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**CHIEN SHING STAINLESS STEEL
CO., LTD.**

2020

Annual Report

Printed on May 6, 2021

I. Name, title, contact number and e-mail of the spokesperson:

Name: Shuo-Tang Yeh

Title: Chairman

Contact Number: (06) 570-3271

II. Name, title, contact number and e-mail of the the acting spokesperson:

Name: Li-Yun Chiu

Title: Head of Finance Department

Contact Number: (06) 570-3271

Email: chliutw@msa.csssc.com.tw

III. Address and telephone number of the head office and plant:

Head office address: No. 222, Gongye Road, Madou District, Tainan

Tel. No.: (06) 570-3271

Plant address: No. 222, Gongye Road, Madou District, Tainan

Tel. No.: (06) 570-3271

IV. Name, address, website URL, and telephone number of share or corporate bonds certification institution:

Name: Stock Agency Department of Horizon Securities

Address: 3F, No. 236, Section 4, Xinyi Road, Da'an District, Taipei City

Website URL: srd.honsec.com.tw

Tel. No.: (02) 2326-8818

V. Firm name, address, website URL, telephone number, and the name of the CPA who attested the most recent year's financial report:

Name of CPAs: Eugene Hou, Jui-Yen Tseng

Name of the firm: Diwan & Company

Address: 8F, No. 253, Sec. 3, Dongmen Road, Tainan

Website URL: www.diwan.com.tw

Tel. No.: (06) 336-6139

VI. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

VII. Company website: <http://www.csssc.com.tw>

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One. Report to Shareholders

I. 2020 Business Report

(I) Implementation result of the business plan:

With the impact of the pandemic outbreak, steel demand significantly decreased in the 1st quarter of 2020. With the resumption of production in many countries in the 2nd quarter and the effects of economic stimulus policies, downstream demand gradually recovered, driving active production in the steel industry. As a result steel output has further increased. In the 3rd quarter, international nickel prices rebounded, rising gradually from US\$12,000 to US\$12,500 in the first half of 2020 to approximately US\$15,000 per ton. Although the steel industry performed poorly in the first half due to the pandemic, with the high price of the raw material nickel, the price of stainless steel continues to rise, leaving demand similar to that prior to the outbreak. As demand was better than expected, inventory levels fell rapidly. The price rise in nickel continued in the 4th quarter, driving the increase of stainless steel prices in Asia, resulting in a reverse in demand for steel. With the global steel market in short supply and the downstream sectors demanding more raw materials, the trend for midstream and downstream sectors to eagerly purchase materials at desired priced gradually appeared, significantly reducing annual losses. The Company's 2020 operating income totaled NT\$803,775 thousand, a decrease of 30.41% from NT\$1,155,098 thousand for 2019; the operating loss totaled NT\$188,829 thousand, an increase of NT\$29,236 thousand from NT\$159,593 thousand for 2019, resulting in a net loss after tax of NT\$209,678 thousand for 2020.

(II) Budget implementation status: Not applicable as the Company did not disclose financial forecast information to the public in 2020.

(III) Financial income and expenses, financial structure and profitability analysis

Analysis Item		2020	2019
Financial income and expenditure	Net operating income (NT\$thousand)	803,775	1,155,098
	Operating loss (NT\$thousand)	(188,829)	(159,593)
	Net loss after tax (NT\$thousand)	(209,678)	(177,829)
Financial structure	Debt to assets ratio (%)	75.26	67.38
	Long-term capital to property, plant and equipment ratio (%)	120.99	141.46
Profitability	Return on assets (%)	(10.80)	(8.15)
	Return on equity (%)	(39.54)	(24.52)
	Ratio of net income before tax to paid-in capital (%)	(7.9)	(6.32)
	Net profit margin (%)	(26.09)	(15.4)
	Earnings per share (NT\$)	(0.75)	(0.63)

(IV) Research and Development:

Through research in the cold rolling mill process, the Company is constantly searching for feasible solutions and proprietary technologies to improve the quality and consistency of stainless steel, reduce defect rates, promote real-time production quality feedback and online monitoring, streamline production and maintenance processes, and increase levels of automation. The team has made many breakthroughs over the years and proven itself competent at improving existing production procedures.

II. Summary of the 2021 Business Plan

(I) Business Policy:

Driven by rising demand for nickel from new energy vehicles, alongside the increase in mining costs due to a lack of labor in major mining regions and the decrease in nickel supplies that have resulted in the rise of nickel prices, stainless steel prices are expected to have a certain degree of support at the same time. Given this, international nickel prices are prone to stay strong for the foreseeable future. Meanwhile, it is also expected that the demand for stainless steel in China will gradually increase in the post-pandemic era. With the progress of rapid infrastructure construction, demand for stainless steel will rapidly rise, continuing to support stainless steel prices in Asia.

Looking ahead to 2021, under the global relaxed financial environment and the strengthened outbreak prevention measures in place in many countries, coupled with the support of high costs of raw materials, the steel industry is looking optimistic for 2021. Moreover, there is still an opportunity for future nickel price to stabilize, so that stainless steel prices will remain steadfast. With the expectation of product spreads continuing to improve, steel mills and distributors will at the same time

receive consistent orders, helping reduce inventory in the domestic market while facilitating the market to support the high price market after the price increase in order to gain profitability. Furthermore, the Company's operating direction will also be adjusted according to the changes in the market. To seek growth, favorable preparation and plans will be drawn up based on the market evaluation in a bid to respond to the actual situation in the future steel industry.

(II) Expected sales volume and its basis: Not applicable.

(III) Important production and marketing policies:

1. Apply the price difference of each regional market with flexibility to make the most favorable entry and conversion. The Company is currently expanding its business in Southeast Asia and other markets. By having multiple export sales regions, we hope that old markets can be replaced when there is a change in a single market, increasing flexibility of substitutability.
2. Carry out operational plans thoroughly and strengthen communication with customers while improving after-sales service. New customers will be developed by working closely with traders from all over the world so as to facilitate the deployment of new channels when production increases.
3. With quality being the priority of the Company, we will uphold the spirit of continuous improvement to enhance management. Feedback from our customers will be gathered to improve the defects in the manufacturing process to further increase the quality of our stainless steel. At Chien Shing, we ensure our reputation by insisting on quality before price

III. Future development strategy of the company

Our customers in the "domestic market" are large-scale processing plants with processing facilities which provide services to downstream sectors and mid-end users or to process for export on their own. Considering the demand for stainless steel coils is relatively stable, the prices and delivery times are crucial as manufactures can easily obtain materials from outside sources due to trade liberalization.

Our "export markets" are primarily emerging markets and the Northeast (South) Asia region. Given that current sales volumes are stable and the acquisition of raw materials and stable delivery times have a greater impact on export orders, we are now moving toward the path of customization to meet customers' needs and expand sales in different regions.

IV. Impact from external competitive environment, regulatory environment and general business environment

- (I) Tsingshan, the global stainless steel giant, has established a plant in Indonesia's nickel mining region. With its proximity to the raw material source Indonesia Tsingshan has gained an obvious price advantage and has captured the global stainless steel market with its low cost advantage to become the main supplier of stainless steel materials in Taiwan, China and Japan. Each year, Taiwan imports up to 500,000 metric tons of stainless steel from Indonesia Tsingshan, with main importers being Yieh United, Walsin Lihwa, Tang Eng Iron Works and Dong Meng. This has caused a sudden reduction in the steelmaking volume of Taiwan's upstream steel mills, coupled with the acquisition point of stainless steel scrap established by Tsingshan that aims to purchase stainless steel scrap at a high price. Given the costs of upstream steelmakers continuing to increase, the overall efficiency of steelmaking is not correlative. As a result, purchasing hot rolling semi-finished products from Tsingshan is heavily relied on, which has led Taiwan's steel industry to become more dependent on imported materials. In the long run, this poses a significant concern.
- (II) Our Company's sales focus on domestic, Northeast and Southeast Asian markets. In a fiercely competitive environment, we make every effort to stabilize downstream sectors, while being dedicated to promoting cost advantages, production automation, reducing manpower costs, shortening delivery times, reducing inventory costs, enhancing quality, reducing raw material consumption costs, saving energy and reducing fuel costs. We aim to expand business growth with the advantage of multi implemented cost reduction.
- (III) In view of the rising awareness of environmental protection, highly pollutive industries are faced with ever increasing environmental protection standards. At Chien Shing, we understand that there is only one Earth, and proactively commit ourselves to waste and resource reduction, energy efficiency improvement and water source recycling and reuse, so as to fully manage the environment while reducing the impact that production poses on the environment. By positively linking environmental improvement and economic benefits, we are a step closer to sustainable development.

Two. Company Profile

I. Date of establishment: May 8, 1972

II. Company history:

October 1978	Former chairman Mr. Yung-Lin Yeh purchased Chien Shing Stainless Steel Enterprise Co., Ltd. from Madam Shu-Ying Lin Hsieh et. al., and acquired rolling and annealing equipment to support new business activities including processing and manufacturing.
December 1981	Increased share capital to NT\$10 million.
December 1982	Re-organized to Chien Shing Stainless Steel Co., Ltd.
December 1984	Completed a NT\$20 million cash issue, increasing share capital to NT\$30 million.
May 1985	Shuo-Tang Yeh succeeded as Chairman.
November 1987	Completed a NT\$90 million cash issue, increasing share capital to NT\$120 million.
August 1988	Completed a NT\$78 million cash issue, NT\$36 million of which was subscribed by Chiao Tung Bank, increasing share capital to NT\$198 million.
October 1988	Set authorized capital at NT\$1.1 billion for improved financial structure and to support future business growth and plant expansions.
April 1989	Completed a NT\$242 million cash issue, increasing share capital to NT\$440 million, and made public offering.
March 1990	Completed a NT\$660 million cash issue to finance plant expansion, increasing paid-up capital to NT\$1.1 billion.
August 1991	69KV power delivery began, and the cold rolling mill began trial run.
September 1991	Commenced trial production.
March 1992	Completed a NT\$550 million cash issue, increasing share capital to NT\$1.65 billion.
May 1992	Cold rolling mill began production. The Company's steel mill investment project received approval from the Industrial Development Bureau, Ministry of Economic Affairs, to be recognized as key investment under Statute for Upgrading Industries.
September 1992	The Company's investment project for 400 series BA grade materials was approved as a key technology project.
March 1993	SAN bell type annealing furnace began trial run.
June 1993	SLL slitting machine began trial run.
	SHL leveling and shearing machine began trial run.
July 1993	Trial run of SAN bell type annealing furnace completed.
November 1993	Chairman Shuo-Tang Yeh received recommendation from General Chamber of Commerce and was approved by the Ministry of Economic Affairs as "Excellent Businessman."
May 1994	The Company and person-in-charge Shuo-Tang Yeh were recognized by the Ministry of Finance as "1994 Trusted Uniform Invoice Issuing Business."
November 1994	Trial run of SLL slitting machine completed.
	Trial run of SHL leveling and shearing machine completed.
April 1995	The Company applied for listing with Taiwan Stock Exchange Corporation.
September 1995	Board of directors of Taiwan Stock Exchange Corporation (TWSE) approved the Company's listing application.
November 1995	Securities and Futures Commission, Ministry of Finance, approved the Company's TWSE listing application.
January 1996	Capitalized NT\$165 million of earnings and completed a NT\$385 million cash issue for NT\$550 million of new capital, increasing paid-up capital to NT\$2.2 billion.
February 1996	Shares of the Company were listed for trading on TWSE.
March 1996	The Company passed DNV-approved ISO9002 certification.
March 1996	Founded subsidiary - Chien Ying Investment Co., Ltd.
September 1996	Capitalized NT\$220 million of earnings, increasing share capital to NT\$2.42 billion.
June 1997	Capitalized NT\$242 million of earnings, increasing share capital to NT\$2.662 billion.
May 1998	Founded subsidiary - Chien Yi Investment Co., Ltd.
June 1998	Capitalized NT\$266.2 million of capital reserve and earnings, increasing share capital to NT\$2.9282 billion.

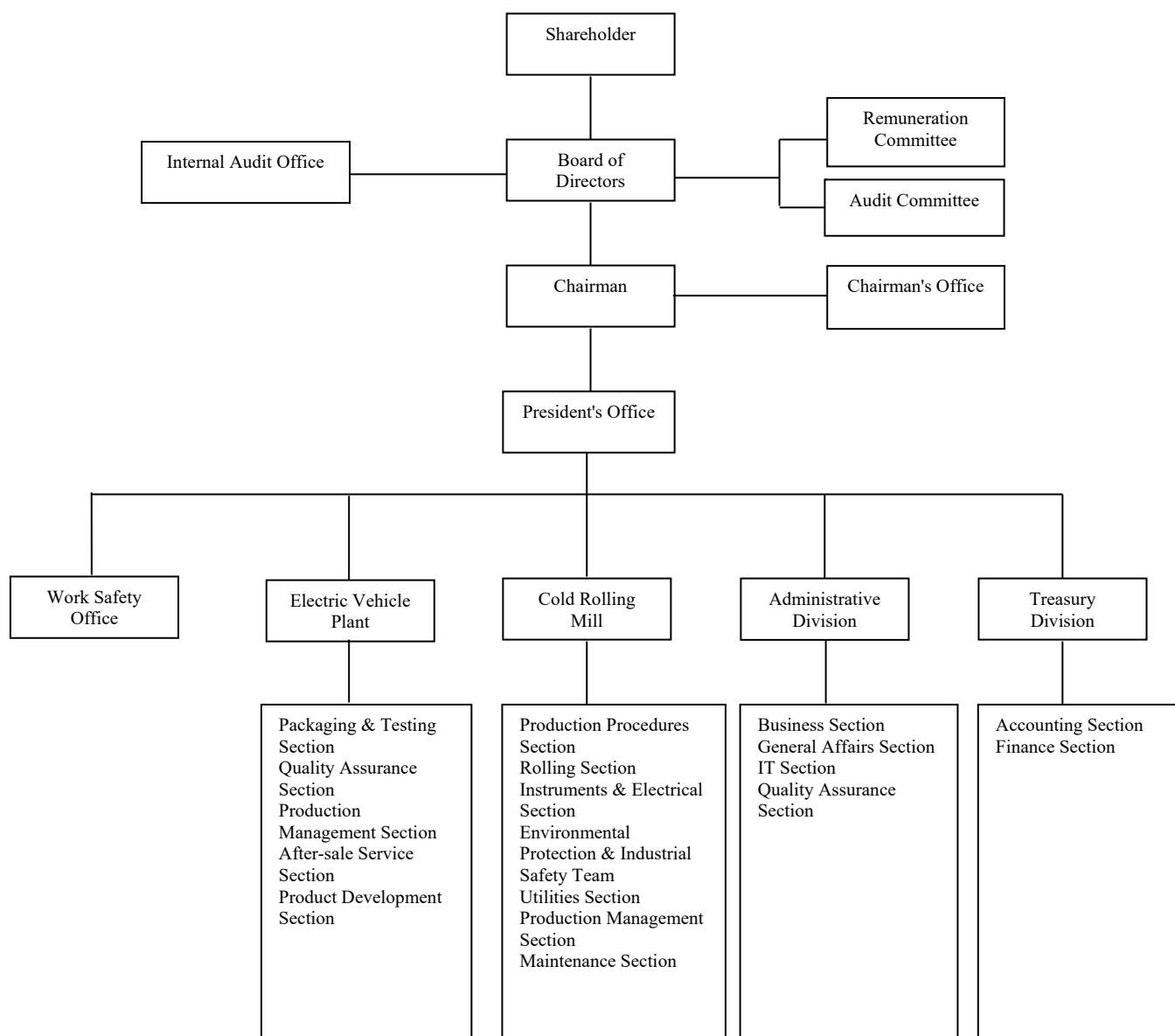
March 1999	Founded subsidiary - Chien Ting Investment Co., Ltd.
August 1999	Capitalized NT\$146.41 million of capital reserve, increasing share capital to NT\$3.07461 billion.
June 2000	The second annealing and acid wash production line commenced trial run.
August 2000	Capitalized NT\$153.7305 million of capital reserve and earnings, increasing share capital to NT\$3.2283405 billion.
December 2001	The second cold rolling machine began trial run.
July 2003	Founded subsidiary - Qian Ding International Limited (SAMOA).
June 2004	The Ministry of Economic Affairs approved conversion of 55,965,950 shares from convertible corporate bonds, increasing share capital to NT\$3,788 million.
November 2005	Subsidiary Qian Ding International Limited (SAMOA) invested into Qian Ding Stainless Steel (Vietnam) Limited.
September 2008	Subsidiary Qian Ding International Limited (SAMOA) ceased investment in Qian Ding Stainless Steel (Vietnam) Limited.
June 2009	Received correspondence from the government of Vietnam to remove registration of Qian Ding Stainless Steel (Vietnam) Limited.
August 2009	Typhoon Morakot caused damage to some of the Company's equipment, but was repaired within one year's time.
December 2011	Subsidiary Chien Ting Investment Co., Ltd. was renamed Motory Mate Technology Co., Ltd. and had business activities changed.
April 2012	Founded subsidiary - Qian Ding International Limited (BVI)
December 2012	Completed research and development of the Company's first electric motorcycle, and obtained safety certification as general moped from Ministry of Transportation and Communication as well as the approval to be driven on road.
June 2014	Completed dissolution of subsidiary - Qian Ding International Limited (BVI).
December 2014	Completed dissolution of subsidiary - Qian Ding International Limited (SAMOA).
February 2016	Following a resolution made in board of directors meeting dated February 3, 2016, the Company filed a request for restructuring and injunction with Taiwan Tainan District Court. The court approved the injunction on February 15, at which time the Company's shares were suspended from trading.
March 2016	Following appeals raised by creditor banks, the Company received the court's decision to withdraw the injunction and remand the case. Trading of the Company's shares resumed on March 16, 2016.
September 2016	The court's decision to withdraw injunction during and before the Company's restructuring was effected.
November 2017	The Company and its 100%-owned subsidiaries, namely Chien Ying Investment Co., Ltd., Chien Yi Investment Co., Ltd., and Motory Mate Technology Co., Ltd., completed a simple merger on November 27, 2017 pursuant to board of directors' resolution and Article 19 of Business Mergers And Acquisitions Act. Change of company registration was approved by the Ministry of Economic Affairs on January 4, 2018.

