30, 2022 and 2021, and January 1 to June 30, 2022 and 2021:

(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 April 1 to June 30, 2022 and 2021, and 1 January to 30 June 2022 and 2021 are all recognized at a certain point in time.

(2) Contract balances

A. Contract assets - current

	<u>2022.06.30</u>	<u>2021.12.31</u>	<u>2021.06.30</u>	<u>2021.01.01</u>
Sales of goods	<u>\$444,567</u>	<u>\$461,511</u>	<u>\$543,750</u>	<u>\$397,242</u>

The significant changes in the Group's balances of contract assets from January 1 to June 30, 2022 and 2021 are as follows:

	<u>January 1, 2022~ June 30, 2022</u>	<u>January 1, 2021~ June 30, 2021</u>
The beginning balance transferred to accounts receivable	<u>\$(461,511)</u>	<u>\$(397,242)</u>
Increase in receivable (excluding the account incurred and transferred to accounts receivable)	444,567	543,750

B. Contract liabilities - current

	<u>2022.06.30</u>	<u>2021.12.31</u>	<u>2021.06.30</u>	<u>2021.01.01</u>
Sales of goods	<u>\$175,218</u>	<u>\$171,057</u>	<u>\$285,661</u>	<u>\$134,198</u>

The changes in the Group's balances of contract liabilities from 1 January to 30 June 2022 and 2021 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 30 June 2022, 31 December 2021 and 30 June 2021, 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 fulfill a contract

None.

15. Expected credit losses

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Operating expenses				
-Expected credit losses/(gains)				
Notes receivables	\$-	\$ -	\$(1,187)	\$ -

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 30 June 2022, 31 December 2021 and 30 June 2021 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:

	2022.06.30	2021.12.31	2021.06.30
Total carrying amount	\$444,567	\$461,511	\$543,750
Expected credit loss rates	0%	0%	0%
Loss allowance	-	-	-
Total	\$444,567	\$461,511	\$543,750

(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:

2022.06.30

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$1,943,296	\$13,130	\$ -	\$ -	\$ -	\$ -	\$1,956,426
Loss ratio	0-1%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	2,118	-	-	-	-	-	2,118
Carrying amount of trade receivables	\$1,941,178	\$13,130	\$ -	\$ -	\$ -	\$ -	\$1,954,308

2021.12.31

Not yet due (Note)	Overdue					Total
	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	

Gross carrying amount	\$1,870,885	\$44,970	\$1,770	\$ -	\$ -	\$ -	\$1,917,625
Loss ratio	0-1%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	3,305	-	-	-	-	-	3,305
Carrying amount of trade receivables	\$1,867,580	\$44,970	\$ 1,770	\$ -	\$ -	\$ -	\$1,914,320

June 30, 2021

	Net yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Total carrying amount	\$1,431,109	\$18,330	\$-	\$ -	\$ -	\$ -	\$1,449,439
Loss rate	0-1%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	3,305	-	-	-	-	-	3,305
Carrying amount of trade receivables	\$1,427,804	\$18,330	\$-	\$ -	\$ -	\$ -	\$1,446,134

Note: The Group's notes 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 accounts receivables from January 1 to June 30, 2022 and 2021 is stated as follows:

	Contract assets	accounts receivables
2022.01.01	\$ -	\$3,305
Addition/(reversal) for the current period	-	(1,187)
Write off	-	-
2022.06.30	\$ -	\$2,118
2021.01.01	\$ -	\$3,305
Addition/(reversal) for the current period	-	-
Write off	-	-
2021.06.30	\$ -	\$3,305

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

	2022.06.30	2021.12.31	2021.06.30
Land	\$357,139	\$172,042	\$174,161
Buildings	1,403	-	-
Machinery and equipment	3,388	781	1,718
Total	<u>\$361,930</u>	<u>\$172,823</u>	<u>\$175,879</u>

The Group added new right-of-use assets accounting NT\$207,541 thousands , NT\$0 and NT\$0 on June 30, 2022, December 31, 2021 and June 30, 2021.

(b)Lease liabilities

	2022.06.30	2021.12.31	2021.06.30
Lease liabilities			
Current	\$38,756	\$3,898	\$4,827
Non-current	329,264	170,906	175,103
Total	<u>\$368,020</u>	<u>\$174,804</u>	<u>\$179,930</u>

Please refer to Note 6 (18)(3) for the interest on lease liabilities recognized from January 1 to June 30, 2022 and 2021 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 30 June 2022, 31 December 2021 and 30 June 2021.