Three. Corporate Governance Report

I. Organizational structure

(I) Organizational structure

Chien Shing Stainless Steel Co., Ltd. - Organizational Chart



(II) Responsibilities of main departments:

Department	Main responsibilities
Internal Audit Office	Conducts review and assessment on whether internal management system and internal accounting system have been effectively implemented, and performs appropriate evaluation on whether each department performs its duties in an efficient manner.
Treasury Division	Consolidates and coordinates functions of the Finance Section and Accounting Section to achieve financial stability, and to ensure reliability and completeness of accounting information.
Finance Section	Responsible for sourcing and use of capital, and management of banking relationship.
Accounting Section	Responsible for accounting, asset management, and operational analysis.
Administrative Division	Management, coordination, and supervision of tasks between General Affairs Section, Business Section, Quality Assurance Section, and IT Section.
Business Section	Responsible for matters concerning domestic and export sales.
General Affairs Section	Establishment, amendment, and interpretation of personnel management policies, and handling of sundry affairs. Devises procurement plan based on production plan, equipment plan, and procurement order of the Cold Rolling Mill, and inquires, compares, negotiates, and estimates prices with domestic and foreign material suppliers.
IT Section	Responsible for the planning and execution of IT development; planning, maintenance, and management of computer equipment; and handling of inter-department purchase of computer equipment within the Company.
Quality Assurance Section	Quality inspection and control of finished and semi-finished goods in the steel rolling process; retention of customers' complaint/claim records for future improvement; and preparing statistical analyses on customers' orders (and complaints/claims).
Cold Rolling Mill	Devises production plan in line with sales plan and the Company's policies; ensures effective control over production elements, optimal coordination of manpower and supplies for production activities, and proper inventory management in an economical yet effective way; and produces raw materials, supplies, and finished goods at the right quality, quantity, and value in a timely manner to achieve the Company's production and sales goals.
Production Procedures Section	1. Soft annealing for SUS 300 series hot-rolled coil steel, and sand blast and acid wash for SUS 300 and 400 series. 2. Performs intermediate annealing. (Stress relieving, recrystallization) 3. Performs the final annealing and acid wash on cold-rolled coil steel to eliminate hardening of the rolled material and to ensure evenness of steel sheet structure.
Rolling Section	Rolling of hot-rolled and cold-rolled coil steel after acid wash, including first and second rolling, in order to produce cold-rolled coil steel of the right size, and of the right thickness as specified by customer; and ensures surface quality and shape of the finished coil steel.
Instruments & Electrical Section	Ensures that instruments and electrical equipment of the Cold Rolling Mill operate at the optimal state, using the least time-consuming, most cost-efficient, safest, and most productive methods.
Environmental Protection & Industrial Safety Team	Plans environmental protection-related activities to comply with environmental standards and improve quality of the environment; promotes certification for ISO 14000 - Environmental Protection; oversees worker safety and health to prevent occupational hazard; protects workers' health and safety; creates a safe operating environment; and ensures reasonable terms of employment for workers.
Utilities Section	Ensures consistent and timely supply of energy and indirect materials needed to support production activities and accomplish the Company's operational goals, using the most economical and effective methods.
Production Management Section	Devises production plan in line with sales plan and the Company's policies; ensures effective control over production elements, optimal coordination of manpower and supplies for production activities, and proper inventory management in an economical yet effective way; and produces raw materials, supplies, and finished goods at the right quality, quantity, and value in a timely manner to achieve the Company's production and sales goals.

Maintenance Section	Repair, causal analysis, and prevention of machinery malfunction.
Electric Vehicle Plant	Packaging & Testing Section: 1. Testing of cells and BMS circuit protection. 2. Testing of finished battery and charge-discharge learning. 3. Battery classification management; maintenance and operation of test equipment. 4. Maintenance/repair of malfunctioned goods and protection circuitry, and communication and coordination during the authority's inspection. 5. Mass packaging, connection, wiring, and enclosure processing for the main battery production line. 6. Assembly of accessories and secondary parts. (1) After-sale Service Section: A. Devises sales plan and handles sale of finished goods. B. Handling of sales proceeds. C. Communication and arrangement of shipment loading and delivery. D. Review of distributor contract details and consolidation of distribution requirements. E. Handling and response of customer complaint. F. Establishment of sales targets and profit plans. (2) Product Development Section: A. Project planning and gathering of market information. B. Design drawing and research, development, and modification of electrical control system. C. Research, development, and modification of mechanical structures and related projects. D. Management of molds and mold schematics. E. Modification of mass production and test molds; contact with mold-related suppliers. F. Elimination of mold-related technical issues. G. Design of battery structure and wiring. H. Design of BMS circuit protection. I. Development of applications, parts, and accessories. J. Development of enclosure jigs and molds, and design of schematics and technical information. K. Elimination of technical issues.
Work Safety Office	Oversees worker safety and health issues within the Company, and reduces risk and cost of occupational hazard.

II. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches

(I) Background information of directors and supervisors

1. Directors:

April 23, 2021

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Service term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	The Republic of China	Shuo-Tang Yeh	Male	2018.03.29	3 years	1994.06.07	20,046,540	7.13%	20,046,540	7.13%	4,777,439	1.70%	0	0	Tainan Commercial Vocational Senior High School	Chien Shing Construction Co., Ltd. - Chairman Chien Shing Investment Co., Ltd. - Chairman Shin Shin Development Co., Ltd. - Chairman	None	None	None	The Chairman and the President are one and the same (Note 3)
Director	The Republic of China	Chien Shing Investment Co., Ltd.		2018.03.29	3 years	2015.04.21	4,944,000	1.76%	4,944,000	1.76%	0	0	0	0	Not applicable	Not applicable	Not applicable			
	The Republic of China	Representative: Su-Chu Wang (Note 1)	Female	2020.06.23	3 years	2020.06.23	0	0	0	0	0	0	0	0	Providence College of Arts and Sciences for Women Department of International Trade	Jin Wang Chemical Engineering Head of Accounting Chien Shing Investment Co., Ltd. - Director Shin Shin Development Co., Ltd. - Director	None	None	None	
Director	The Republic of China	Chien Shing Construction Co., Ltd.		2018.03.29	3 years	2015.04.21	9,241,347	3.29%	9,241,347	3.29%	0	0	0	0	Not applicable	Not applicable	Not applicable			
	The Republic of China	Representative: Tsai-Yun Yeh	Female	2018.03.29	3 years	2015.04.21	1,764	0	1,764	0	0	0	0	0	Junior high school	Chien Shing Construction Co., Ltd. - Director	None	None	None	
Director	The Republic of China	Shin Shin Development Co., Ltd.		2018.03.29	3 years	2015.04.21	100,000	0.04%	100,000	0.04%	0	0	0	0	Not applicable	Not applicable	Not applicable			
	The Republic of China	Representative: Li-Chun Chang	Female	2018.03.29	3 years	2015.04.21	0	0	0	0	0	0	0	0	Chia Nan Junior College of Pharmacy	None	None	None	None	
Independent Director	The Republic of China	Ying-Ying Yang	Female	2018.03.29	3 years	2016.02.03	0	0	0	0	0	0	0	0	Department of Mathematics, Soochow University	Chun Li Technical Co., Ltd. - Treasury Manager	None	None	None	
Independent Director	The Republic of China	Tsung-Heng Liu	Male	2018.03.29	3 years	2016.02.03	0	0	0	0	0	0	0	0	Alabama State University Ph.D. in Finance	None	None	None	None	
Independent Director	The Republic of China	Yi-Hung Chen (Note 2)	Male	2020.06.11	1 year	2020.06.11	0	0	0	0	0	0	0	0	Department of Civil Engineering, Chung Hua University	Hong Yun Fa Real Estate Development Co., Ltd. - Deputy Manager of Sales Department	None	None	None	

Note 1: Chien Shing Investment Co., Ltd. reappointed Tien-En Yeh to serve as its representative on April 22, 2020, and later reappointed Su-Chu Wang as representative on June 23 the same year

Note 2: Independent Director Yi-Hung Chen was elected into position during the by-election held on June 11, 2020.

Note 3: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, additional

explanation will be provided on the reasons, rationality, and necessity of such an arrangement and any response measures taken (such as introduction of independent directors); furthermore, additional disclosures will also be made on whether more than half of directors are involved in concurrent duty as employees or managers.

- (1) The Chairman concurrently assumes the position of President for enhanced operational efficiency and better execution of decisions; meanwhile, the Company is training for suitable personnel to succeed the President role to ensure independence of the board of directors. The Chairman also communicates regularly with directors about the Company's operations, plans, and strategies as a sound corporate governance practice. In the future, the Company plans to increase the number of independent director seats to better support the board of directors in various duties and supervisory functions.
- (2) Existing independent directors possess expert knowledge on finance and accounting, and are able to perform supervisory duties effectively.
- (3) No more than half of board members are involved in concurrent duty as employees or managers.
- (4) Independent directors are able to discuss important issues and present recommendations to the board of directors through involvement in various functional committees, and therefore contribute to corporate governance.

2. Major shareholders of corporate shareholders:

December 31, 2020

Name of corporate shareholder	Major shareholders of corporate shareholders
Chien Shing Construction Co., Ltd.	Shuo-Tang Yeh (46.89%), Chien Shing Investment Co., Ltd.(33.91%), Yeh Chen Pin (19.11%), Wan-Ling Yeh (0.05%), Ya-Ching Yeh (0.04%)
Chien Shing Investment Co., Ltd.	Shin Shin Development Co., Ltd. (55%), Ya-Ching Yeh (28%), Shuo-Tang Yeh (5%), Yeh Chen Pin (4%), Wan-Ling Yeh (4%), Tien-En Yeh (4%)
Shin Shin Development Co., Ltd.	Chien Shing Investment Co., Ltd. (98.8%), Ya-Ching Yeh(0.4%), Shuo-Tang Yeh (0.4%), Wan-Ling Yeh (0.4%)

3. Key shareholders of major corporate shareholders:

December 31, 2020

Name of corporate entity	Corporate entity's major shareholders
Chien Shing Investment Co., Ltd.	Shin Shin Development Co., Ltd. (55%), Ya-Ching Yeh (28%), Shuo-Tang Yeh (5%), Yeh Chen Pin (4%), Wan-Ling Yeh (4%), Tien-En Yeh (4%)
Shin Shin Development Co., Ltd.	Chien Shing Investment Co., Ltd. (98.8%), Ya-Ching Yeh(0.4%), Shuo-Tang Yeh (0.4%), Wan-Ling Yeh (0.4%)

4. Director's profile:

April 23, 2021

Name	Criteria	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)												No. of concurrent roles as independent director in other public companies
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Shuo-Tang Yeh				✓						✓			✓	✓	✓	✓	None
Chien Shing Investment Co., Ltd. Representative: Su-Chu Wang (Note 2)				✓	✓		✓			✓	✓		✓	✓	✓		None
Chien Shing Construction Co., Ltd. Representative: Tsai-Yun Yeh				✓	✓		✓			✓	✓		✓	✓	✓		None
Shin Shin Development Co., Ltd. Representative: Li-Chun Chang				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Ying-Ying Yang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tsung-Heng Liu	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Yi-Hung Chen (Note 3)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: A "✓" is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or by any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor, or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty as chairman, president or equivalent role, and is not a director, supervisor, or employee of another company or institution owned by spouse. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws.)
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

Note 2: Chien Shing Investment Co., Ltd. reappointed Tien-En Yeh to serve as its representative on April 22, 2020, and later reappointed Su-Chu Wang as representative on June 23 the same year

Note 3: Independent Director Yi-Hung Chen was elected into position during the by-election held on June 11, 2020.

(II) Background information of the President, vice presidents, assistant vice presidents, and heads of various departments and branches

April 23, 2021

Title	Nationality	Name	Gender	Date elected (appointed)	Current shareholding		Shareholding by spouse or dependents		Shares held by proxy		Main career (academic) backgrounds	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
President	The Republic of China	Shuo-Tang Yeh	Male	2014.10.01	20,046,540	7.13%	4,777,439	1.70%	0	0	Tainan Commercial Vocational Senior High School	Chien Shing Construction Co., Ltd. - Chairman Chien Shing Investment Co., Ltd. - Chairman Shin Shin Development Co., Ltd. - Chairman	None	None	None	The President and Chairman are one and the same (Note 2)
Treasury Division Department Head	The Republic of China	Li-Yun Chiu	Female	2019.11.06	0	0	0	0	0	0	Department of Accounting, Tunghai University	None	None	None	None	
Deputy Plant Manager	The Republic of China	Hung-Ming Wang (Note 1)	Male	2018.07.01	0	0	0	0	0	0	Southern Taiwan University of Science and Technology	None	None	None	None	Note 1

Note 1: Deputy Plant Manager Hung-Ming Wang retired on January 31, 2021.

Note 2: In situations where the company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken, such as introduction of independent directors. Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

- (1) The Chairman concurrently assumes the position of President for enhanced operational efficiency and better execution of decisions; meanwhile, the Company is training for suitable personnel to succeed the President role to ensure independence of the board of directors. The Chairman also communicates regularly with directors about the Company's operations, plans, and strategies as a sound corporate governance practice. In the future, the Company plans to increase the number of independent director seats to better support the board of directors in various duties and supervisory functions.
- (2) Existing independent directors possess expert knowledge on finance and accounting, and are able to perform supervisory duties effectively.
- (3) No more than half of board members are involved in concurrent duty as employees or managers.
- (4) Independent directors are able to discuss important issues and present recommendations to the board of directors through involvement in various functional committees, and therefore contribute to corporate governance.

(III) Remuneration to Directors, Supervisors, Presidents and Vice Presidents

1. Remuneration to directors

Unit: NT\$ thousand; %

Title	Name	Remuneration to directors								The sum of A, B, C and D as a percentage of net income (Note 10)		Remuneration as company employee								The sum of A, B, C, D, E, F, and G as a percentage of net income (Note 10)		Remuneration from investees other than subsidiaries (Note 11)
		Remuneration (A)(Note 2)		Pension (B)		Remuneration to directors (C)(Note 3)		Fees for services rendered (D)(Note 4)				Salaries, bonuses, special allowances, etc. (E)(Note 5)		Pension (F)		Remuneration to employees (G)(Note 6)						
		The Company	All companies included in the financial reports (Note 2)	The Company	All companies included in the financial reports (Note 2)	The Company	All companies included in the financial reports (Note 2)	The Company	All companies included in the financial reports (Note 2)			The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company		All companies included in the financial reports (Note 7)				
										Cash Amount	Stock Amount					Cash Amount	Stock Amount					
Director	Shuo-Tang Yeh	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Tsai-Yun Yeh (Note 1)	107	107	0	0	0	0	120	120	(0.11)	(0.11)	0	0	0	0	0	0	0	0	(0.11)	(0.11)	None
Director	Yu-Ying Yeh (Note 1)	0	0	0	0	0	0	30	30	(0.01)	(0.01)	126	126	0	0	0	0	0	0	(0.07)	(0.07)	None
Director	Li-Chun-Ching Chang (Note 1)	107	107	0	0	0	0	120	120	(0.11)	(0.11)	0	0	0	0	0	0	0	0	(0.11)	(0.11)	None
Director	Tian-En Yeh (Note 1)	0	0	0	0	0	0	20	20	(0.01)	(0.01)	110	110	0	0	0	0	0	0	(0.06)	(0.06)	None
Director	Su-Chu Wang (Note 1)	56	56	0	0	0	0	70	70	(0.06)	(0.06)	10	10	0	0	0	0	0	0	(0.06)	(0.06)	None
Independent Director	Tsung-Heng Liu	107	107	0	0	0	0	120	120	(0.11)	(0.11)	15	15	0	0	0	0	0	0	(0.12)	(0.12)	None
Independent Director	Ying-Ying Yang	108	108	0	0	0	0	120	120	(0.11)	(0.11)	15	15	0	0	0	0	0	0	(0.12)	(0.12)	None
Independent Director	Yi-Hung Chen (Note 1)	60	60	0	0	0	0	70	70	(0.06)	(0.06)	5	5	0	0	0	0	0	0	(0.06)	(0.06)	None
Remuneration received by directors for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.																						

Note: 1. Director Yu-Ying Yeh was elected as the representative of Chien Shing Investment Co., Ltd. on March 29, 2018.

On April 22, 2020, the director - Chien Shing Investment Co., Ltd. reassigned Tian-En Yeh as the legal representative.

On June 23, 2020, the director - Chien Shing Investment Co., Ltd. reassigned Su-Chu Wang as the legal representative.

Director Tsai-Yun Yeh is the representative of Chien Shing Construction Co., Ltd.; Director Li-Chun Chang is the representative of Shin Shin Development Co., Ltd.

The representative of Chien Shing Investment Co., Ltd., Yu-Ying Yeh, was reassigned to Tian-En Yeh on April 22, 2020.

The representative of Chien Shing Investment Co., Ltd., Tian-En Yeh, was reassigned to Su-Chu Wang on June 23, 2020.

Yi-Hung Chen was elected as an independent director on the annual general meeting held on June 11, 2020.

2. Pension (F) is the amount of pension contribution in accordance with the "Labor Pension Act" and the "Labor Standards Act" for 2020.

Remuneration rage table

Ranges of remuneration payable to each of the Company's directors	Name of director			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial reports (Note 9) H	The Company (Note 8)	All companies included in the financial reports (Note 9) I
Below NT\$1,000,000	Shuo-Tang Yeh Tsai-Yun Yeh Yu-Ying Yeh Li-Chun Chang Tian-En Yeh Su-Chu Wang Tsung-Heng Liu Ying-Ying Yang Yi-Hung Chen	Shuo-Tang Yeh Tsai-Yun Yeh Yu-Ying Yeh Li-Chun Chang Tian-En Yeh Su-Chu Wang Tsung-Heng Liu Ying-Ying Yang Yi-Hung Chen	Shuo-Tang Yeh Tsai-Yun Yeh Yu-Ying Yeh Li-Chun Chang Tian-En Yeh Su-Chu Wang Tsung-Heng Liu Ying-Ying Yang Yi-Hung Chen	Shuo-Tang Yeh Tsai-Yun Yeh Yu-Ying Yeh Li-Chun Chang Tian-En Yeh Su-Chu Wang Tsung-Heng Liu Ying-Ying Yang Yi-Hung Chen
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	0	0	0	0
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	0	0	0	0
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	0	0	0	0
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	0	0	0	0
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	0	0	0	0
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	0	0	0	0
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	0	0	0	0
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	0	0	0	0
NT\$100,000,000 or more	0	0	0	0
Total	9	9	9	9

Note 1: The names of the presidents and vice presidents are required to be presented separately (names of corporate shareholders and their representatives should be presented separately, and the amount of payments made may be presented in aggregate sums).

Note 2: Refers to remuneration to directors in the last year (including salaries, allowances, severance pay, various bonuses and incentives, etc.).

Note 3: The amount of remuneration distributed to directors approved by the most recent Board of Directors' meeting.

Note 4: Refers to remuneration to directors for services rendered (including travel, special allowances, all types of allowances, accommodation, company vehicle and other in-kind benefits). Where housing, cars, other transportation or personal expenses, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel, special allowances, all types of allowances, accommodation, company vehicles and in-kind benefits that the director received in the last year for assuming the role of a company employee (such as a president, vice president, other managerial officer or employee). Where housing, cars, other transportation or personal expenses, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Salary expense recognized in accordance with IFRS 2 - "Share-based Payment", including the acquisition of employee stock options, restricted employee shares and participation in cash capital increase to subscribe for shares are treated as remuneration.

Note 6: Refers to any remuneration that the director has received (in cash or in shares) in the last year for assuming the role of an employee (such as President, Vice President, managerial officer or other employees). The amount of employee remuneration proposed by the Board of Directors in the last year has been disclosed. If it is impossible to make an estimate, the proposed distribution for the year will be calculated in proportion to the actual distribution amount last year.

Note 7: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges. The name of the

director must also be disclosed.

Note 9: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each director. The name of the director must also be disclosed.

Note 10: Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity. If International Financial Reporting Standards ("IFRS") has been adopted, Net Income is the after-tax profit in the consolidated financial statement in the most recent years.

Note 11: a. This field represents all forms of remuneration that directors received from the Company's invested businesses other than subsidiaries (if none, please fill in "none").

b. For directors who received remuneration from invested businesses other than subsidiaries, amounts received from these invested businesses have been added to column I of the remuneration brackets table. In which case, column I will be renamed "parent company and all invested businesses".

c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the director received for serving as directors, supervisors or managerial officers in invested businesses other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

2. Remuneration to presidents and vice presidents

Unit: NT\$ thousand

Unit: NT\$ thousand														
Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of net income (%) (Note 8)		Remuneration from investees other than subsidiaries (Note 9)
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company		All companies included in the financial reports (Note 5)		The Company	All companies included in the financial reports (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Shuo-Tang Yeh	0	0	0	0	0	0	0	0	0	0	0	0	None

Remuneration rage table

Ranges of remuneration payable to each of the Company's presidents and vice presidents	Name of president and vice president	
	The Company (Note 6)	All companies included in the financial reports (Note 7) E
Below NT\$1,000,000	Shuo-Tang Yeh	Shuo-Tang Yeh
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	0	0
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	0	0
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	0	0
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	0	0
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	0	0
NT\$100,000,000 or more	0	0
Total	1	1

Note 1: The names of the presidents and vice presidents are required to be presented separately; the amount of payments made may be presented in aggregate sums. If a director is also a president or vice president, this table and table (2) above should be filled in.

Note 2: Refers to salaries, allowances, and severance pay made to the presidents and vice presidents in the last year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel, special allowances, all types of allowances, accommodation, company vehicles or other in-kind benefits that the vice president or the vice president received in the last year. Where housing, cars, other transportation or personal expenses, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Salary expense recognized in accordance with IFRS 2 - "Share-based Payment", including the acquisition of employee stock options, restricted employee shares and participation in cash capital increase to subscribe for shares are treated as remuneration.

Note 4: Refers to any employee remuneration to presidents and vice presidents (in cash or in shares) approved by the Board of Directors for the most recent year is included. If it is impossible to make an estimate, the proposed distribution for the year will be calculated in proportion to the actual distribution amount last year. Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity.

Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's presidents and vice presidents.

Note 6: The amount of remuneration made by the Company to its presidents and vice presidents has been disclosed separately

in ranges.

Note 7: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each president and vice president. The name of the president and vice president must also be disclosed.

Note 8: Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity.

Note 9: a. This field represents all forms of remuneration that the presidents and vice presidents received from the Company's invested businesses other than subsidiaries

b. For president and vice presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses have been added to column E of the remuneration brackets table. In which case, Column E will be renamed "parent company and all invested businesses".

c. Remuneration refers to any returns, remuneration (including remunerations received as an employee, director and supervisor) and professional service fees which the Company's President and Vice Presidents received for serving as directors, supervisors, or managerial officers in invested businesses other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

3. Top 5 executives with the highest remuneration (Note 1)

Unit: NT\$ thousand

Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of net income (%) (Note 6)		Remuneration from investees other than subsidiaries (Note 7)
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company		All companies included in the financial reports (Note 5)		The Company	All companies included in the financial reports (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Deputy Plant Manager	Hung-Ming Wang	955	955	59	59	0	0	0	0	0	0	(0.48)	(0.48)	None
Head of Finance Department	Li-Yun Chiu	860	860	52	52	114	114	0	0	0	0	(0.49)	(0.49)	None
Chairman	Shuo-Tang Yeh	0	0	0	0	0	0	0	0	0	0	0	0	None

Note 1: The "executives" in so-called "top 5 executives with the highest remuneration" refer to managerial officers of the Company. The criteria for the determination of managerial managers are in accordance with the scope of "managerial officers" as stipulated in the Order Letter Tai-Cai-Zheng(3) 0920001301 dated March 27, 2003 issued by the former Securities and Futures Commission, Ministry of Finance.

The determination for the calculation of the "top 5 executives with the highest remuneration" is based on the total amount of salaries, pensions, bonuses and special allowances received by the managerial officers from all companies included in the consolidated financial statements, as well as the amount of remuneration to employees (the total of A+B+C+D), and then ranked by the highest paid executives). If a director is also a former director, this table and table (2) above should be filled in.

Note 2: Refers to salaries, allowances, and severance pay made to the top 5 executives with the highest remuneration in the last year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, all types of allowances, accommodation, company vehicles or other in-kind benefits paid to the top 5 executives. Where housing, cars, other transportation or personal expenses, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of fuel and other payments are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Salary expense recognized in accordance with IFRS 2 - "Share-based Payment", including the acquisition of employee stock options, restricted employee shares and participation in cash capital increase to subscribe for shares are treated as remuneration.

Note 4: Represents the amount of employee remuneration provided for the top 5 executives with the highest remuneration (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Table 1-3 has been prepared in addition to the above details.

Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies to the Company's top 5 executives with the highest

remuneration.

Note 6: The net income after tax refers to the net income after tax of the most recent year of the standalone or individual financial reports.

Note 7: a. This field represents all forms of remuneration that the top 5 executives received from the Company's invested businesses other than subsidiaries (if none, please fill in "none").

b. Remuneration refers to any returns, remuneration (including remunerations received as an employee, director and supervisor) and professional service fees which the Company's top 5 executives received for serving as directors, supervisors, or managerial officers in invested businesses or the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, presidents, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Analysis of total remuneration paid to directors, supervisors, presidents, and vice presidents of the company as a percentage of net income stated in the individual financial reports

	2020	2019
Net income (loss) after income tax (NT\$thousand)	(209,678)	(177,829)
Percentage of remuneration to directors	(0.72%)	(0.87%)
Percentage of remuneration to presidents and vice presidents	0	0

2. Analysis and description of remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

The Company's policy for remuneration to directors and managerial officers is based on the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", and is determined by the Company's Remuneration Committee with reference to the standard payment of peer industries with consideration of personal performances, the Company's operational performance and future risks.

III. The State of Corporate Governance:

(I) The state of operations of the Board of Directors' meeting

During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a total of 6 Board of Directors' meetings were held (A); below is the attendance of directors/supervisors:

Title	Name	Actual Attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
Chairman	Shuo-Tang Yeh	6	0	100	
Director	Chien Shing Construction Co., Ltd. Representative: Tsai-Yun Yeh	6	0	100	
Director	Chien Shing Investment Co., Ltd. Representative: Yu-Ying Yeh	1	0	100	Reassigned on 2020.04.22
Director	Representative of Shin Shin Development Co., Ltd.: Li-Chun Chang	6	0	100	
Director	Chien Shing Investment Co., Ltd. Representative: Tian-En Yeh	2	0	100	Reassigned on 2020.06.23
Director	Chien Shing Investment	3	0	100	Newly appointed on

	Co., Ltd. Representative: Su-Chu Wang				2020.06.23
Independent Director	Yi-Hung Chen	3	0	100	Newly appointed on 2020.06.11
Independent Director	Tsung-Heng Liu	3	3	50	
Independent Director	Ying-Ying Yang	6	0	100	

Other information required:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

Date of Board Meeting	Session	Motion Content	Opinions of independent directors	The Company's response to such opinions
2020.03.20	1st board meeting in 2020	1. Motion for the amendments to some clauses in the Company's "Operating Procedures for Loaning Funds to Others" and the "Operating Procedures for Endorsements/Guarantees". 2. Motion for the Company's 2019 internal control system statement. 3. Motion for the appointment and independence evaluation of the Company's CPAs.	Without an opinion	The motion is passed
2020.08.11	4th board meeting in 2020	1. Motion for the intention to hire remuneration committee members	Except for independent Director, Yi-Hung Chen, who recused himself due to personal conflict of interest, other attending directors and proxies acting on behalf of directors have all agreed to pass the motion	The motion is passed
2020.11.09	5th board meeting in 2020	1. Motion for the amendments to some clauses in the Company's "Adjustment of Internal Control Operations of Financial Statement Preparation Process Management". 2. In order to revitalize the use of investment real estate, the Company converted the office building into a resident building. 3. Motion for the change of the Company's head of audit.	Without an opinion	The motion is passed
2020.12.22	6th board meeting in 2020	1. Motion for short-term loans to Chien Shing Investment Co., Ltd. from the Company.	Without an opinion	The motion is passed
2021.03.23	1st board meeting in 2021	1. Motion for the Company's 2020 internal control system statement. 2. Motion for the appointment and independence evaluation of the Company's CPAs.	Without an opinion	The motion is passed

(II) Except for the preceding matters, any matter resolved by the Board of Directors with an independent director expressing an objection or reservation that has been included in records or stated in writing: None

II. For the implementation and state of directors' recusal for conflicts of interests, the directors' name, topic discussed, reasons for the required recusal, and participation in the voting process.

Board of Directors	Name of director	Motion Content	Reason for recusal due to conflict of interest and participation in the voting process
4th board meeting in 2020	Yi-Hung Chen	Motion for hiring remuneration committee members	Independent director Yi-Hung Chen was nominated for serving as a Remuneration Committee member. He recused himself and did not participate in the voting due to conflict of interest.

III. The company should disclose information including the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self (or peer) evaluation:

The Board of Directors Performance Evaluation Policy (hereinafter referred to as the "Policy") was approved at the 4th board meeting held on November 6, 2019; the most recent amendment was approved by resolution of the Board of Directors at the board meeting held on August 11, 2020. The performance self-evaluation of the entire board, individual directors and all functional committees is conducted through questionnaires each year in December. The results of the evaluation are collected by the Company's Treasury Division and submitted to the next board meeting for report. These results are used as a basis for review and improvement which will also be disclosed on the Company's website.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	2020.01.01-2020.12.31	Board of Directors	1. Internal self-evaluation of the Board of Directors 2. Self-evaluation of the directors	The five aspects and 25 indicators cover: Participation in the operation of the company; Improvement of the quality of the board of directors' decision making; Composition and structure of the board of directors; Election and continuing education of the directors; and Internal control.
Once a year	2020.01.01-2020.12.31	Performance evaluation of the board members	1. Internal self-evaluation of the Board of Directors 2. Self-evaluation of the directors	The six aspects and 20 indicators cover: Alignment of the goals and missions of the company; Awareness of the duties of a director; Participation in the operation of the company; Management of internal relationship and communication; The director's professionalism and continuing education; and Internal control.
Once a year	2020.01.01-2020.12.31	Performance evaluation of the Audit Committee	1. Self-evaluation of the directors	The five aspects and 20 indicators cover: Participation in the operation of the company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; Makeup of the functional committee and election of its members; and Internal control.
Once a year	2020.01.01-2020.12.31	Performance evaluation of the Remuneration Committee	1. Self-evaluation of the directors	The five aspects and 15 indicators cover: Participation in the operation of the company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; Makeup of the functional committee and election of its members; and Internal control.

Future improvement plans have been proposed targeting the repeated and relatively low scoring indicators based on the evaluation results:

1. Participation in the operation of the company: In addition to the board meeting which is held each quarter, information including the achievement of results and management reports will be provided to the board members to assist them in supervising the Company's operation as well as the achievement of strategies in a timely manner.
2. Directors' professionalism and continuing education: The entire board is re-elected in June 2021. After the new directors take office, the Company is advised to provide different types of continuing education courses outside of their professionalism (industry, law, finance, etc.) to directors.
3. Makeup of the functional committee and election of its members: The Company's functional committee is made up of 3 independent directors, including 1 female member, whose professionalism covers financial management and engineering management. In the future, diversity of professional capability will be considered when electing directors.
4. Measures the objectives to strengthen the functionality of the Board (e.g. establish an audit committee, enhance information transparency) and execution status in the current year and the recent years: The Company has established the Audit Committee to strengthen corporate governance and management.

(II) Operation of the Audit Committee or the participation of supervisors at Board Meetings:

1. Information on the operation of the Audit Committee

During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a total of 5 Audit Committee meetings were held (A); below is the attendance of independent directors:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Independent Director	Yi-Hung Chen	3	0	100	Newly appointed on 2020.06.11
Independent Director	Tsung-Heng Liu	3	2	60	
Independent Director	Ying-Ying Yang	5	0	100	

Other information required:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and meeting of board of directors meeting held, the discussed topics, the audit committee's resolution, and how the company has responded to audit committee's opinions:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Date	Session	Motion Content	Opinions of all Audit Committee members	The Company's response to such opinions
2020.03.20	1st board meeting in 2020	1. Motion for the Company's 2019 financial report. 2. Motion for the amendments to some clauses in the Company's "Operating Procedures for Loaning Funds to Others" and the "Operating Procedures for Endorsements/Guarantees". 3. Motion for the Company's 2019 internal control system statement. 4. Motion for the appointment and independence evaluation of the Company's CPAs.	Without an opinion	The motion is passed
2020.05.08	2nd Audit Committee meeting in 2020	1. Motion for the Company's financial report for 2020 Q1.	Without an opinion	The motion is passed
2020.08.11	3rd Audit Committee meeting in 2020	1. Motion for the Company's financial report for 2020 Q2.	Without an opinion	The motion is passed
2020.11.09	4th board meeting in 2020	1. Motion for the Company's financial report for 2020 Q3. 2. Motion for the amendments to some clauses in the Company's "Adjustment of Internal Control Operations of Financial Statement Preparation Process Management". 3. Motion for the change of the Company's head of audit	Without an opinion	The motion is passed
2020.12.22	5th board meeting in 2020	1. Motion for short-term loans to Chien Shing Investment Co., Ltd. from the Company	Without an opinion	The motion is passed
2021.03.23	1st board meeting in 2021	1. Motion for the Company's 2020 financial report. 2. Motion for the Company's 2020 internal control system statement. 3. Motion for the appointment and independence evaluation of the Company's CPAs.	Without an opinion	The motion is passed

(II) Except for the preceding matters, any matter not approved by the Audit Committee but approved by two-thirds or more of all directors: None.

II. For the implementation and state of independent directors' recusal for conflicts of interests, the independent directors' name, topic discussed, reasons for the required recusal, and participation in the voting process: None.

III. State of communication between independent directors, chief internal auditor and CPA (such as significant items, methods and results of communications on the Company's finances and business status):

1. The audit plans for the coming year are discussed with independent directors and submitted to the board of directors' meeting for resolution before the end of each accounting year.
2. The evaluation of the effectiveness of the Company's internal control system and the internal control system statement have been submitted to the Audit Committee for review. The Head of Audit communicated with the Audit Committee and the communication between them was sound.
3. The Company's CPAs reports the results of financial statement audits or reviews as well as other communication matters required by applicable laws at the quarterly the Audit Committee meeting. The Company's Audit Committee maintains good communication with CPAs.

(III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"		V	The Company has yet to establish such as policy.	One may be created in the future as needed to support the Company's growth and comply with regulations.
II. Shareholding structure and shareholders' interests				
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) The Company has dedicated personnel available to answer shareholders' queries and resolve issues.	(I) No material deviation is found.
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) The Company maintains good relationship with major shareholders, and is constantly updated on changes in shareholding of directors, managers, and major shareholders with more than 10% ownership interest.	(II) No material deviation is found.
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?		V	(III) The Company currently does not have any affiliate, hence not applicable.	(III) No material deviation is found.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(IV) The Company has a set of "Insider Trading Prevention Procedures" in place that prohibits insiders from trading securities against non-public information.	(IV) No material deviation is found.
III. Composition and responsibilities of the board of directors				
(I) Has the board devised and implemented policies to ensure diversity of its members?	V		(I) The Company's board of directors currently comprises 4 directors and 3 independent directors; the board as a whole possesses extensive experience in business management.	(I) No material deviation is found.
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		V	(II) Aside from the Remuneration Committee and Audit Committee, the Company has not assembled other functional committees.	(II) The Company will adopt practices as deemed appropriate to support future growth and comply with regulations.
(III) Has the company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation and nomination decisions?	V		(III) The Company established "Board Performance Self-evaluation or Peer Evaluation Policy" with board of directors' approval on November 6, 2019; details of which have been disclosed on the Company's website. The Company also amended its Board of Directors Performance Evaluation Policy based on the latest regulations during the board of directors meeting held on August 11, 2020. Board members, Audit Committee members, and Remuneration Committee members conducted a self-evaluation in December 2020; outcomes of which have been reported to the board of directors and disclosed on the Company's website to provide reference for future improvements.	(III) No material deviation is found.
(IV) Are external auditors' independence assessed on a regular basis?	V		(IV) The Company not only follows Article 29 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and evaluates independence of its financial statement auditors at least once a year, but also prepares "CPA Independence Assessment Reports" (Note) and requires financial statement auditors to issue "Statements of Independence" according to Article 47 of Certified Public Accountant Act and the "Integrity, Fairness, Objectivity and Independence" principles of Statement of CPA Professional Ethics No. 10. All CPA independence assessments are reviewed by the Audit Committee and approved by the board of directors.	(IV) No material deviation is found.
IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to		V	The Treasury Division is responsible for providing the board of directors and Audit Committee with the information needed to perform duties, making arrangements for board of directors and shareholder meetings, updating and changing company registration, preparing board/shareholder meeting minutes, assisting directors with duties	The Company will assign a unit to assume dedicated (or concurrent) duty in corporate governance, as required by law, before June 30, 2021.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?			and ongoing education, assisting directors with compliance issues, and other corporate governance-related affairs outlined in the Articles of Incorporation or contracts.	
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		The Company has a spokesperson and acting spokesperson system in place to handle related issues. The Company has a stakeholders section created on its website to respond to issues that are of concern to stakeholders.	No material deviation is found.
VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	V		The Company currently engages the Share Transfer Agency Department of Horizon Securities Corp. to handle matters relating to shareholder meetings.	No material deviation is found.
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? (II) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)? (III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?	V V V		(I) The Company discloses financial, business, and corporate governance information on its website (http://www.csssc.com.tw). (II) 1. The Company has assigned dedicated personnel to gather and disclose information, and implements a spokesperson system. 2. Video recordings and briefing materials of investor seminars are placed on the investors section of the Company's website. (III) 1. The Company follows Article 36 of the Securities and Exchange Act by publishing and filing its annual financial reports within 3 months after the end of an accounting period. Q1, Q2, and Q3 financial reports are submitted to the Audit Committee and the board of directors for approval before the statutory due dates, and are published on Market Observation Post System on days they are presented to the board of directors. 2. Monthly business performance data is fully disclosed on the Company's website and on Market Observation Post System before the statutory due dates.	(I) No material deviation is found. (II) No material deviation is found. (III) No material deviation is found.
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and purchase of liability insurance for directors and supervisors)?	V		1. With respect to employees' rights and employee care, the Company hires local workers where possible, encourages re-employment of women, provides local employees with employment benefits, and extends care to the underprivileged. An employee welfare committee has long been assembled to cater for employees' welfare, and the committee allocates benefits regularly according to the Articles of Incorporation. 2. The Company has purchased director liability insurance according to rules from Taian Insurance.	No material deviation is found.
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by Stock Exchange Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required if the Company is not one of the evaluated subjects): The Company is not subject to evaluation.				