B.Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Land	\$10,252	\$1,060	\$14,375	\$2,120
Buildings	82	-	82	-
Machinery and equipment	370	469	839	937
Total	<u>\$10,704</u>	<u>\$1,529</u>	<u>\$15,296</u>	<u>\$3,057</u>

C. Income and costs relating to leasing activities

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Short-term lease expenses	<u>\$1,349</u>	<u>\$1,310</u>	<u>\$2,920</u>	<u>\$2,620</u>

D.Cash outflow relating to leasing activities

From January 1 to June 30, 2022 and 2021, the Group's total cash outflows for leases amounting to NT\$15,081 and NT\$3,951 thousand.

E.Other information relating to leasing activities

(a)Variable lease payments

Some of the Group's property rental agreements 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.

(b)Extension and termination options

Some of the Group's property rental agreements 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.

(c)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.

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Lease income recognized from operating lease				
Fixed asset payment and income related to variable lease payments that depend on an index or a rate	\$718	\$685	\$1,358	\$1,268

Please refer to Note 6 (8) for relevant disclosure of property, plant and equipment for operating leases under IAS 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 30 June 2022, 31 December 2021 and 30 June 2021 are as follow:

	2022.06.30	2021.12.31	2021.06.30
Not later than one year	\$1,784	\$2,027	\$1,899
Later than one year but not later than two years	991	1,536	1,369
Later than two years but not later than three years	991	991	785
Later than three years but not later than four years	785	991	785
Later than four years but not later than five years	785	785	785
Later than five years	9,420	9,420	10,205
Total	<u>\$14,756</u>	<u>\$15,750</u>	<u>\$15,828</u>

17. Summary statement of employee benefits, depreciation and amortization expenses:

Nature	April 1, 2022~June 30, 2022			April 1, 2021~June 30, 2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$215,938	\$72,839	\$288,777	\$197,534	\$73,414	\$270,948
Labor and health insurance	15,379	4,751	20,130	14,401	3,085	17,486
Pension	6,892	1,377	8,269	6,509	1,248	7,757
Other employee benefits expense	13,002	3,035	16,037	10,994	2,467	13,461
Depreciation	302,241	22,427	324,668	287,429	12,675	300,104
Amortization	750	-	750	750	-	750

By nature	January 1, 2022~June 30, 2022			January 1, 2021~June 30, 2021		
	As operating cost	As operating expenses	Total	As operating cost	As operating expenses	Total
Employee benefit expenses						
Salaries	\$433,054	\$149,042	\$582,096	\$389,260	\$135,926	\$525,186
Labor and national health insurance expenses	30,262	14,697	44,959	28,448	12,155	40,603
Pension	13,517	2,707	16,224	12,707	2,483	15,190
Other employee benefit expenses	25,584	5,783	31,367	20,443	4,667	25,110
Depreciation expenses	588,389	38,432	626,821	584,819	25,393	610,212
Amortization expenses	1,500	-	1,500	1,500	-	1,500

The number of employees of the Group as of 30 June 2022 and 2021 were 942 and 901, 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 the profit from January 1 to June 30, 2022, the Company estimated the remunerations to employees and directors/supervisors at the rates of 6.95% and 1.46%. The remunerations to employees and directors/supervisors from April 1 to June 30, 2022 were NT\$67,171 thousand and NT\$17,045 thousand, and those recognized from January 1 to June 30, 2022 were NT\$168,961 thousand and NT\$35,576 thousand, respectively. Further, based on the profit from January 1 to June 30, 2021, the Company estimated the remunerations to employees and directors/supervisors at the rates of 7.01% and 1.47%. The remunerations to employees and directors/supervisors from April 1 to June 30, 2021 were NT\$85,230 thousand and NT\$20,107 thousand, and those recognized from January 1 to June 30, 2021 were NT\$160,464 thousand and NT\$33,695 thousand, respectively. The estimated amounts were based on the profit of current period and were recognized as salaries.

The employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2021 amount to NT\$404,684 thousand and NT\$65,000 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 2021.

The employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2020 that 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 2020.