Note: CPA independence assessment report (listed as key issue)

- (1) The Company and the CPAs it engages hold no material financial stake in each other.
- (2) None of the CPAs serve as the Company's director, supervisor, manager, or any position that has material influence on audit activities, whether currently or at any time in the last two years. The Company is certain that they will not hold the abovementioned positions during future audits.
- (3) The CPAs, their spouses, and dependents did not serve as the Company's director, supervisor, manager, or hold any position that had direct and material influence on audit activities during the audit period.

(IV) The state of the composition, duties and the state of the Remuneration Committee:

1. Information on the members of the Remuneration Committee

Identity (Note 1)	Criteria	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)										Number of serving members of Remuneration Committees of other public companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations	Required working experience in commerce, law, finance, accounting or other fields required by the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Ying-Ying Yang			V	V	V	V	V	V	V	V	V	V	V	0	
Independent Director	Tsung-Heng Liu	V			V	V	V	V	V	V	V	V	V	V	0	
Others	Su-Chu Wang			V	V	V	V	V	V	V	V	V	V	V	0	Resigned on June 30, 2020
Independent Director	Yi-Hung Chen			V	V	V	V	V	V	V	V	V	V	V	0	Newly elected on August 11, 2020

Note 1: For "Identity", please fill in director, independent director or other.

Note 2: A "✓" is placed in the box if the members met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or by any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor, or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty as chairman, president or equivalent role, and is not a director, supervisor, or employee of another company or institution owned by spouse. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws.)
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee has 3 members.

(2) The term of office of the current members: May 10, 2018 to March 28, 2021. During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a total of 2 Audit Committee meetings were held (A); The qualifications and attendance of members are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual Attendance Rate (%) (B/A)	Remarks
Convener	Ying-Ying Yang	2	0	100	Elected as convener on December 26, 2019
Member	Yi-Hung Chen	1	0	100	Newly elected on August 11, 2020
Member	Tsung-Heng Liu	2	0	100	
Member	Su-Chu Wang	1	0	100	Resigned on June 30, 2020

Other information required:

- I. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.
- II. As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

(V) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?		V	The Company has not conducted risk assessment on operation-related issues, and nor has it developed risk management policy in relation to the above.	One may be created in the future as needed to support the Company's growth and comply with regulations.
II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?		V	The Company does not have any unit that specializes (or is involved) in social responsibilities.	One may be created in the future as needed to support the Company's growth and comply with regulations.
III. Environmental issues (I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics? (II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues? (VI) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	V V V V	V V V	(I) The Company has a Work Safety Office that is responsible for maintaining safety of the environment, and promoting energy conservation and carbon reduction measures. (II) The Company continues to enforce waste sorting and resource recycling activities, and complies with regulations by ensuring that no pollution is caused to the environment. Furthermore, the Company treats its wastewater for recycling and reuse. (III) The Company has not performed such an action. (IV) 1. The Company has dedicated personnel in place to oversee air pollution and waste control, and to report total volume of water used and waste produced to the authority. 2. The Company implements an energy management policy that aims to reduce carbon emission from business activities. Measures such as: "use of natural gas once-through boiler in place of heavy oil boiler," "promotion of energy conservation awareness and proper power-off habit," "office air conditioning timer" etc. are being implemented to achieve energy conservation targets. 3.(1) Office lights are switched off when not in use, during lunch break, and after work hours. (2) Use of office air conditioning is controlled. (3) Waste sorting and resource recycling are duly enforced. (4) Employees are encouraged to reuse paper for office photocopying where appropriate. (5) Additional natural gas once-through boilers were acquired to replace existing boilers. (6) A water treatment plant has been constructed to recycle and reuse wastewater.	(I) No material deviation is found. (II) No material deviation is found. (III) The Company will adopt practices as deemed appropriate to support future growth and comply with regulations. (IV) No material deviation is found.
IV. Social issues (I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights? (II) Has the Company developed and implemented reasonable employee	V		(I) The Company has implemented an employee welfare system to oversee employees' rights such as leave of absence, retirement, and insurance. All relevant procedures have been documented, and an Employee Welfare Committee and Retirement Supervisory Committee have been assembled to execute and supervise such procedures.	(I) No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations? (III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues? (IV) Has the Company implemented an effective training program that helps employees develop skills over their career? (V) Has the Company complied with laws and international standards with respect to customers' health, safety and privacy, marketing, and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures? (VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	V		(II) The Company has Salary Policy, Skill Subsidy Policy, Incentive Salary, Employee Performance Evaluation Policy, and Personnel Evaluation Meeting Policy in place to ensure fair and just treatment for employees.	(II) No material deviation is found.
	V		(III) The Company has implemented "Work Environment and Safety Management Procedures" and worker safety and health rules to outline requirements such as cleanliness and safety of the operating environment, safety of production machinery operations, and regular safety and health training. Employee safety and health training is held on a regular basis, whereas employee health checkups are organized on a yearly basis to assure employees' safety and health.	(III) No material deviation is found.
	V		(IV) The Company organizes internal training courses and assigns employees to undergo external training from time to time to help employees develop professional character and competitive advantage.	(IV) No material deviation is found.
	V		(V) The Company complies with rules for all operating and business activities.	(V) No material deviation is found.
		V	(VI) The Company has not established a supplier management policy.	(VI) One may be created in the future as needed to support the Company's growth and comply with regulations.
V. Does the Company prepare corporate social responsibility report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?		V	The Company has not developed a policy based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," and therefore does not prepare a corporate social responsibility report.	One may be created in the future as needed to support the Company's growth and comply with regulations.
VI. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company is in midst of creating a corporate social responsibility code of conduct.				
VII. Other information useful to the understanding of corporate social responsibilities: None.				

(VI) Enforcement of business integrity, and deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	Reasons
I. Establishment of integrity policies and solutions				
(I) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	V		(I) The Company has yet to establish a business integrity code of conduct, but currently has Directors Ethical Behavior Guidelines and Employee Work Ethics Guidelines in place. Employees are bound by these guidelines to avoid conflict of interest, avoid private gain, uphold business secrecy, treat customers fairly, ensure proper protection and use of company assets, and comply with regulations. The board of directors and the management perform duties with discretion; the Company has an Internal Audit Office that conducts audits on an unscheduled basis.	(I) No material deviation is found.
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) The Company has a set of Employee Work Ethics Guidelines that outlines behavior principles and defines and prohibits against dishonest conducts.	(II) No material deviation is found.
(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		(III) The Company has established and implemented its own Employee Work Ethics Guidelines.	(III) No material deviation is found.
II. Enforcement of business integrity				
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?		V	(I) The Company deals with its business partners strictly in accordance with contract terms and laws of the government; however, no integrity clause has been included in contracts.	(I) Policies may be established as needed in the future.
(II) Does the Company have a unit that specializes in business integrity? Does this unit report its progress to the board of directors on a regular basis (at least once a year)?		V	(II) The Company currently does not have any unit that specializes in business integrity management.	(II) Policies may be established as needed in the future.
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(III) The Company has established and implemented its own Employee Work Ethics Guidelines.	(III) No material deviation is found.
(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(IV) The Company actively enforces business integrity; it has an Internal Audit Office (and engages certified public accountants if necessary) that audits employees' compliance with the accounting system, internal control system, and relevant policies, and reports its findings to the board of directors on a regular basis.	(IV) No material deviation is found.
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		(V) The Company has established and implemented its own Employee Work Ethics Guidelines, and makes pro-active efforts to promote employees' awareness.	(V) No material deviation is found.
III. Whistleblowing system				
(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	V		The Company has assembled a Personnel Evaluation Committee to reward contributors, penalize offenders, and evaluate employees' performance according to the Personnel Reward and Disciplinary Policy in a fair and objective manner.	No material deviation is found.
(II) Has the Company implemented any standard procedures for handling reported	V			

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	Reasons
misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation? (III) Has the Company provided proper whistleblower protection?	V			
IV. Enhanced information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?		V	The Company has not established such a policy, hence no disclosure is made	Policies may be established as needed or as regulated by laws in the future.
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has not established such a policy.				
VI. Other information relevant to understanding the Company's business integrity (e.g. reviews of business integrity principles): None.				

(VII) Methods of inquiry for the Company's corporate governance principles and policies, if any: Disclosures have been made on the corporate governance section of MOPS.

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

(IX) Implementation of the Internal Control System

1. Internal Control Statement

Chien Shing Stainless Steel Co., Ltd.

Internal Control System Statement

Date: March 23, 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2020:

- I. We understand it is the responsibility of the Company's management to have internal control system established, enforced, and maintained. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental, and situational changes may affect the effectiveness of internal control policies. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further contains several items. Please refer to the "Governing Rules" for the details of the said items.
- IV. The Company has adopted the above judgment items of internal control system to assess the design and operating effectiveness of the internal control system.
- V. Based on the findings of the evaluation, the Company believes that, as of December 31, 2020, its internal control system (including supervision and management of subsidiaries) as well as monitoring the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of the reporting and compliance with applicable laws and regulations etc. were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
- VI. The Declaration of Internal Control is the content of our annual report and prospectus for the information of the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. The declaration has been passed by board in the meeting held on March 23, 2021, with all 7 attending directors affirming the content of the declaration.

Chien Shing Stainless Steel Co., Ltd.

Chairman: Shuo-Tang Yeh Signature

President: Shuo-Tang Yeh Signature

2. If an accountant was entrusted to carry out the review of the internal control system, the accountant's audit report shall be disclosed: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report: None.

(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions and their implementation of a shareholders meeting:

Date	Session	Material resolution	Implementation
2020.06.11	Shareholders meeting	1. Passed the motion for the Company's 2019 business report and financial report.	Completed
		2. Passed the motion for the Company's 2019 loss allocation.	Completed
		3. Approval of the motion for the amendments to some clauses in the Company's "Articles of Incorporation".	Completed
		4. Approval of the motion for the amendments to some clauses in the Company's "Directors and Independent Directors Election Policy".	Completed
		5. Approval of the motion for the amendments to some clauses in the Company's "Operating Procedures for Loaning Funds to Others".	Completed
		6. Approval of the motion for the amendments to some clauses in the Company's "Operating Procedures for Endorsements/Guarantees".	Completed
		7. Passed the motion for the by-election of one independence director seat.	Completed

2. Material resolutions of the Board of Directors:

Date	Session	Material resolution
2020.03.20	1st meeting of the Board of Directors	1. Passed the motion for the Company's 2019 business report and financial report.
		2. Passed the motion for the Company's 2019 loss allocation.
		3. Passed the report of the Company's accumulated losses reaching one-half of the paid-in capital.
		4. Passed the motion for the nomination for the by-election of one independence director seat and the acceptance-related matters.
		5. Passed the motion for the nomination list of independent director candidates.
		6. Approved the amendments to some clauses in the Company's "Articles of Incorporation".
		7. Approved the amendments to some clauses in the Company's "Directors and Independent Directors Election Policy".
		8. Approved the amendments to some clauses in the Company's "Operating Procedures for Loaning Funds to Others and the "Operating Procedures for Endorsements/Guarantees".
		9. Approved the amendments to some clauses in the Company's "Organizational Rules of the Remuneration Committee".
		10. Approved the amendments to some clauses in the Company's "Board of Directors Conference Rules".
		11. Passed the motion for the Company's 2019 internal control system statement.
		12. Passed the motion to set the reason, location and date for the Company's 2020 annual general meeting.
		13. Passed the motion for the proposal period and location for the Company's 2020 annual general meeting to accept proposals from shareholders holding 1% or more of the shares.
		14. Passed the motion for the appointment and independence evaluation of the Company's CPAs.
2020.04.24	2nd meeting of the Board	1. Passed the motion for the nomination list of independent director candidates.
		2. Passed the Company's 2020 annual general meeting to accept proposals from shareholders holding 1% or more of the shares.

	of Directors	
2020.05.08	3rd meeting of the Board of Directors	1. Passed the motion for salary and remuneration to the Company's directors, Audit Committee members and managerial officers.
2020.08.11	4th meeting of the Board of Directors	1. Approved the amendments to some clauses in the Company's "Organizational Rules of the Audit Committee". 2. Approved the amendments to some clauses in the Company's "Board of Directors Conference Rules". 3. Approved the amendments to some clauses in the Company's "Organizational Rules of the Remuneration Committee". 4. Approved the amendments to some clauses in the Company's "Board Performance Self-evaluation or Peer Evaluation Policy". 5. Passed the motion for hiring remuneration committee members.
2020.11.09	5th meeting of the Board of Directors	1. Passed the motion for extension and renewal of comprehensive revolving fund loan contract from Taiwan Business Bank, Tainan Branch through the Company 2. Passed the motion for the Company's 2021 audit plan. 3. Approved the amendments to some clauses in the Company's "Adjustment of Internal Control Operations of Financial Statement Preparation Process Management". 4. Passed the motion for the Company to convert the office building into a resident building in order to revitalize the use of investment real estate. 5. Passed the motion for the Company to apply for the import forward letter of credit contract with Union Bank of Taiwan, Tainan Branch through the Company. 6. Passed the motion for the change of the Company's head of audit
2020.12.22	6th meeting of the Board of Directors	1. Passed the motion for the Company's 2021 operating plans and financial forecast. 2. Passed the motion for the Company's Remuneration Committee meeting. 3. Passed the motion for short-term loans to Chien Shing Investment Co., Ltd. from the Company.
2021.03.23	1st meeting of the Board of Directors	1. Passed the motion for the Company's 2020 business report and financial report. 2. Passed the motion for the Company's 2020 loss allocation. 3. Passed the report of the Company's accumulated losses reaching one-half of the paid-in capital. 4. Passed the motion for the election of seven directors (including three independent directors) and the director nomination and the acceptance-related matters. 5. Passed the motion for the Company's 2020 internal control system statement. 6. Passed the motion for the Company to set the 2021 annual general meeting. 7. Passed the motion for the proposal period and location for the Company's 2021 annual general meeting to accept proposals from shareholders holding 1% or more of the shares. 8. Passed the motion for the appointment and independence evaluation of the Company's CPAs. 9. Passed the motion for the nomination list of directors (including independent directors).

(XII) A director or independent director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Summary of the resignation or dismissal of the Company's related personnel

December 31, 2020

Title	Name	Date of post	Date of the resignation	Reason for resignation or dismissal
Head of Audit	Chun-Hua Chen	2017.11.09	2020.09.11	Retired

IV. Information on CPA professional fees

Name of the accounting firm	Name of the CPA	Audit period	Remark
Diwan & Company	Eugene Hou, Arnico Tseng	2020.01.01-2020.12.31	

CPA professional fee range table

Amount unit: NT\$ thousand

Amount range \ Fee item		Audit fee	Non-audit fee	Total
1	Below NT\$2,000 thousand	V	V	V
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand	0	0	0
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand	0	0	0
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand	0	0	0
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand	0	0	0
6	NT\$10,000 thousand (inclusive) or more	0	0	0

- (I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any associate of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services: None.
- (II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons: Not applicable.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by ten percent or more, the amount, percentage and reason shall be disclosed: Not applicable.
1. The reduced audit fee: NT\$450 (thousand).
 2. Percentage: 21.13%.
 3. Reason: Fees are restated for the financial reports for Q2 and Q3 of 2018.
- V. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

- VI. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Job Title	Name	2020		Current year up until March 31	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	Shuo-Tang Yeh	0	0	0	0
Director	Chien Shing Investment Co., Ltd. Representative: Su-Chu Wang (Note 1)	0	0	0	0
Director	Chien Shing Construction Co., Ltd. Representative: Tsai-Yun Yeh	0	0	0	0
Director	Shin Shin Development Co., Ltd. Representative: Li-Chun Chang	0	0	0	0
Independent Director	Ying-Ying Yang	0	0	0	0
Independent Director	Tsung-Heng Liu	0	0	0	0
Independent Director	Yi-Hung Chen (Note 2)	0	0	0	0

Note 1: Chien Shing Investment Co., Ltd. reappointed Tien-En Yeh to serve as its representative on April 22, 2020, and later reappointed Su-Chu Wang as representative on June 23 the same year

Note 2: Independent Director Yi-Hung Chen was elected into position during the by-election held on June 11, 2020.

Information on transfer of equity interests

Name (Note 1)	Reason for the transfer of equity interests (Note 2)	Transaction date	Transaction counterparty	Relationship between the counterparty and the company, directors, supervisors, managerial officers and shareholders holding 10 percent or more of the shares	Number of shares	Transaction price
None	None	None	None	None	None	None

Note 1: Names of directors, supervisors, managerial officers and shareholders holding 10 percent or more of the shares are listed.

Note 2: Acquisition or disposal.