18. Non-operating income and expenses

(1) Other income

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Dividend revenue	\$39,431	\$42,291	\$76,398	\$43,074
Rental revenue	718	685	1,358	1,268
Other revenue - others	2,281	16,020	6,888	21,238

Total	<u>\$42,430</u>	<u>\$58,996</u>	<u>\$84,644</u>	<u>\$65,580</u>
(2) Other gains and losses				
	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Net foreign currency exchange gains	\$3,269	\$16,662	\$6,789	\$10,703
Gain on disposal of property, plant and equipment	(664)	775	(585)	3,767
Income from financial assets at fair value through profit or loss	-	1,020	-	3,753
Miscellaneous expenditure	<u>(2,589)</u>	<u>(2,481)</u>	<u>(3,518)</u>	<u>(2,847)</u>
Total	<u>\$16</u>	<u>\$15,976</u>	<u>\$2,686</u>	<u>\$15,376</u>
(3) Finance costs				
	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Interest on borrowings from the bank	\$4,186	\$1,718	\$5,051	\$2,261
Lease liabilities interest	743	647	1,407	1,294
Total	<u>\$4,929</u>	<u>\$2,365</u>	<u>\$6,458</u>	<u>\$3,555</u>

19. Components of other comprehensive income

(1) Components of other comprehensive income from April 1 to June 30, 2022 are stated as follows:

	Arising during the period	Reclassificat ion adjustments during the period	Other comprehensi ve income, before tax	Income tax effect	Other comprehensi ve income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(631,992)	\$ -	\$(631,992)	\$ -	\$(631,992)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(7,445)	-	(7,445)	1,489	(5,956)
Total of other comprehensive income	<u>\$(639,437)</u>	<u>\$ -</u>	<u>\$(639,437)</u>	<u>\$1,489</u>	<u>\$(637,948)</u>

(2) Components of other comprehensive income from April 1 to June 30, 2021 are stated as follows:

	Arising during the period	Reclassificat ion adjustments	Other comprehensi ve income,	Income tax effect	Other comprehensi ve income,
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		during the period	before tax		net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$593,599	\$ -	\$593,599	\$ -	\$593,599

(3) Components of other comprehensive income from January 1 to June 30, 2022 are stated as follows:

	Arising during the period	Reclassificat ion adjustments during the period	Other comprehensi ve income, before tax	Income tax effect	Other comprehensi ve income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(499,743)	\$ -	\$(499,743)	\$ -	\$(499,743)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(10,687)	-	(10,687)	2,137	(8,550)
Total of other comprehensive income	<u>\$(510,430)</u>	<u>\$ -</u>	<u>\$(510,430)</u>	<u>\$2,137</u>	<u>\$(508,293)</u>

(4) Components of other comprehensive income from January 1 to June 30, 2021 are stated as follows:

	Arising during the period	during the period Re- classification adjustments	Others Other comprehensi ve income	Income tax gains (expenses)	net of tax
Items not re-classified into income:					
Unrealized gains (losses) from Investment in equity instrument at fair value through other comprehensive income		\$ -	\$842,057	\$ -	\$842,057

20. Income tax

Primary components of the income tax expenses (gains) from April 1 to June 30, 2022 and 2021, and January 1 to June 30, 2022 and 2021 are stated as follows:

Income tax expense (income) recognized in profit or loss

	April 1, 2021~ June 30, 2022	April 1, 2020~ June 30, 2021	January 1, 2021~ June 30, 2022	January 1, 2021~ June 30, 2021
Current income tax expenses:				
Current income tax payable	\$190,292	\$237,586	\$424,207	\$399,302
Adjustments in respect of current	(16,872)	(1,089)	(16,872)	(1,089)

income tax of prior periods				
Deferred income tax expenses:				
Deferred tax expense (income)	610	(323)	36,196	1,462
relating to origination and reversal of temporary differences				
Income tax expenses	<u>\$174,030</u>	<u>\$236,174</u>	<u>\$443,531</u>	<u>\$399,675</u>

Income tax relating to components of other comprehensive income

	April 1, 2021~ June 30, 2022	April 1, 2020~ June 30, 2021	January 1, 2021~ June 30, 2022	January 1, 2021~ June 30, 2021
Deferred tax expense (income):				
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	\$(1,489)	\$ -	\$(2,137)	\$ -
Income tax related to other comprehensive income	<u>\$(1,489)</u>	<u>\$ -</u>	<u>\$(2,137)</u>	<u>\$ -</u>

The assessment of income tax returns

As of 30 June 2022, the Company's income tax returns through 2020 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 common stockholders of the parent company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to the common stockholders of the parent company by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares to be issued when dilutive potential common shares are converted into common shares.

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
(1) Basic EPS				
Profit attributable to common stockholders of the parent company	<u>\$905,132</u>	<u>\$1,021,571</u>	<u>\$1,782,215</u>	<u>\$1,696,494</u>
Weighted average number of common shares outstanding for basic earnings per share (in thousands)	<u>581,599</u>	<u>581,599</u>	<u>581,599</u>	<u>581,599</u>
Basic EPS (in NT\$)	<u>\$1.56</u>	<u>\$1.76</u>	<u>\$3.06</u>	<u>\$2.92</u>

(2) Diluted EPS

Profit attributable to common stockholders of the parent company	<u>\$905,132</u>	<u>\$1,021,571</u>	<u>\$1,782,215</u>	<u>\$1,696,494</u>
Weighted average number of common shares outstanding for basic earnings per share (in thousands)	581,599	581,599	581,599	581,599
Effect of dilution:				
Remuneration to employees - stocks (thousand shares)	<u>2,318</u>	<u>1,974</u>	<u>2,852</u>	<u>1,974</u>
Weighted average number of common shares after adjustment posed by the effect of dilution (thousand shares)	<u>583,917</u>	<u>583,573</u>	<u>584,451</u>	<u>583,573</u>
Diluted EPS (NT\$)	<u>\$1.55</u>	<u>\$1.75</u>	<u>\$3.05</u>	<u>\$2.91</u>

There have been no other transactions involving common shares or potential common shares between the reporting period and the date of approval and publication of the financial statements.

7. Related party transactions

Information of the related parties that had significant 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
FengYu Resource Co., Ltd.	Associate
Taiwan Steel Resources Co., Ltd.	Subsidiary of associate

Significant transactions with the related parties

(1) Account Payable

	<u>2022.06.30</u>	<u>2021.12.31</u>	<u>2021.06.30</u>
Associate	\$940	\$2,381	\$2,009
Subsidiary of associate	5,699	-	4,096
Total	<u>\$6,639</u>	<u>\$2,381</u>	<u>\$6,105</u>

(2) Other

The Group contracted Taiwan Steel Union Co., Ltd. to dispose of electric arc furnace dust, and recognized the manufacturing expenses, NT\$ 731 thousand, NT\$ (410)thousand, NT\$7,054 thousand and NT\$12,511 thousand, from April 1 to June 30, 2022 and 2021 and January 1 to June 30, 2022 and 2021. Until June 30, 2022 and 2021, NT\$940 thousand and NT\$2,009 thousand have been outstanding and stated as accounts payable.

The Group contracted Taiwan Steel Resources Co., Ltd. to dispose of the reducing slag, and recognized the manufacturing expenses, NT\$16,425 thousand, NT\$21,130 thousand, NT\$ 39,815 thousand and NT\$45,816 thousand, from April 1 to June 30, 2022 and 2021 and January 1 to June 30, 2022 and 2021. Until June 30, 2022 and 2021, NT\$5,699 thousand and NT\$4,096 thousand have been outstanding and stated as accounts payable.

The Group sold the right to emission of Sulfide and Nitride to FengYu Resource Co., Ltd. and recognized the other revenue, NT\$13,920 thousand, from January 1 to June 30, 2021 accordingly. No such transaction has been conducted from January 1 to June 30, 2022.

(3) Key management personnel compensation

	April 1, 2022~ June 30, 2022	April 1, 2021~ June 30, 2021	January 1, 2022~ June 30, 2022	January 1, 2021~ June 30, 2021
Short-term employee benefits	\$27,697	\$35,536	\$56,330	\$60,474
Post-employment benefits	93	86	185	171
Total	<u>\$27,790</u>	<u>\$35,622</u>	<u>\$56,515</u>	<u>\$60,645</u>

8. Assets pledged as security

The Group has furnished the following assets as collaterals:

Items	Book value			Secured liabilities
	2022.06.30	2021.12.31	2021.06.30	
Other non-current assets	\$13,686	\$13,686	\$13,686	Performance bond

9. Commitments and contingencies

1. As of 30 June 2022 and 2021, the Group issued guaranty notes as security for borrowings in the amount of NT\$12,968,000 thousand and NT\$11,546,000 thousand, respectively.