Information on equity pledges

Name (Note 1)	Reason for change in pledge (Note 2)	Date of change	Transaction counterparty	Relationship between the counterparty and the company, directors, supervisors, managerial officers and shareholders holding 10 percent or more of the shares	No. of shares	Shareholding Ratio	Pledge Ratio	Pledge (redemption) amount
None	None	None	None	None	None	None	None	None

Note 1: Names of directors, supervisors, managerial officers and shareholders holding 10 percent or more of the shares are listed.

Note 2: Pledge or redemption.

VII. Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

Name (Note 1)	Shareholding		Shareholding by spouse or minor children		Total shareholding in the name of others		Disclosure of names and relationships between the top ten shareholders including spouses, second degree of kinship of another. (Note 3)		Remarks
	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	Name (or name)	Relationship	
Shuo-Tang Yeh	20,046,540	7.13%	4,777,439	1.70%	0	0	Chien Shing Construction Co., Ltd. Chien Shing Investment Co., Ltd. Yeh Chen Pin	Same chairman Same chairman Spouse	
Tsu-Rong Dai	18,150,000	6.46%	0	0	0	0	None	None	
Chien Shing Construction Co., Ltd. Representative: Shuo-Tang Yeh	9,241,347	3.29%	0	0	0	0	Chien Shing Investment Co., Ltd. Shuo-Tang Yeh	Same chairman The Company's chairman	
Chien Shing Investment Co., Ltd. Representative: Shuo-Tang Yeh	4,944,000	1.76%	0	0	0	0	Chien Shing Construction Co., Ltd. Shuo-Tang Yeh	Same chairman The Company's chairman	
Yeh Chen Pin	4,777,439	1.70%	20,046,540	7.13%	0	0	Shuo-Tang Yeh	Spouse	
Ai-Chu Hsu-Wu	3,000,000	1.07%	0	0	0	0	None	None	
Hsing-Chi Yen	2,760,000	0.98%	0	0	0	0	None	None	
Shih-Hao Huang	2,536,000	0.90%	0	0	0	0	None	None	
Jui-Yuan Wu	2,014,000	0.72%	0	0	0	0	Guo-Yu Wu	Father/Son	
Guo-Yu Wu	1,965,000	0.70%	0	0	0	0	Jui-Yuan Wu	Father/Son	

Note 1: List the top 10 shareholders. If they are corporate shareholders, list both the titles of the corporate shareholders and their representatives separately.

Note 2: The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of themselves, spouse, minor children or others separately.

Note 3: The aforementioned shareholders for disclosure shall include corporate shareholders and natural persons, with the relations between the shareholders as required by the Criteria for the Compilation of Financial Statements by Securities Issuers.

VIII. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company

Four. Information on capital raising activities:

I. Capital and shares

(I) Source of capital stock:

1. Formation of capital stock:

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Paid in properties other than cash	Others
1972.05	1,000	-	-	3,000	3,000,000	Established by cash 3,000,000	None	-
1981.12	1,000	-	-	10,000	10,000,000	Capital increase by cash 7,000,000	None	-
1984.12	1,000	-	-	30,000	30,000,000	Capital increase by cash 20,000,000	None	-
1987.11	1,000	-	-	120,000	120,000,000	Capital increase by cash 90,000,000	None	-
1988.08	10	-	-	19,800,000	198,000,000	Capital increase by cash 78,000,000	None	-
1989.04	10	110,000,000	1,100,000,000	44,000,000	440,000,000	Capital increase by cash 242,000,000	None	Order Letter Tai-Cai-Zheng(78)(I) 00453 dated March 14, 1989
1990.03	10	110,000,000	1,100,000,000	110,000,000	1,100,000,000	Capital increase by cash 660,000,000	None	Order Letter Tai-Cai-Zheng(78)(I) 29798 dated December 8, 1989
1992.03	10	220,000,000	2,200,000,000	165,000,000	1,650,000,000	Capital increase by cash 550,000,000	None	Order Letter Tai-Cai-Zheng(80)(I) 03322 dated December 2, 1991
1996.01	10	220,000,000	2,200,000,000	220,000,000	2,200,000,000	Surplus transferred to capital increase 165,000,000 Capital increase by cash 385,000,000	None	Order Letter Tai-Cai-Zheng(84)(I) 61115 dated December 6, 1995
1996.09	10	300,000,000	3,000,000,000	242,000,000	2,420,000,000	Surplus transferred to capital increase 220,000,000	None	Order Letter Tai-Cai-Zheng(85)(I) 52109 dated August 23, 1996
1997.06	10	300,000,000	3,000,000,000	266,200,000	2,662,000,000	Surplus transferred to capital increase 242,000,000	None	Order Letter Tai-Cai-Zheng(86)(I) 40863 dated May 21, 1997
1998.06	10	300,000,000	3,000,000,000	292,820,000	2,928,200,000	Surplus transferred to capital increase 133,100,000 Capital reserve transferred to capital increase 133,100,000	None	Order Letter Tai-Cai-Zheng(87)(I) 42752 dated May 15, 1998
1999.08	10	307,461,000	3,074,610,000	307,461,000	3,074,610,000	Capital reserve transferred to capital increase 146,410,000	None	Order Letter Tai-Cai-Zheng(88)(I) 56190 dated June 17, 1999
2000.08	10	322,834,050	3,228,340,500	322,834,050	3,228,340,500	Surplus transferred to capital increase 92,239,000 Capital reserve transferred to capital increase 61,492,000	None	Order Letter Tai-Cai-Zheng(89)(I) 58939 dated July 7, 2000
2004.06	10	378,800,000	3,788,000,000	322,834,050	3,228,340,500	-	-	2004.06.30 Jing-Shou-Shang-Zi No. 09301110010
2018.01	10	378,800,000	3,788,000,000	281,167,262	2,811,672,620	Consolidation of capital reduction and cancellation of treasury stock	None	2018.01.04 Jing-Shou-Shang-Zi No. 10601170400

2. Type of shares:

Apr 23, 2021

Units: Shares

Type of shares	Authorized Capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	281,167,262	97,632,738	378,800,000	Listed stock

3. Approval granted to offer and issue securities by shelf registration: None.

(II) Shareholder Structure

2021.04.23

Shareholder Structure Number	Government agency	Financial institution	Other legal entities	Individual	Foreign institutions and foreigners	Total
Number of persons	-	-	36	29,977	26	30,039
Number of shares held	-	-	16,893,192	264,141,005	133,065	281,167,262
Shareholding ratio	-	-	6.01%	93.94%	0.05%	100%

(III) Diffusion of ownership:

Face value of NT\$10 per share

April 23, 2021

Shareholding level	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	15,714	784,147	0.28
1,000 to 5,000	8,391	21,140,488	7.52
5,001 to 10,000	2,699	23,866,661	8.49
10,001 to 15,000	642	8,582,015	3.05
15,001 to 20,000	834	16,217,439	5.77
20,001 to 30,000	559	15,229,436	5.42
30,001 to 40,000	260	9,605,272	3.42
40,001 to 50,000	268	12,924,585	4.60
50,001 to 100,000	400	31,138,830	11.07
100,001 to 200,000	156	23,116,260	8.22
200,001 to 400,000	69	19,553,497	6.95
400,001 to 600,000	16	7,830,306	2.78
600,001 to 800,000	6	4,024,000	1.43
800,001 to 1,000,000	5	4,503,000	1.60
1,000,001 or more, graded depending on actual situation	20	82,651,326	29.40
Total	30,039	281,167,262	100.00

Note: No preferred shares issued

(IV) List of major shareholders

Unit: Shares

Share Name of major shareholder	Number of shares held	Shareholding ratio (%)
Shuo-Tang Yeh	20,046,540	7.13%
Tsu-Rong Dai	18,150,000	6.46%
Chien Shing Construction Co., Ltd. Representative: Shuo-Tang Yeh	9,241,347	3.29%
Chien Shing Investment Co., Ltd. Representative: Shuo-Tang Yeh	4,944,000	1.76%
Yeh Chen Pin	4,777,439	1.70%
Ai-Chu Hsu-Wu	3,000,000	1.07%
Hsing-Chi Yen	2,760,000	0.98%
Shih-Hao Huang	2,536,000	0.90%
Jui-Yuan Wu	2,014,000	0.72%
Guo-Yu Wu	1,965,000	0.70%

Note: As there are less than 10 shareholders holding more than 5% of the shares, the list of top 10 shareholders is disclosed.

(V) Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information:

Item		Year	2020	2019	Current year up until March 31, 2021 (Note 8)
Share price (Note 1)	Highest		4.2	2.95	3.29
	Lowest		1.14	1.46	2.20
	Average		2.14	1.84	2.72
Net worth per share (Note 2)	Before distribution		1.54	2.23	Note 9
	After distribution		Undistributed	Undistributed	Unresolved
Earnings per share	Weighted-average shares		281,167,262	281,167,262	281,167,262
	Earnings per share (Note 3)		(0.75)	(0.63)	Note 9
Dividends per share	Cash dividends		-	-	Unresolved
	Dividend distribution	Dividend distribution from earnings	-	-	Unresolved
		Dividend distribution from capital reserve	-	-	Unresolved
	Accumulated unpaid dividends (Note 4)		-	-	Unresolved
Analysis of investment returns	P/E ratio (price-to-earnings ratio) (Note 5)		(2.85)	(2.92)	Unresolved
	Price/Dividend ratio (Note 6)		-	-	Unresolved
	Cash dividend yield (Note 7)		-	-	Unresolved

Note 1: The highest and lowest market prices of common stocks for each year are listed, and are calculated on the basis of the annual transaction value and volume.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution of the general meeting of shareholders of next year.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note 6: Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note 8: The share price and related information are shown up until March 31, 2021.

Note 9: Up to the date of publication of the annual report, it has not been reviewed by the CPAs.

(VI) The company's dividend policy and implementation thereof:

1. The company's dividend policy:

Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any surpluses remaining will be added to unappropriated earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution.

The Company shall devise earnings appropriation plans for the amount of distributable earnings calculated above after taking into consideration prospects of the economic environment, future capital requirements, long-term financial plans, and shareholders' needs for cash inflow, and present the proposal for resolution at shareholder meeting. At least 10% of total shareholders' dividends shall be paid in cash, but the Company may choose to pay dividends in shares instead if cash dividends amount to less than NT\$0.5 per share.

2. Dividend distribution proposed on the most recent shareholders' meeting: The shareholders' meeting proposed not to distribute dividends.

(VII) Effect upon business performance and earnings per share of any distribution of bonus shares proposed or adopted at the most recent shareholders' meeting:

Not applicable as the shareholders' meeting did not resolve any distribution of bonus shares.

(VIII) Remuneration to employees and directors and supervisors:

1. Information Relating to Remuneration of Employees, Directors and Supervisors in the Company's Articles of Incorporation:

Annual profits concluded by the Company are subject to employee remuneration of 2%-3%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive this remuneration. Up to 1% of the aforementioned profit may be distributed as directors' remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings.

Profits must first be reserved to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages. The annual profit mentioned in Paragraph 1 shall refer to pre-tax profit before employees' and directors' remuneration in the current year.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: No distribution of remuneration to employees, directors, or supervisors.

3. Information on the proposed distribution of remuneration passed by the Board of Directors:

(1) Remuneration to employees, directors and supervisors is distributed in cash or shares. If there is a difference between the estimates in the year in which the expense is recognized, the amount, the reason and the treatment for the difference shall be disclosed: No distribution of remuneration to employees, directors, or supervisors.

(2) The amount of any employee remuneration distributed in stock, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: No distribution of remuneration to employees, directors, or supervisors.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized

employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: No distribution of remuneration to employees, directors, or supervisors.

(IX) Status of the Company repurchasing its own shares: None.

- II. The Company's handling of corporate bonds: None.
- III. The Company's preferred stocks: None.
- IV. Global Depository Receipts: None.
- V. The status of issue and private placement of employee stock warrants: None.
- VI. The status of new restricted employee shares: None.
- VII. New shares issued upon merger or acquisition or acquisition of another company's shares: None.
- VIII. Matters to be recorded regarding the capital allocation plan:
Up to the date of publication of the annual report, the Company did not have a capital allocation plan that was not completed, or planned to be completed but the benefits had not yet been shown.

Five. Operational Overview

I. Business activities

(I) Business activities:

1. Principal business activities:

- (1) CA01010Iron and Steel Smelt
- (2) CA01020Iron and Steel Rolling and Extruding
- (3) CA01050Steel Secondary Processing
- (4) CA02990Other Metal Products Manufacturing
- (5) CB01010Mechanical Equipment Manufacturing
- (6) CC01080Electronics Components Manufacturing
- (7) CO01010Tableware Manufacturing
- (8) F113010Wholesale of Machinery
- (9) F199990Other Wholesale Trade
- (10) F401010International Trade
- (11) H701010Housing and Building Development and Rental
- (12) H701030Funeral Places Lease Construction and Development
- (13) H701040Specific Area Development
- (14) B201010Mining of Metal Ores
- (15) F115020Wholesale of Ores
- (16) CA01090Aluminum Casting
- (17) CC01010Manufacture of Power Generation, Transmission and Distribution Machinery
- (18) CC01090Manufacture of Batteries and Accumulators
- (19) CD01030Motor Vehicles and Parts Manufacturing
- (20) CD01040Motorcycles and Parts Manufacturing
- (21) CD01050Bicycles and Parts Manufacturing
- (22) CD01990Other Transport Equipment and Parts Manufacturing
- (23) CQ01010Mold and Die Manufacturing
- (24) E603050Automatic Control Equipment Engineering
- (25) E603100Electric Welding Engineering
- (26) E604010Machinery Installation
- (27) E605010Computer Equipment Installation
- (28) JA02020Motorcycle Repair
- (29) JA02030Bicycle Repair
- (30) C901040Manufacture of Ready-mix Concrete
- (31) C901050Cement and Concrete Products Manufacturing
- (32) C901990Other Non-Metallic Mineral Products Manufacturing
- (33) J101080Resource Recycling
- (34) ZZ99999All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main products and weight:

Product/year	2020	2019
300 series	100.00%	100.00%
Others	0%	0%
Total	100.00%	100.00%

(II) Industry overview

1. Current and future industry prospects:

Steel is the foundation of a nation's industries; the material is critical for industrial development, and serves as a main driver for downstream industries, structural improvements, and growth of the overall economy. Specialized steel is especially useful for the development of high value-adding and technology-intensive industries in advanced nations; it is used extensively and has profound effect in industries such as machinery, electromechanical parts, auto industry, and electrical hand tools, making it an essential material for industry upgrade. The more advanced a nation's industries are, the higher volume of specialized steel is used. Taiwan's demand for stainless steel will increase given the ongoing upgrade of its industries, and there is still tremendous room for growth compared to other industrialized nations; meanwhile, demand for stainless steel among consumers is also rising due to improved living standards.

Stainless steel offers a number of advantages including appearance and high resistance against corrosion and heat that make it widely useful in chemical industries such as acid-making, paper-making, dyeing etc., as well as mechanical engineering, construction, electrical engineering, aerospace, arms, railroad, automobile, ship-making, household appliance, dining/kitchen utensil, construction, and renovation.

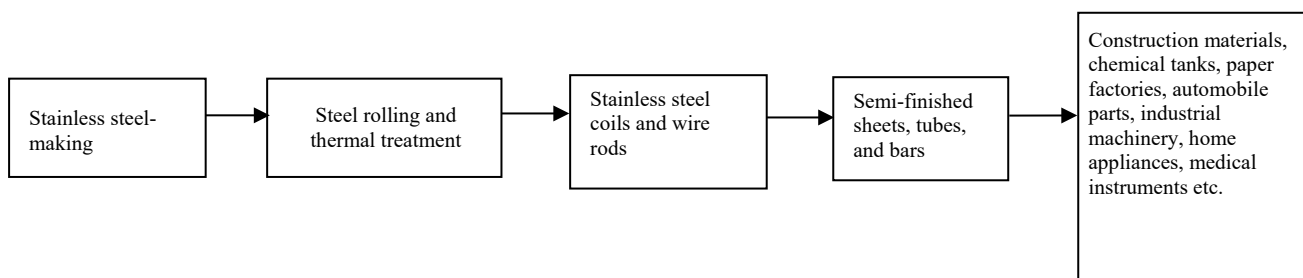
The main distinction between stainless steel and ordinary carbon steel is that the former has chromium and nickel added to it, making it resistant against rust and acid/alkaline corrosion when exposed to air. Stainless steel materials can be broadly classified between 300 series and 400 series, whereas product characteristics and uses are mainly distinguished between sheet and tube. Sheet materials emphasize more on surface treatment, and are used in applications that require flawless, steel-based exterior such as building decoration, chemical container, and household appliance; tube materials, on the other hand, demand less on surface treatment and emphasize more on material quality and chemical composition as they directly affect weld quality.

Tang Eng Iron Works was the nation's first company to produce stainless steel in July 1983. Out of support for the government's initiative to promote strategic industries, develop self-production capacity, and secure supply of stainless steel as a fundamental material for downstream industries, the Company invested substantial manpower and resources into the construction of a stainless steel cold rolling mill, which completed trial run in 1991 and began production in May 1992 at a capacity of 75,000 tons a year. An annealing acid wash line and a cold rolling machine were added in 2000 and 2001, and the plant is expected to produce 120,000 tonnes/year at full capacity.

2. Association between upstream, midstream, and downstream industry participants:

The Company operates in the midstream and upstream. It processes hot-rolled stainless steel coils through main production lines to produce 300 series cold-rolled stainless steel coils. China Steel, Yieh United, Tang Eng, and Walsin Lihwa are currently the main suppliers of hot-rolled stainless steel in Taiwan. High versatility makes stainless steel an essential material for light and heavy industries from metal hardware, construction, chemical engineering, food, mechanical engineering, to home appliance.

Association of Taiwan's stainless steel industry is depicted in the following figure:



3. Product trends:

Sophistication and application of stainless steel technology have evolved consistently over time, and the material is being used extensively for construction, transportation, kitchenware, appliances, and industrial machinery all over the world. Recent movements toward energy-saving, environment-friendly, and long-lasting materials also increase demand for stainless steel, and there is substantial gain to be generated from the growth of the stainless steel industry in the future.

4. Competition:

Currently, main producers of cold-rolled stainless steel coils in Taiwan include: Tang Eng, Yieh United, Chien Shing, Tung Mung, and Walsin, with Yieh United being able to produce more than one million tons

year. In terms of foreign competition, Tsinghan Holding has constructed plant facilities right at Indonesia's nickel mine zone, and proximity to raw materials provides it with great pricing advantage when competing with the rest of the world. Faced with such an intense competition, the Company will be diversifying raw material purchases to reduce production cost, while at the same time making improvements to production procedures and quality to improve competitiveness. The Company also has plans to explore new customer sources, build customer relations, and work with customers on expanding distribution channels for improved sales.