2. As of 30 June 2022 and 2021, the Group was issued letters of guarantee by banks both in the amount of NT\$30,000 thousand for importing goods.

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

Currency	2022.06.30	2021.12.31	2021.06.30
USD	49,964	44,690	41,150
JPY	77,292	103,740	178,592
EUR	821	737	359

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 30 June 2022
A Company	Solar photovoltaic power generation system and installation project	\$333,458	\$33,346	\$300,112
B Company	Shear press machinery	EUR 3,670	-	EUR 3,670
C Company	Round bar finishing mill	199,900	59,970	139,930

10.Losses due to major disasters

None.

11.Significant subsequent events

None.

12. Others

1. Categories of financial instruments

<u>Financial assets</u>	2022.06.30	2021.12.31	2021.06.30
Financial assets at fair value through other comprehensive income	\$2,767,167	3,331,016	\$5,368,171
Financial assets measured at amortized cost:			
Cash and cash equivalents (exclude cash on hand)	376,783	1,220,541	537,914
Contract assets	444,567	461,511	543,750
Notes and accounts receivable	1,954,308	1,914,320	1,446,134
Other receivables	28,846	44,964	40,406
Other financial assets -Non Current	13,686	13,686	13,686
Subtotal	2,818,190	3,655,022	2,581,890
Total	<u>\$5,585,357</u>	<u>\$6,986,038</u>	<u>\$7,950,061</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost:			
Short-term borrowings	\$2,474,316	\$890,802	\$2,109,051
Notes and accounts payable	1,598,953	1,597,724	1,218,564
Other payables	777,321	1,190,281	782,289
Lease liabilities	368,020	174,804	179,930
Total	<u>\$5,218,610</u>	<u>\$3,853,611</u>	<u>\$4,289,834</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 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.

The sensitivity analysis on the changes in related risks before tax from January 1 to June 30, 2022 and 2021 is stated as follows:

January 1 to June 30, 2022

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign	NTD/USD rate +/- 1%	+/- \$(2,995)	-
currency risk	NTD/JPY rate +/- 1%	+/- \$(175)	-
Interest rate risk	Market rate +/- 10 basis points	-/+ \$2,474	-

January 1 to June 30, 2021

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign	NTD/USD rate +/- 1%	+/- \$(3,508)	-
currency risk	NTD/JPY rate +/- 1%	+/- \$(63)	-
Interest rate risk	Market rate +/- 10 basis points	-/+ \$2,109	-

Equity price risk

The fair value of the Group's listed and unlisted equity securities is 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 financial assets measured at fair value through other comprehensive income. 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 profit or loss could have an impact of NT\$18,691 thousand and NT\$44,180 thousand on the equity attributable to the Group from January 1 to June 30, 2022 and 2021, 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 30 June 2022, 31 December 2021 and 30 June 2021, account receivables from

top ten customers represented 24.18%, 17.81% and 18.64% 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
2022.06.30					
Short-term borrowings	\$2,504,792	\$ -	\$ -	\$ -	\$2,504,792
Notes and accounts payable	1,598,953	-	-	-	1,598,953
Other payable	777,321	-	-	-	777,321
Lease liabilities(note)	41,675	89,762	88,778	206,979	427,194
2021.12.31					
Short-term borrowings	\$898,345	\$ -	\$ -	\$ -	\$898,345
Notes and accounts payable	1,597,724	-	-	-	1,597,724
Other payable	1,190,281	-	-	-	1,190,281
Lease liabilities(note)	6,400	10,883	10,883	206,786	234,952
2021.06.30					
Short-term borrowings	\$2,124,502		\$ -	\$ -	\$2,124,502
Notes and accounts payable	1,218,564		-	-	1,218,564
Other payable	782,289		-	-	782,289

Lease liabilities(note)	7,360	10,883	10,883	212,227	241,353
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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	
2022.06.30	\$41,675	\$178,540	\$30,637	\$26,718	\$149,624	\$427,194
2021.12.31	\$6,400	\$21,766	\$27,209	\$27,209	\$152,368	\$234,952
2021.06.30	\$7,360	\$21,766	\$27,209	\$27,209	\$157,809	\$241,353

Derivative financial liabilities

None.

6.Reconciliation of liabilities arising from financing activities

The information about adjustment of liabilities from January 1 to June 30, 2022:

	Short-term borrowings	Leases liabilities	Total liabilities from financing activities
2022.01.01	\$890,802	\$174,804	\$ 1,065,606
Cash flows	1,583,514	(12,594)	1,570,920
Non-cash changes	-	205,810	205,810
2022.06.30	<u>\$2,474,316</u>	<u>\$368,020</u>	<u>\$2,842,336</u>

The information about adjustment of liabilities from January 1 to June 30, 2021:

	Short-term borrowings	Leases liabilities	Total liabilities from financing activities
2021.01.01	\$329,941	\$179,912	\$509,853
Cash flows	1,779,110	(1,276)	1,777,834
Non-cash changes	-	1,294	1,294
2021.06.30	<u>\$2,109,051</u>	<u>\$179,930</u>	<u>\$2,288,981</u>

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 assets 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:

	2022.06.30			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$1,819,059	\$ -	\$898,108	\$2,767,167

	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$2,367,983	\$ -	\$963,033	\$3,331,016

	2021.06.30			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	4,418,041	-	950,130	5,368,171

Transfers between Level 1 and Level 2 during the period

From January 1 to June 30, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements for the Group's assets and liabilities measured at fair value on a recurring basis.

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
2022.01.01	\$963,033
Total gains (losses) recognized in the current period:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(87,616)
Acquisition	22,691
2022.06.30	<u>\$898,108</u>
January 1, 2021	\$826,968
Total gains (losses) recognized in the current period:	
Recognized into other comprehensive income (stated into the “unrealized gains (losses) from Investment in equity instrument at fair value through other comprehensive income”)	26,808
Sale	(2,940)
Refund of share capital	(706)
Acquisition	100,000
June 30, 2021	<u>\$950,130</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:

2022.06.30

	Valuation techniques	Significant unobservable inputs	Quantitativ e informatio n	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\$89,811 thousand

2021.12.31

	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\$96,303 thousand

2021.06.30

	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\$95,013 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

	2022.06.30			
	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)	\$ -	\$ -	\$1,405,995	\$1,405,995
Investments accounted for using the equity method (please refer to Notes 6, 6)	2,170,238	-	-	2,170,238
	2021.12.31			
	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)	\$ -	\$ -	\$1,405,995	\$1,405,995
Investments accounted for using the equity method (please refer to Notes 6, 6)	2,093,655	-	-	2,093,655

2021.06.30

	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)	1,778,351	-	-	1,778,351

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									
	2022.06.30			2021.12.31			2021.06.30		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>									
Monetary items:									
USD	\$11,667	29.6700	\$346,163	\$12,516	27.6350	\$345,875	\$8,905	27.8150	\$247,685
<u>Financial liabilities</u>									
Monetary item:									
USD	\$21,690	29.7700	\$645,680	\$36,834	27.7350	\$1,021,566	\$21,439	27.9150	\$598,437
JPY	79,640	0.2201	17,529	79,640	0.2423	19,297	24,640	0.2539	6,256

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 NT6,789 thousand and NT\$10,703 thousand foreign exchange gains from January 1 to June 30, 2022 and 2021, 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

(1) Financing provided to others from January 1 to June 30, 2022 : None.

(2) Endorsement/Guarantee provided to others from January 1 to June 30, 2022: None.