(III) Technological research and development:

1. R&D expenses made in the current year up until the publication date of annual report: None.
2. Future R&D plans:

The Company has an internal R&D team that is constantly researching for feasible solutions and proprietary technologies to improve quality consistency, reduce defect rate, promote real-time production quality feedback and online monitoring, streamline production and maintenance processes, and increase level of automation. The team has made many accomplishments over the years and proven itself competent at improving existing production procedures.

(IV) Long and short-term business plans:

Business development	Short-term plan	Medium and long-term plans
Product aspect	Make ongoing improvements to product quality and production efficiency; reduce costs and enhance competitiveness.	Keep track of demand changes in the market at all times, and develop new customer sources to facilitate market demand.
Customer, market, and sales aspects	1. Develop adequate understanding of customers' needs, build productive interaction with customers, gain control over distribution network, and explore business opportunities. 2. Secure market share in domestic sales and continue growing export sales.	1. Strive to increase market share in China and Southeast Asia. 2. Aim to decrease production cost, and thereby raising competitiveness and sharing profits with midstream and downstream customers.

II. Market, production and sales overview

(I) Market analysis:

1. Locations where products are mainly sold:

The Company mainly purchases hot-rolled stainless steel coils and have them processed through main production lines to produce 300 series cold-rolled stainless steel coils. Products are then sold to the downstream for cutting or tubing. The Company currently sells 100% of products domestically and exports 0%.

Locations where products are mainly sold in the last two years

Unit: NT\$ thousand

Year Location	2020		2019	
	Amount	%	Amount	%
Domestic sales	803,775	100.00	1,155,098	100.00
Export sales	0	0	0	0
Total	803,775	100.00	1,155,098	100.00

2. Market share:

Currently, main suppliers of cold-rolled stainless steel in Taiwan include: Tang Eng, Chien Shing, Tung Mung, Yieh United, and Walsin. Based on monthly volumes supplied by major stainless steel manufacturers in Taiwan, the Company is estimated to have a 4.5% market share selling an average of 3,000-4,000 tons per month.

3. Future market supply, demand and growth:

Stainless steel is a capital-intensive, technology-intensive, and high value-adding industry that not every developing nation has the market, capital, and technology to support. As a result, this material is

commonly produced at developed nations and purchased by developing or underdeveloped nations. Given the uprise of emerging countries and regions such as China, India, Russia, Brazil, Africa, and Vietnam, use of stainless steel will increase progressively to drive growth of the stainless steel industry. Due to recent changes in market demand, stainless steel manufacturers are shifting towards the development of high value-adding and environment-friendly products, a trend that is likely to continue in the future. Judging by the consistent growth of demand for cold-rolled stainless steel sheets, the stainless steel industry is still presented with great potentials, both in terms of domestic and export sales.

4. Competitive advantage:

The Company has placed great emphasis on raising technological competence and productivity, developing R&D capacity, and training local technological talents since it first constructed plant facilities. It is the only company in Taiwan capable of constructing an upgraded cold rolling mill all on its own without acquiring technology from a foreign counterpart, which greatly reduces operational and production costs. Furthermore, the Company has made pro-active efforts to expand production capacity, adding an annealing acid wash line in year 2000 followed by a 20-hi cold rolling mill in 2001 that increased annual production capacity from 75,000 tones to 120,000 tonnes. These expansions allowed the Company to achieve economy of scale, expand market share, increase utilization rate of existing facilities, support activation of other production lines, and ultimately reduce unit production cost.

5. Future opportunities, threats, and response strategies:

(1) Opportunities:

- a. Automated production, refined employee base, and strong productivity.
- b. Advanced production technology, top product quality, and track record of customer satisfaction.

(2) Threats:

Oversupply and intensifying competition of stainless steel.

(3) Response strategies:

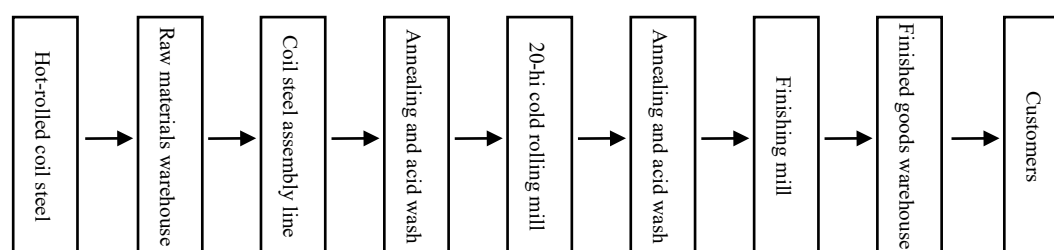
- a. Explore export markets outside China to diversify sales, and reduce impact of capacity expansion on the Company.
- b. Promote systematic management, digitalization, and modernization for enhanced management efficiency.
- c. Escalate research and development efforts for reduced production cost, enhanced production efficiency, and improved production process, quality, technological standards, and corporate competitiveness.

(II) Main product applications and production processes:

1. Main product applications: 304 series

Building facade, beer keg, grain processing equipment, cryo tube, acid-making equipment, nuclear reactor dome, sprinkler, awning, liquid nitrogen/fluorine/nitrogen container, carbonated drink mixer, distilling tube etc.

2. Production process of main products:



(III) Supply of main materials:

Hot-rolled stainless steel coils are the main raw materials used by the Company. These materials were sourced from local suppliers as well as foreign suppliers in China and Indonesia in 2019. The Company has developed productive and stable relationship with raw material suppliers; overall, the Company foresees no shortage of raw material in the future.

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1. List of major procurement customers:

Information on major suppliers in the most recent 2 fiscal years

Unit: NT\$ thousand

Item	2020				2019				As of the previous quarter of 2021			
	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net procurement in current year to the end of the previous quarter (%)	Relation to the issuer
1	b	421,566	65.23	None	c	862,833	77.54	None	b	179,221	100.00	None
2	d	224,745	34.77	None	a	249,956	22.46	None				
3												
4												
	Net procurement	646,311	100.00		Net procurement	1,112,789	100.00		Net procurement	179,221	100.00	

Reason for the change: Mainly due to the Company's operational needs.

2. List of major sales customers:

Major sales customers in the most recent 2 fiscal years

Unit: NT\$ thousand

Item	2020				2019				As of the previous quarter of 2021			
	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net sales in current year to the end of the previous quarter (%)	Relation to the issuer
1	A	275,729	34.30	None	A	417,042	36.10	None	B	197,724	44.13	None
2	B	242,259	30.14	None	B	247,437	21.42	None	A	147,096	32.83	None
3	C	195,151	24.28	None	C	210,363	18.21	None	Others	103,201	23.04	None
4	Others	90,636	11.28		Others	280,256	24.27					
	Net sales	803,775	100.00		Net sales	1,155,098	100.00		Net sales	448,021	100.00	

Reason for the change: Mainly due to the decrease in customer demand.

(V) Production value for the most recent 2 fiscal years:

Unit: NT\$ thousand

Major product	Production Value	2020			2019		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
	Year						
300 Series (ton)		120,000	11,727	798,093	120,000	20,939	1,395,468
Total		120,000	11,727	798,093	120,000	20,939	1,395,468

(VI) Sales volume for the most recent 2 fiscal years:

Unit: NT\$ thousand

Sales Value Major product	Year		2020				2019			
			Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
300 Series (ton)	14,150	769,001	0	0	18,653	1,111,496	0	0		
Others		34,774	0	0		43,602	0	0		
Total		803,775	0	0		1,155,098	0	0		

III. Information on employees during the most recent 2 fiscal years or during the current fiscal year up to the date of publication of the annual report

March 31, 2021

Year		2020	2019	Current year up until March 31
Number of employees	Direct employee	23	31	23
	Indirect employee	36	47	36
	Management	16	25	15
	Total	75	103	74
Average age		43.85	43.43	45.64
Average years of service		14.20	13.88	13.1
Education level distribution ratio (%)	Doctor	-	-	-
	Master	1.33%	2.91%	1.35%
	College	48.00%	43.69%	47.30%
	Senior high school	46.67%	51.46%	47.30%
	Below senior high school	4.00%	1.94%	4.05%

IV. Contribution to environmental protection

(I) Losses (compensations) and fines incurred due to pollution of environment in the last year up until the publication date of annual report:

Pollution (category and severity)	2020	Current year up until March 31, 2021
	1. Violation of Air Pollution Control Act 2.	1. Violation of Waste Disposal Act 2. Violation of Waste Disposal Act
Claimant or penalty issuer	Tainan City Government Environmental Protection Bureau	Tainan City Government Environmental Protection Bureau
Amount of compensation or penalty	1. NT\$200,000 2.	1. NT\$2,880,000 2. NT\$84,000
Other losses	None	None

(II) Future response strategies (including improvement measures) and possible expenses (including possible losses due to absence of response strategy, estimated amount of penalties and compensations etc.):

1. Proposed improvement plans:

(1) Air pollution:

- Prohibition against waste combustion within plant, and promotion of waste sorting.
- Regular replacement of production scrubber and accurate recording of replacement time, making sure that PH value and statutory requirements are met.
- Replacement and accurate recording of replacement date for bag-type dust filter A103.

(2) Waste:

- a. Change of Waste Disposal Plan depending on the state of waste produced in plant.
- b. Monthly reporting of waste produced, stored, cleared, and treated in plant.
- c. Storage of waste in accordance with rules, and thereby preventing pollution to the environment.
- (3) Water pollution:
 - a. Accurate recording of sludge produced, stored, and cleared.
 - b. Change of water pollution prevention permit depending on the state of in-plant water treatment facilities.
 - c. Quarterly inspection and reporting, and prevention of reporting errors.
- 2. Possible expenses: None
- 3. Possible losses due to absence of response strategy, and estimated amount of penalties and compensations: None

V. Labor-management relations

- (I) Availability and execution of employee welfare, education, training, and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights:
 - 1. All employees of the Company are covered by Labor Insurance, National Health Insurance, and group insurance. Benefits on childbirth, injury, healthcare, retirement, and death are paid according to Labor Insurance Act, National Health Insurance Act, and Labor Standards Act.
 - 2. The Company has an Employee Welfare Committee in place to oversee matters concerning employee welfare. In addition to organizing unscheduled activities, the Company also offers regular benefits such as: domestic trip, festive cash/gift, birthday cash, and wedding/funeral/celebration/condolence cash.
 - 3. The Company organizes internal training courses on a department-by-department basis and assigns employees to undergo external training from time to time to help employees develop professional character and competitive advantage.
 - 4. Implementation of the retirement system:
The Company has established employee retirement policy as part of its work rules. All permanent employees are entitled to pension benefits upon retirement that are calculated based on years of service and 6-month average salary at the time of retirement. The Company makes contributions totaling 2% of employees monthly salary into a pension fund account maintained with Bank of Taiwan according to "Regulations for the Allocation and Management of the Workers Retirement Reserve Funds." Starting from July 1, 2005, a defined contribution plan was introduced under the "Labor Pension Act" and applied to all local employees. For the new scheme, the Company contributes an amount no less than 6% of employees monthly salary to their individual accounts held with the Bureau of Labor Insurance.
 - 5. Enforcement of labor agreements and employee rights:
The Company has always valued employees benefits, and strives to provide a satisfying work environment and engage employees in two-way communication to promote harmonic employment relations.
 - 6. Employee behavior or ethics guidelines:
The Company has implemented the following rules to provide employees with a better understanding about work duties and ethics:
 - (1) Organization and responsibilities: Outline the function and responsibilities of each department.
 - (2) Work rules: Outline work hours, attendance requirements, reward and disciplinary actions, Leave of Absence Policy, and Employee Performance Evaluation Policy.
 - (3) Employee Work Ethics Guidelines.
- (II) Losses as a result of employment dispute in the last year up until the publication date of annual report: None
- (III) Existing and possible losses arising as a result of employment dispute, and response measures:
The Company currently does not have a union, but it values employees' welfare, provides them with a satisfying work environment, and engages them in two-way communication to maintain harmonic relations. The Company also has work rules implemented according to regulations to introduce reasonable standards on salary, work hours, leave of absence, and retirement. Due to proper training and robust measures on safety and health, the Company encountered no major employment dispute to date, and considers it extremely unlikely to incur losses on employment dispute in the future.
- (IV) Work environment and protection of employees' safety:
Chien Shing makes annual safety and health plans and duly enforces them to continually improve workplace health and safety. Chien Shing has assembled a Worker Safety and Health Committee to

improve on work safety issues. The committee convenes meetings once per quarter or on an ad-hoc basis. Work safety issues are discussed during management meetings held every Monday, and the Company has a work safety unit that publishes newsletters regularly or on an ad-hoc basis to convey work safety message.

1. Key safety and health management tasks

(1) Labeling and communication of dangerous and harmful materials

- a. Certain chemical equipment (tanks) are inspected once every two years and duly recorded in logs.
- b. The Company is involved in chemical operations; operators in each shift are certified to handle special chemical substances, and are re-trained once every 3 years according to policy.
- c. Substance safety data sheets are placed at locations that accessible to operators, and updated regularly or on an ad-hoc basis.
- d. Each unit conducts its own checks on chemical pipe flow and valve switch labeling.
- e. Protective gears are assigned to the units in need and placed under the custody of individual users.
- f. A 3-hour hazard training is held in December each year; below is the course program:
 - (a) Code of conduct for handling special chemical substances. (b) Operating procedures for handling special chemical substances. (c) Special chemical training.
- g. Leakage alarms are placed near workplaces that involve chemicals.
- h. First-aid kits are placed near workplaces that involve chemicals.
- i. Emergency sprinklers are inspected on a monthly basis.
- j. Rules on tank car unloading, tank labeling, tank car parking zone, and tyre stoppers have been implemented.
- k. A hazardous substances list has been created.

(2) The Company takes samples and conducts tests on the following hazardous workplaces once every six months:

- a. Workplaces that involve special chemicals. b. Workplaces of strong dust. c. Workplaces of high noise. d. Workplaces of high heat.

(3) Subcontractor management:

- a. The Company has implemented Subcontractor Safety and Health Work Rules. b. Hazard advices and safety advices are produced.

(4) The Company has implemented Employee Safety and Health Code of Conduct.

(5) Safety and health training.

- a. New recruits are subjected to worker safety and health training.
- b. Existing employees are subjected to the following on-job training:
 - (a) On-job training on boilers. (b) On-job training for special chemical substances managers.
 - (c) On-job training on cranes. (d) On-job training for first-aid personnel, re-trained once every 3 years.
 - (e) On-job training for hypoxia operations supervisor, re-trained once every 3 years.
 - (f) On-job training for forklift operator, re-trained once every 3 years.
 - (g) On-job training for safety and health officer, re-trained once every 3 years.
 - (h) On-job training for Class A safety and health officer, re-trained once every 3 years.

(6) Management of personal protection gear.

- a. A registry of protective gears has been created.
- b. Notes on use of protective gear have been established.

(7) Health checkup, health management, and health promotion activities are carried out in August each year.

(8) Emergency response measures are implemented in June and December each year.

Training of the internal fire safety team is held at the end of June and December each year.

(9) Data on occupational hazards, close calls, and events that affect physical or mental health is analyzed.

- a. Accidental injury report forms are filed for every injury occurred.
- b. Occupational hazard statistics is analyzed on a yearly basis.

(10) Other safety and health measures.

- a. Notes on coil steel and retaining walls have been established.
- b. Notes on forklift operations have been established as part of the safety and health code of conduct.
- c. Notes on crane operations have been established as part of the safety and health code of conduct. d. Notes on earthquake have been established.
- e. Notes on prevention of pneumoconiosis have been established.
- f. Prevention of noise hazard has been established as part of the safety and health code of conduct.
- g. Test reports on high pressure equipment is prepared on a yearly basis.

2. Worker and mechanical equipment audit

(1) Mechanical equipment management.

- a. Dangerous machinery: All cranes are certified and inspected on a monthly basis, whereas operators are certified and re-trained once every 3 years.
- b. Dangerous equipment: All boilers are certified and inspected on a monthly basis, whereas operators are

certified and re-trained once every 3 years.

(2) Regular inspection, special inspection, operational inspection, and on-site inspection:

a. Monthly inspections:

(a) Crane inspection sheet. (b) Cable inspection sheet. (c) Boiler inspection sheet. (d) Generator inspection sheet.

(e) Gas pipe inspection sheet. (f) Air compressor inspection sheet.

b. Daily inspections: (a) Special chemical pre-operation inspection sheet. (b) Forklift inspection sheet. (c) Crane inspection sheet.

c. The work safety unit inspects for defect on a regular and ad-hoc basis, and raises defect on-site or during manager meetings.

d. The work safety unit communicates with employees on work safety issues on a regular or ad-hoc basis through the use of work safety newsletters.

The Company adopts Management by Walking Around as a way to manage safety and health, and to raise employees' work safety awareness for the prevention of future accidents.