(3) Securities held as of 30 June 2022:

Name of company	Type of securities	Name of securities	Relationship	Financial statement account	30 June , 2022				
					Shares	Book value	Percentage of ownership (%)	Market value/Net assets value	Note
FENG..HSIN STEEL CO.,LTD.	Stock	Formosa Taffeta Co., Ltd.	-	Financial assets at fair value through other comprehensive income, current	3,162,000	\$84,267	0.19%	\$84,267	
		Yi Jinn Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income, current	564,000	10,265	0.19%	10,265	
		China Steel Corporation	-	Financial assets at fair value through other comprehensive income, current	28,238,000	803,371	0.18%	803,371	
		Tung Ho Steel Enterprise Corporation	-	Financial assets at fair value through other comprehensive income, current	5,724,070	297,079	0.78%	297,079	
		Hon Hai Precision Industry Co., Ltd.	-	Financial assets at fair value through other comprehensive income, current	160,000	17,440	-	17,440	
		Cathay Real Estate Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income, current	3,861,000	66,988	0.33%	66,988	
		Taiwan Fire & Marine Insurance Company, Ltd.	-	Financial assets at fair value through other comprehensive income, current	2,362,000	45,823	0.65%	45,823	
		Yung Shin Global Holding Corporation	-	Financial assets at fair value through other comprehensive income, current	2,491,000	100,886	0.93%	100,886	
		Zhen Ding Technology Holding Limited	-	Financial assets at fair value through other comprehensive income, current	830,000	85,490	0.09%	85,490	
		Sstex Corporation	-	Financial assets at fair value through other comprehensive income, current	381,000	27,165	0.14%	27,165	
				Total		\$1,538,774			
FENG..HSIN STEEL CO.,LTD.	Stock	Chien Shing Harbour Service Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	8,737,696	\$330,285	9.96%	\$330,285	
		Fengshuo Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,640,000	214,000	18.20%	214,000	
		Gwo Uei Metals Industry Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,800,000	51,745	19.00%	51,745	
		Gwo Huei Iron & Steel Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,800,000	32,938	19.00%	32,938	
		China Trade and Development Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	1,925	25	-	25	
		Pro-Ascentek Investment Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	10,000,000	83,989	8.33%	83,989	
GREAT FORTUNE HOLDING LIMITED	Stock	SHIHLIEN CHINA HOLDING CO.,LTD.		Financial assets at fair value through other comprehensive income, noncurrent	27,033,543	515,411	4.87%	515,411	
				Total		\$1,228,393			

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

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

(6) Disposal of individual real estate at costs for at least NT\$300 million or 20% of the paid-in capital: None.

(7) Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

(8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

(9) Trading in derivative instruments: None.

(10) Others: Significant intercompany transactions and amounts between parent company and subsidiaries, and among various subsidiaries (amounting to at least NT\$100 million or 20% of the paid-in capital): None.

2. Information on investees

Names, locations, main businesses and products, original investment amount, investment as of 30 June 2022, net income (loss) of investee company and investment income (loss) recognized as of 30 June 2022 (excluding investees in mainland China):

Investment company	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 30 June, 2022			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%	\$516,497	\$75	\$75	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.	\$413,786	\$393,870	26,084,587	23.44%	\$910,568	\$540,576	\$126,617	Associated company of the Company
FENG HSIN STEEL CO.,LTD.	FONG YU RESOURCES CO., LTD.	No.18, Zhangbin W.5 th RD., Shengang Township, Changhua County 509003, Taiwan(R.O.C)	General business and hazardous industrial waste treatment	\$584,878	\$584,878	58,161,000	29.08%	\$548,139	\$(17,600)	\$(5,118)	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.,	General business and the operation of hotel industry	\$209,777	\$209,777	18,000,000	18.00%	\$185,134	\$55,640	\$10,015	Associated company of the

Investment company	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 30 June, 2022			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			
		Taichung City 42444, Taiwan (R.O.C.)									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

(1) Information on investments in mainland China from the subsidiaries through GREAT FORTUNE HOLDING LIMITED as of 30 June 2022:

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 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 30 June 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 30 June 2022 (Note 1)	Accumulated Inward Remittance of Earnings as of 30 June 2022
					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	\$811,558 (USD27,352,800)	-	-	\$811,558 (USD27,352,800)	Note1	2.83%	\$ -	\$488,816	\$ -
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	\$44,113 (USD1,486,800)	-	-	\$44,113 (USD1,486,800)	Note1	3.94%	\$ -	\$26,595	\$ -

Accumulated Investment in Mainland China as of 30 June 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment
		The lender's net accounts value×60%
\$855,671 (USD 28,839,600)	\$855,671 (USD 28,839,600)	\$12,272,632 (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.

(2) 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

Stocks	Quantity of shares	Shareholding
Major shareholders		
Cheng Chuang Investment Co., Ltd.	31,138,000	5.35%

14. Segment information

1. 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.