VI. Major contracts:

Nature of contract		Parties involved	Contract start/end date	Main details	Restrictive clauses
1.	Supply contract	Shin Nan Natural Gas	2019.05.17-2029.05.17	Supply of natural gas as industrial fuel	None
2.	Environmental protection contract	Laurel Cosmos	2019.01.01-2020.12.31	Treatment of plant waste (D-0902;D1099)	None
3.	Environmental protection contract	Yi Bang Enterprise	2019.02.03-2020.12.31	Treatment of plant waste (R-1201)	None
4.	Environmental protection contract	San Yu Transport	2019.02.03-2020.12.31	Clearance of plant waste (R-1201)	None
5.	Environmental protection contract	Greenstone Environmental	2019.05.15-2021.04.30	Treatment of plant waste (D-0902)	None
6.	Environmental protection contract	Taiwan Environment Scientific	2019.06.20-2021.04.30	Clearance of plant waste (D-0902)	None
7.	Environmental protection contract	Hao Chun Development	2019.08.27-2021.04.30	Clearance of plant waste (D-0902; D1099; D1199)	None
8.	Environmental protection contract	KATEC Creative	2019.09.01-2022.12.31	Treatment of plant waste (C-0104)	None
9.	Environmental protection contract	We Cheer Recycling	2019.09.01-2022.12.31	Clearance of plant waste (C-0104)	None
10.	Environmental protection contract	Taiwan Environment Scientific	2019.09.03-2022.12.31	Clearance of plant waste (C-0104)	None
11.	Environmental protection contract	Yung Sheng Environmental Protection	2019.11.18-2020.12.31	Clearance of plant waste (R-1201)	None
12.	Environmental protection contract	Hong Pan Enterprise	2019.11.18-2020.12.31	Treatment of plant waste (R-1201)	None
13.	Environmental protection contract	Yong Chieh Resources	2019.12.23-2020.12.31	Clearance of plant waste (D-0902)	None
14.	Environmental protection contract	De Yu Environmental	2019.12.23-2020.12.31	Clearance of plant waste (D-0902)	None
15.	Environmental protection contract	Chi Te Fang Cheng	2020.01.15-2020.12.31	Treatment of plant waste (D-0902)	None
16.	Environmental protection contract	San Yu Transport	2020.01.15-2020.12.31	Clearance of plant waste (D-0902)	None
17.	Environmental protection contract	Chuan Chia Environment	2020.01.15-2020.12.31	Treatment of plant waste (R-1201)	None
18.	Environmental protection contract	San Yu Transport	2020.01.15-2020.12.31	Clearance of plant waste (R-1201)	None

19.	Environmental protection contract	Pai Yuan Industrial	2020.03.01-2020.12.31	Treatment of plant waste (R-1201)	None
20.	Environmental protection contract	Chia Mao Transport	2020.03.01-2020.12.31	Clearance of plant waste (R-1201)	None
21.	Environmental protection contract	Yung Sheng Environmental Protection	2020.05.07-2020.12.31	Clearance of plant waste (R-1201)	None
22.	Environmental protection contract	Chia Mao Environmental Protection	2020.05.07-2020.12.31	Clearance of plant waste (R-1201)	None
23.	Environmental protection contract	An Shin Enterprise	2020.05.07-2020.12.31	Treatment of plant waste (R-1201)	None
24.	Environmental protection contract	Yung Sheng Environmental Protection	2020.10.01-2021.12.31	Treatment of plant waste (C-0104)	None
25.	Environmental protection contract	Chia Mao Transport	2020.10.01-2021.12.31	Clearance of plant waste (C-0104)	None
26.	Environmental protection contract	Chaoyang University of Technology	2020.01.01-2020.06.30	Testing of stainless steel sludge within plant	None
27.	Environmental protection contract	Revival Environmental Industry	2020.04.01-2020.12.31	Treatment of plant waste (R-1201)	None
28.	Environmental protection contract	Yung Sheng Environmental Protection	2020.04.01-2020.12.31	Clearance of plant waste (R-1201)	None
29.	Environmental protection contract	Chia Mao Transport	2020.04.01-2020.12.31	Clearance of plant waste (R-1201)	None
30.	Environmental protection contract	Yung Sheng Environmental Protection	2021.01.01-2021.12.31	Clearance of plant waste (D-0902)	None
31.	Environmental protection contract	Yong Chieh Resources	2021.01.01-2021.12.31	Clearance of plant waste (D-0902)	None
32.	Environmental protection contract	Laurel Cosmos	2021.01.01-2021.12.31	Treatment of plant waste (D-0902)	None
33.	Environmental protection contract	Revival Environmental Industry	2021.01.01-2021.12.31	Treatment of plant waste (R-1201)	None
34.	Environmental protection contract	Yung Sheng Environmental Protection	2021.01.01-2021.12.31	Clearance of plant waste (R-1201)	None
35.	Environmental protection contract	Hong Pan Enterprise	2021.01.01-2021.12.31	Treatment of plant waste (R-1201)	None
36.	Environmental protection contract	Yung Sheng Environmental Protection	2021.01.01-2021.12.31	Clearance of plant waste (R-1201)	None
37.	Environmental protection contract	Pai Yuan Industrial	2021.01.01-2021.12.31	Treatment of plant waste (R-1201)	None
38.	Environmental protection contract	Yung Sheng Environmental Protection	2021.01.01-2021.12.31	Clearance of plant waste (R-1201)	None
39.	Environmental protection contract	San Yu Transport	2021.02.23-2021.12.31	Clearance of plant waste (R-1201)	None
40.	Environmental protection contract	Yi Bang Enterprise	2021.02.23-2021.12.31	Clearance of plant waste (R-1201)	None

Six. An Overview of the Company's Financial Status

I. Condensed balance sheets and statements of comprehensive income for the most recent 5 fiscal years

(I) Condensed balance sheets and comprehensive income statements - International Financial Reporting Standards

1. Condensed Balance Sheet - Consolidated

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 fiscal years (Note)	
		2017	2016
Current assets		960,340	913,837
Property, Plant and Equipment		998,008	1,085,205
Intangible assets		-	70
Other assets		2,890	3,017
Total assets		2,198,325	2,245,159
Current liabilities	Before distribution	808,499	1,005,940
	After distribution	Undistributed	Undistributed
Non-current liabilities		17,515	17,761
Total liabilities	Before distribution	826,014	1,023,701
	After distribution	Undistributed	Undistributed
Equity attributable to owners of the parent company		1,372,311	1,221,409
Share capital		2,811,673	3,228,341
Capital reserve		718,040	449,535
Retained earnings	Before distribution	(2,249,081)	(2,404,132)
	After distribution	Undistributed	Undistributed
Other equities		91,679	(16,502)
Treasury stocks		-	(35,833)
Non-controlling interests		-	49
Total Equity	Before distribution	1,372,311	1,221,458
	After distribution	Undistributed	Undistributed

Note 1. Information for the most recent 5 fiscal years has been audited by CPAs.

2. For those who have been notified by the competent authorities to revise their financial information:
None.

3. Consolidated financial reports are no longer required to be prepared since 2018, as the subsidiary was dissolved as a result of the simplified merger with the subsidiary.

2. Condensed Balance Sheet - Individual

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 fiscal years (Note)					Current year up until March 31, 2021 (Note 3)
		2020	2019	2018	2017	2016	
Current assets		825,076	888,845	988,769	960,340	681,175	Not applicable
Property, Plant and Equipment		729,083	842,873	934,992	998,008	1,085,157	
Intangible assets		-	-	-	-	70	
Other assets		4,635	7,677	12,680	2,890	3,017	
Total assets		1,754,625	1,920,233	2,139,164	2,198,325	2,352,499	
Current liabilities	Before distribution	872,527	727,909	1,009,124	808,499	1,113,329	
	After distribution	Note 2	Undistributed	Undistributed	Undistributed	Undistributed	
Non-current liabilities		447,990	565,863	306,041	17,515	17,761	
Total liabilities	Before distribution	1,320,517	1,293,772	1,315,165	826,014	1,131,090	
	After distribution	Note 2	Undistributed	Undistributed	Undistributed	Undistributed	
Equity attributable to owners of the parent company		434,108	626,461	823,999	1,372,311	1,221,409	
Share capital		2,811,673	2,811,673	2,811,673	2,811,673	3,228,341	
Capital reserve		-	-	-	718,040	449,535	
Retained earnings	Before distribution	(2,372,061)	(2,162,971)	(1,985,574)	(2,249,081)	(2,404,132)	
	After distribution	Note 2	Undistributed	Undistributed	Undistributed	Undistributed	
Other equities		(5,504)	(22,241)	(2,100)	91,679	(16,502)	
Treasury stocks		-	-	-	-	(35,833)	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before distribution	434,108	626,461	823,999	1,372,311	1,221,409	
	After distribution	Note 2	Undistributed	Undistributed	Undistributed	Undistributed	

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

2: Not yet resolved by the shareholders' meeting for distribution or appropriation.

3: Until publication date of the annual report, it has not been reviewed by the CPAs.

4: 2016 to 2018 are standalone financial information; 2019-2020 are individual financial information.

2. Information of condensed statements of comprehensive income

(1) Statements of comprehensive income - consolidated

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 fiscal years (Note)	
		2017	2016
Operating income		3,645,877	3,648,157
Operating profit (loss)		197,787	110,042
Operating (loss) income		146,210	53,118
Non-operating income and expense		9,195	38,992
Net income (loss) before tax		155,405	92,110
Net profit (loss) for continuing operations for the period		155,178	91,860
Loss of discontinued operations		-	-
Net income (loss) for the period		155,178	91,860
Other comprehensive income, net		(4,325)	(16,345)
Total comprehensive income in the current period		150,853	75,515
Net income attributable to owners of the parent company		155,176	91,858
Net income attributable to non-controlling interests		2	2
Comprehensive income attributable to owners of the parent company		150,851	75,515
Comprehensive income attributable to non-controlling interests		2	-
Earnings per Share		0.55	0.33

Note 1. Information for the most recent 5 fiscal years has been audited by CPAs.

2. For those who have been notified by the competent authorities to revise their financial information:

None.

3. Consolidated financial reports are no longer required to be prepared since 2018, as the subsidiary was dissolved as a result of the simplified merger with the subsidiary.

(2) Statements of comprehensive income - condensed

Unit: NT\$ thousand

Item	Financial information for the most recent 5 fiscal years (Note)					Current year up until March 31, 2021 (Note 3)
	2020	2019	2018	2017	2016	
Operating income	803,775	1,155,098	2,838,205	3,645,877	3,648,157	Not applicable
Operating profit (loss)	(188,829)	(159,593)	(38,469)	197,787	110,042	
Operating (loss) income	(221,988)	(197,101)	(85,153)	148,100	55,570	
Non-operating income and expense	12,310	19,272	(429,278)	7,076	36,288	
Net income (loss) before tax	(209,678)	(177,829)	(514,431)	155,176	91,858	
Net profit (loss) for continuing operations for the period	(209,678)	(177,829)	(514,137)	155,176	91,858	
Loss of discontinued operations	-	-	-	-	-	
Net income (loss) for the period	(209,678)	(177,829)	(514,137)	155,176	91,858	
Other comprehensive income for the period (Net after tax)	17,325	(19,709)	(34,175)	(4,325)	(16,343)	
Total comprehensive income in the current period	(192,353)	(197,538)	(548,312)	150,851	75,515	
Net income attributable to owners of the parent company	(209,678)	(177,829)	(514,137)	155,176	91,858	
Net income attributable to non-controlling interests	-	-	-	-	-	
Comprehensive income attributable to owners of the parent company	(192,353)	(197,538)	(548,312)	150,851	75,515	
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per Share	(0.75)	(0.63)	(1.83)	0.55	0.33	

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

2: For those who have been notified by the competent authorities to revise their financial information: None.

3: Until publication date of the annual report, it has not been reviewed by the CPAs.

4: 2016 to 2018 are standalone financial information; 2019-2020 are individual financial information.

(II) Name and audit opinion of the CPAs for the most recent 5 fiscal years:

Year	CPA	Audit Opinion
2016	Eugene Hou, Samuel Lu	Unqualified opinion plus the paragraph of material uncertainties and other matters relating to continuing operations
2017	Eugene Hou, Samuel Lu	Unqualified opinion to strengthen the paragraph of the matter
2018	Eugene Hou, Samuel Lu	Unqualified opinion
2019	Eugene Hou, Arnico Tseng	Unqualified opinion plus material uncertainties relating to continuing operations
2020	Eugene Hou, Arnico Tseng	Unqualified opinion plus material uncertainties relating to continuing operations

II. Financial analysis for the past five fiscal years

(I) Financial analysis - International Financial Reporting Standards

1. Financial analysis - Consolidated

Analysis \ Year		Financial information for the most recent 5 fiscal years (Note)	
		2017	2016
Financial structure %	Debt to assets ratio	37.57	45.6
	Long-term capital to property, plant and equipment ratio	139.26	114.19
Solvency (%)	Liquidity ratio	118.78	90.84
	Quick ratio	23.46	27.3
	Times interest earned	11.07	4.34
Operating capacity	Turnover of receivables (per time)	275.96	155.6
	Average collection days for receivables	1.32	2.35
	Inventory turnover (per time)	5.84	5.6
	Payables turnover (per time)	10.66	112.99
	Average days for sale	62.07	65.18
	Turnover of property, plant, and equipment (per time)	3.5	3.2
	Total assets turnover (per time)	1.64	1.51
	Return on assets (%)	7.56	4.76
Profitability	Return on equity (%)	11.97	7.76
	Ratio of profit before tax to paid-in capital (%) (Note 10)	5.53	1.65
	Net profit margin (%)	4.26	2.52
	Earnings per share (NT\$)	0.55	0.33
	Cash flow ratio (%)	80.30	39.7
Cash flows	Cash flow adequacy ratio (%)	264.69	171.63
	Cash re-investment ratio (%)	13.19	8.37
	Operating leverage	1.78	3.15
Leverage	Financial leverage	1.12	2.08

Note: Consolidated financial reports are no longer required to be prepared since 2018, as the subsidiary was dissolved as a result of the simplified merger with the subsidiary.

2. Financial analysis - Individual

Analysis Item \ Year		Financial analysis for the most recent 5 fiscal years (Note 1)					Financial information for the current year up until March 31, 2021 (Note 5)
		2020	2019	2018	2017	2016	
Financial structure %	Debt to assets ratio	75.26	67.38	61.48	37.57	48.08	Not applicable
	Long-term capital to property, plant and equipment ratio	120.99	141.46	118.82	139.26	114.19	
Solvency (%)	Liquidity ratio	94.56	122.11	97.98	118.78	61.18	
	Quick ratio	10.54	30.19	39.72	23.46	3.79	
	Times interest earned	Note 3	Note 3	Note 3	9.13	3.87	
Operating capacity	Turnover of receivables (per time)	88.62	-	-	275.96	155.6	
	Average collection days for receivables	4.12	-	-	1.32	2.35	
	Inventory turnover (per time)	2.01	2.3	4.89	5.84	5.6	
	Payables turnover (per time)	55.41	89.56	8.02	10.66	112.99	
	Average days for sale	181.59	158.70	74.64	62.07	65.18	
	Turnover of property, plant, and equipment (per time)	1.02	1.3	2.94	3.5	3.2	
	Total assets turnover (per time)	0.44	0.57	1.31	1.6	1.42	
Profitability	Return on assets (%)	(10.80)	(8.15)	(23.2)	7.52	4.6	
	Return on equity (%)	(39.54)	(24.52)	(46.82)	11.97	7.76	
	Ratio of profit before tax to paid-in capital (%) (Note 10)	(7.46)	(6.32)	(18.3)	5.52	2.85	
	Net profit margin (%)	(26.09)	(15.4)	(18.11)	4.26	2.52	
	Earnings per share (NT\$)	(0.75)	(0.63)	(1.83)	0.55	0.33	
Cash flows	Cash flow ratio (%)	Note 2	Note 2	(23.74)	80.1	35.66	
	Cash flow adequacy ratio (%)	Note 2	142.25	147.24	165.63	133.65	
	Cash re-investment ratio (%)	Note 2	Note 2	Note 2	13.16	8.33	
Leverage	Operating leverage	Note 4	Note 4	Note 4	1.76	3.02	
	Financial leverage	Note 4	Note 4	0.86	1.15	2.36	

Please explain the reason for ratio changes for financial information in the most recent 2 fiscal years.

- I. In terms of the financial structure:
 1. Debt to assets ratio increased due to the decrease in total assets in 2020..
 2. Long-term capital to property, plant and equipment ratio decreased due to the decrease in shareholders' equity in 2020.
- II. In terms of solvency:

Liquidity ratio and quick ratio decreased due to the decrease in current assets and quick assets and the increase in current liabilities in 2020.
- III. In terms of operating capacity:
 1. Accounts payable turnover ratio decreased due to the decrease in procurement amount in 2020.
 2. Turnover of property, plant, and equipment and total assets turnover decreased due to the decrease in net sales in 2020.
- IV. In terms of profitability:

Return on assets, return on equity and net profit margin decreased due to the increase in net loss after tax in 2020.
- V. In terms of cash flows:

Not applicable as the net cash flows from operating activities for 2019 and 2020 were net outflows.
- VI. In terms of leverage:

Not calculated as 2019 and 2020 resulted in a net loss.

Note 1: Above financial information has been audited by CPAs.

Note 2: Not applicable as the net cash flows from operating activities are outflows.

Note 3: Not calculated as this year was a net loss before income tax expense.

Note 4: Not calculated as this year was a net operating loss.

Note 5: Until publication date of the annual report, it has not been reviewed by the CPAs.

Note 6: Formulas for calculating each of the above ratios are as follows:

1. Financial structure

- (1) Debt-to-asset Ratio = total liabilities/total assets.
- (2) Long-term Capital to Property, Plant and Equipment Ratio = (total equity + non-current liabilities)/net of property, plant, and equipment.

2. Solvency

- (1) Liquidity Ratio = current assets/current liabilities.
- (2) Quick Ratio = (current assets – inventory – prepaid expenses)/current liabilities.
- (3) Times Interest Earned = income before income tax and interest expenses/current interest expenses.

3. Operating Capacity

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = net sales amount/average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
- (2) Average Collection Days for Receivables = 365/turnover of receivables.
- (3) Inventory Turnover = cost of goods sold/average inventory.
- (4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) for each period.
- (5) Average Days of Sale = 365/inventory turnover.
- (6) Turnover of Property, Plant, and Equipment = net sales amount/average net worth of property, plant, and equipment.
- (7) Total Assets Turnover = net sales amount/average total assets.

4. Profitability

- (1) Return on Assets = [net income + interest expenses (1 - tax rate)]/average total assets.
- (2) Return on Equity = net income/average total equity.
- (3) Net profit margin = net income/net sales amount.
- (4) Earnings per Share (EPS) = (profit and loss attributable to owners of the parent – dividends on preferred shares)/weighted average number of issued shares. (Note 7)

5. Cash Flow

- (1) Cash Flow Ratio = net cash flow from operating activities/current liabilities.
- (2) Net Cash Flow Adequacy Ratio = net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividends for the most recent five years).
- (3) Cash Re-investment Ratio = (net cash flow from operating activities – cash dividends)/gross property, plant, and equipment value + long-term investment + other non-current assets + working capital). (Note 8)

6. Leverage:

- (1) Operating Leverage = (net operating revenue – variable operating costs and expenses)/operating income (Note 9).
- (2) Financial Leverage = operating income/(operating income - interest expenses).

Note 7: The above formula for calculating earnings per shares should pay special attention to the following when measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 8: Special attention should be paid to the following when analyzing cash flows:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than their balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Fixed assets means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 9: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 10: If the Company's shares are no par or not in the denomination of NT\$10, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

Note 11: 2016 to 2018 are standalone financial analysis; 2019-2020 are individual financial analysis.

III. Audit Committee's Review Report on the Most Recent Annual Financial Report

Chien Shing Stainless Steel Co., Ltd.

Audit Committee's Review Report

The Board of Directors has submitted the Company's 2020 financial report, which has been jointly audited by CPA Eugene Hou and CPA Arnico Tseng of Diwan & Company, and the business report and Deficit Compensation Statement, which have been reviewed by the Audit Committee, with no discrepancy found. We have presented you the reports based on the provisions stipulated in Article 14-4 and Article 36 in the Securities and Exchange Act and Article 219 and Article 228 in the Company Act.

Regards,

2021 Annual General Meeting of

Chien Shing Stainless Steel Co., Ltd.

Convener of the Audit Committee:



March 23, 2021

CPAs' Audit Report

To Chien Shing Stainless Steel Co., Ltd.:

Audit Opinion:

We have audited the accompanying individual balance sheet of Chien Shing Stainless Steel Co., Ltd. (the "Company"), as of December 31, 2020 and 2019, and the individual statements of comprehensive income, individual changes in equity and individual cash flows for the years then ended, and the notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its individual financial performance and its individual cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission.

Basis for Opinion

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

Uncertainties related to continuing as a going concern

As indicated in Note 12, Paragraph 3 of the individual financial statements, the Company's operation in 2020 was short of expectation, and continued losing. As of December 31, 2020, the deficit to be compensated was NTD 2,372,061 thousands. This condition demonstrate that there is material uncertainties related to continuing as a going concern. We have not revised our opinion accordingly.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the Company for the year 2020. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We decided the key audit matters are the followings:

(Cont'd)

I. Impairment of Property, Plant and Equipment

Please refer to Note 4.8(2) of the individual financial statements for the accounting policy for property, plant and equipment; for the material estimations and the major sources of assumed uncertainties, please refer to Note 5.2(4) of the individual financial statements

Property, plant and equipment are the major assets of the Company, as of December 31, 2020, their carrying amount was NTD 729,083 thousand, accounted for 42% of the total assets. When evaluating any impairment sign by the management, they have to estimate the recoverable amount of such asset. When evaluating the impairment of assets, the value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The application of value in use must estimate the future cash inflow and outflow derived from continuous use and final disposal of such asset, and the proper discount rate shall be applied to such future cash flow. Since the judgement and assumption involved in evaluating impairment of assets, including identification of cash-generating unit, future sales forecast, estimated profit of products, remaining economic life of the asset, and the current time value of money; the management shall make the best estimation. Therefore we consider the impairment of property, plant and equipment is one of the most material matters when auditing the Company's individual forecast statements.

The related audit procedure undertaken by us including assessing if the management has clear identified the information from internal and external sources for signs of impaired asset; reviewing the reasonableness of the estimation basis of future cash flow applied by the management; reviewing the discount rate applied by the management reflecting the ratio of the current market assessment to the time value of money and certain risks of the asset; assessing the reasonableness of the cash generating unit to which the asset attributed to identified by the management; and calculating the estimation of the recoverable amount of the asset.

II. Valuation of Inventories

Please refer to Note 4.9 of the individual financial statements for the accounting policy for valuation of inventories; for the material estimations and the major sources of assumed uncertainties, please refer to Note 5.2(3) of the individual financial statements

As of December 31, 2020, the Company's carrying amount of inventories was NTD 435,741 thousand, accounted for 25% of the total assets. The Company mainly produces and sells cold-rolled stainless coil products; its production and marketing policy is affected by the changes of market demands. When an inventory is damaged, all or part obsolete or selling price depreciated, the cost of such inventory may not be recovered. When the estimated costs to be input until completion and the estimated costs required for sales increased, the cost of such inventory may not be recovered, either. The use and value of inventories mainly depend on the inventory management policy of the management, and the future sales forecast of the products. However, forecast is uncertain, and thus we consider valuation of inventories is one of the most material matters when auditing the Company's individual forecast statements.

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Key determining factors for valuation of inventories, mainly is the estimates of net realizable value, which is based on the most reliable evidence of the expected realizable value of inventories at the time of estimation. In this regard, the related audit procedure undertaken by us including reviewing if the policy of the Company to determine the net realizable value of inventories reasonably reflects the future sales forecast of the inventories; the historical experience and other certain conditions; analyzing and testing the ages of inventories to identify if certain obsolete inventories have been appropriated for inventory depreciation loss reasonably based on the historical experience; and assessing the matters after the period within the proved extent of the conditions at the end of period, and how the fluctuation of prices or costs directly related to the matters after the period impact the net realizable value of inventories.

III. Estimated Provision for Expenses to Clean the Landfilled Industrial Waste in the Plant Area and the Fine due to Violating the Waste Disposal Act

Please refer to Note 4.13 of the individual financial statements for the accounting policy for provision; for the material estimations and the major sources of assumed uncertainties, please refer to Note 5.2(2) of the individual financial statements; for details of provision please refer to Note 6.8 of the individual financial statements.

The Company has been suspected to landfill the industrial waste in its plant area, and thus violating the Waste Disposal Act; consequently the estimates of the said waste cleaning expense and possible fine are derived. The Company's best estimate of the required expenditure to fulfill this obligation, and the best estimate for each subsequent balance sheet date, are involved with the material assumptions and estimates made by the management, including the estimate of the volumes of waste and polluted soil, and estimate of the cleaning expenses. The actual results may differ from the estimates. Therefore, we consider the estimated provision for expenses to clean the landfilled industrial waste in the plant area and the fine due to violating the Waste Disposal Act is one of the most material matters when auditing the Company's individual forecast statements.

The related audit procedure undertaken by us including understanding the estimation procedure applied by the management, estimation method and related assumptions, and regularly reviewing the estimation process and assessing the reasonableness; obtaining the expert's appraisal report or the approved result of the waste cleaning plan by the competent authorities; obtaining the quotation or agreement of the cleaning expense provided by vendors; reviewing and calculating the estimate documents from the management, reviewing if the management's regular review of estimates reflect the current best estimates; corresponding with external lawyers for inquiry and proof, and clarifying the use of provision.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Diwan & Company
The Financial Supervisory Commission R.O.C. Approval No.
for the Certification:

Jing Guang Zheng Liu Zhi No. 0970053637

Jing Guang Zheng Shen Zhi No. 0990071790

Eugene Hou

CPA:

Arnico Tseng

March 23, 2021

Chien Shing Stainless Steel Co., Ltd.
Individual Balance Sheet
December 31, 2020 and December 31, 2019
(All amounts in NTD thousand)

Asset		Notes	December 31, 2020		December 31, 2019		LIABILITIES AND EQUITY		Notes	December 31, 2020		December 31, 2019	
Code	Accounting Item		Amount	%	Amount	%	Code	Accounting Item		Amount	%	Amount	%
11xx	Current asset						21xx	Current liabilities					
1100	Cash and cash equivalents	IV and VI.1	\$ 20,588	1	\$ 155,627	8	2150	Note payable	IV	\$ 7,408	-	\$ 10,916	1
1110	Financial assets at FVTPL - Current	IV and VI.2	52,410	3	62,000	3	2170	Accounts payable	IV	4,919	-	87	-
1170	Net receivable	IV and VI.3	18,139	1	-	-	2200	Other payables	IV	26,846	2	30,504	2
1200	Other receivables	IV	846	-	2,155	-	2220	Other payables- related parties	IV and VII	83,000	5	-	-
130x	Inventories	IV, V and VI.4	435,741	25	554,353	29	2250	Provisions - current	IV, V and VI.8	236,262	14	173,534	9
1410	Prepayments		294,749	17	114,660	6	2300	Advance receipts and other current liabilities	IV	1,918	-	694	-
1470	Other current assets		2,603	-	50	-	2322	Long-term borrowings due within a year	IV, VI.9 and VIII	512,174	29	512,174	26
	Total current assets		825,076	47	888,845	46		Total current liabilities		872,527	50	727,909	38
							25xx	non-current liabilities					
							2540	Long-term borrowings	IV, VI.9 and VIII	286,949	16	286,949	15
							2550	Provisions - non-current	IV, V and VI.8	147,508	8	264,224	14
							2640	Net defined benefit liability- non-current	IV, V and VI.10	13,533	1	14,690	1
								Total non-current liabilities		447,990	25	565,863	30
							2xxx			1,320,517	75	1,293,772	68
15xx	non-current assets						31xx	Equity	IV and VI.11				
1517	Financial assets measured at fair value through other comprehensive income- non-current	IV and VI.5	67,968	4	51,231	3	3100	Ordinary share capital		2,811,673	160	2,811,673	146
1600	Property, Plant and Equipment	IV, V, VI.6, VIII and IX	729,083	42	842,873	44	3300	Retained earnings					
1760	Net investment property	IV, V, VI.7, VI.20, VII and VIII	127,863	7	129,607	7	3350	Deficit to be compensated	VI.12	(2,372,061)	(135)	(2,162,971)	(113)
1840	Deferred tax assets	IV, V and VI.19	2,847	-	2,994	-	3400	Other equities					
1915	Prepayments for equipment		1,660	-	4,402	-	3420	Unrealized valuation loss on financial assets measured at FVTOCI	IV, VI.5, VI.13 and VI.18	(5,504)	-	(22,241)	(1)
1920	Refundable deposits		2	-	2	-	3xxx	Total equity		434,108	25	626,461	32
1990	Other non-current assets- others		126	-	279	-							
	Total non-current assets		929,549	53	1,031,388	54							
								Total liabilities and equities		\$ 1,754,625	100	\$ 1,920,233	100
1xxx	Total assets		\$ 1,754,625	100	\$ 1,920,233	100							

(Please refer to the notes of individual financial statements)

Chairman: Shuo-Tang Yeh

Managerial Officer: Shuo-Tang Yeh

Head of Accounting: Li-Yun Chiu

Chien Shing Stainless Steel Co., Ltd.
Individual Statement of Comprehensive Income
January 1, 2020 to December 31, 2020
January 1, 2019 to December 31, 2019
(Unit: NTD thousand; but EPS in NTD)

Code	Accounting Item	Notes	2020		2019	
			Amount	%	Amount	%
4000	Net operating income	IV and VI.14	\$ 803,775	100	\$ 1,155,098	100
5000	Operating cost	IV, VI.4, VI.10 and VI.15	(992,604)	(123)	(1,314,691)	(114)
5900	Operating loss		(188,829)	(23)	(159,593)	(14)
6000	Operating expenses	IV, VI.10 and VI.15				
6100	Selling and marketing expenses		(5,918)	(1)	(6,997)	(1)
6200	Administrative expenses		(25,554)	(3)	(28,824)	(2)
	Total operating expenses		(31,472)	(4)	(35,821)	(3)
6500	Net other incomes and expense	IV, VI.7, VI.16 and VII	(1,687)	-	(1,687)	-
6900	Operating loss		(221,988)	(27)	(197,101)	(17)
7000	Non-operating income and expense					
7100	Interest income	VI.17	144	-	692	-
7010	Other income	VI.5, VI.6, VI.17 and XII.4	19,860	2	13,991	1
7020	Other gains or losses	VI.2 and VI.17	6,350	1	20,177	2
7050	Financial costs	IV and VI.17	(14,044)	(2)	(15,588)	(1)
	Total non-operating income and expenses		12,310	1	19,272	2
7900	Net loss of continuing operations before tax		(209,678)	(26)	(177,829)	(15)
7950	Income tax expense	IV and VI.19	-	-	-	-
8200	Net loss for the period		(209,678)	(26)	(177,829)	(15)
8300	Other comprehensive income	IV, VI.5, VI.10, VI.13, VI.18 and VI.19				
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Re-measurement of the defined benefit plan		735	-	539	-
8316	Unrealized valuation gains (losses) on investments in equity instruments as at fair value through other comprehensive income		16,737	2	(20,141)	(2)
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss		(147)	-	(107)	-
	Total items that will not be reclassified subsequently to profit or loss		17,325	2	(19,709)	(2)
	Other comprehensive income, net after tax		17,325	2	(19,709)	(2)
8500	Total comprehensive income in the current period		\$ (192,353)	(24)	\$ (197,538)	(17)
	Earnings per share (NTD)					
9750	Basic earning per share (after tax)	IV and VI.21	\$ (0.75)		\$ (0.63)	

(Please refer to the notes of individual financial statements)

Chairman: Shuo-Tang Yeh

Managerial Officer: Shuo-Tang Yeh

Head of Accounting: Li-Yun Chiu

Chien Shing Stainless Steel Co., Ltd.
Individual Statement of Changes in Equity
January 1, 2020 to December 31, 2020
January 1, 2019 to December 31, 2019
(All amounts in NTD thousand)

Item	Ordinary share capital	Retained earnings	Other items of equity	Total Equity
		Deficit to be compensated	Unrealized valuation gain (loss) on financial assets measured at FVTOCI	
Balance at January 1, 2019	\$ 2,811,673	\$ (1,985,574)	\$ (2,100)	\$ 823,999
Net loss of 2019	-	(177,829)		(177,829)
Other comprehensive income of 2019	-	432	(20,141)	(19,709)
Total comprehensive income of 2019	-	(177,397)	(20,141)	(197,538)
Balance on December 31, 2019	2,811,673	(2,162,971)	(22,241)	626,461
Net loss of 2020	-	(209,678)	-	(209,678)
Other comprehensive income of 2020	-	588	16,737	17,325
Total comprehensive income of 2020	-	(209,090)	16,737	(192,353)
Balance on December 31, 2020	<u>\$ 2,811,673</u>	<u>\$ (2,372,061)</u>	<u>\$ (5,504)</u>	<u>\$ 434,108</u>

(Please refer to the notes of individual financial statements)

Chairman: Shuo-Tang Yeh

Managerial Officer: Shuo-Tang Yeh

Head of Accounting: Li-Yun Chiu

Chien Shing Stainless Steel Co., Ltd.
Individual Cash Flow Statements
January 1, 2020 to December 31, 2020
and January 1, 2019 to December 31, 2019
(All amounts in NTD thousand)

Item	2020	2019
Cash flow from operating activities		
Net loss of continuing operations before tax	\$ (209,678)	\$ (177,829)
Adjusted item:		
Adjustments for:		
depreciation expense	120,700	120,185
Amortisation expenses	153	151
Net gain on financial assets at FVTPL	(6,152)	(20,205)
Interest expense	14,044	15,588
Interest income	(144)	(692)
Dividend revenue	(1,894)	(2,001)
Net income from disposal of property, plant and equipment	(198)	(159)
Changes of asset/liability related to operating activities		
Financial assets measured at FVTPL	15,742	24,056
Accounts receivable	(18,139)	-
Other receivables	1,309	(1,463)
Inventories	118,612	(76,881)
Prepayments	(180,089)	(4,144)
Other current assets	(2,553)	749
Note payable	(3,508)	5,702
Accounts payable	4,832	(8,545)
Other payables	(3,523)	1,118
Provision	(53,988)	(13,637)
Advance receipts and other current liabilities	1,224	32
Defined benefit liability	(422)	(3,863)
Cash outflow from operations	(203,672)	(141,838)
Interest paid	(14,179)	(15,588)
Income tax paid	-	(112)
Interest received	144	699
Net cash outflow from operating activities	(217,707)	(156,839)
Cash flow from investing activities		
Acquisition of property, plant and equipment	(5,244)	(27,871)
Disposal of property, plant and equipment	276	159
Decreased prepayments for equipment	2,742	4,745
Dividends received	1,894	2,001
Net cash used in investing activities	(332)	(20,966)
Cash flows from financing activities		
Other payables-related parties-increased of financing	83,000	-
Net cash inflow from financing activities	83,000	-
Decrease in cash and equivalents of the period	(135,039)	(177,805)
Cash and cash equivalents at the beginning of the year	155,627	333,432
Cash and cash equivalents at the end of the year	\$ 20,588	\$ 155,627

(Please refer to the notes of individual financial statements)

Chairman: Shuo-Tang Yeh

Managerial Officer: Shuo-Tang Yeh

Head of Accounting: Li-Yün Chiu

Chien Shing Stainless Steel Co., Ltd.
Notes to Individual Financial Statements
January 1, 2020 to December 31, 2020
and January 1, 2019 to December 31, 2019
(In NTD thousand, unless stated otherwise)

I. History of Company

Chien Shing Stainless Steel Co., Ltd. (the “Company hereafter”) was approved to be incorporated on May 8, 1972. The registered address and major business location is No.222 Industry Road, Hsiao Pyi Li, Madou Dist., Tainan City. The major business is processing, production, and trading various stainless products. The shares of the Company have been listed for trading in Taiwan Stock Exchange Company limited by shares from February 1996.

Due to operational needs, on October 12, 2017, the Board of Directors resolved to approve the proposal of simple merger among the Company, wholly-owned subsidiary, Molimei Technology Co., Ltd, Chien Yi Investment Co., Ltd, and Chien Ying Investment Co., Ltd. The Company was the survival company and such subsidiaries were dissolved. After the merger, the name was remained as “Chien Shing Stainless Steel Co., Ltd.,” and the merger base date was November 27, 2017.

The merged subsidiaries, Molimei Technology Co., Ltd, Chien Yi Investment Co., Ltd, and Chien Ying Investment Co., Ltd were approved to be incorporated on March 1, 1999; May 29, 1998, and June 12, 1996, respectively. The major business included the wholesale, retail of electric scooters and batteries thereof, and transaction of negotiable securities.

II. The Authorization of Financial Statements

The individual financial statements of 2020 and 2019 were approved by the Board of Directors on March 23, 2021 to be disclosed.

III. Application of New and Revised International Financial Reporting Standards

1. The standards and interpretations recognized and issued as effective by the Financial Supervisory Commission (FSC)

Pursuant to the Letter Order Jin-Guan-Zheng-Sheng-Zhi No. 1080323028, dated on July 29, 2019 by FSC, from January 1, 2020, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcement thereof to be applied from 2020 announced on the website of Securities and Futures Bureau, FSC, started to be applied. As the Company started to apply the abovementioned standards and interpretations recognized and issued as effective by FSC from January 1, 2020, there is no material impact on the Company’s individual financial statements.

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(In NTD thousand, unless stated otherwise)

2. The new/revised/amended standards and interpretations issued by International Accounting Standards Board (IASB), that are recognized and issued by FSC, to be applied from 2021

New, Revised or Amended Standards and Interpretations	Key content	Effective Date Issued by IASB
IFRS 4 (amendment)	Temporarily exempted from application of IFRS 9 extension	Effective from the issuance date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendment)	Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

After assessment, the management believes that applying the abovementioned standards revision recognized and issued as effective by FSC, will not materially impact the Company's individual finance statements.

3. new/revised/amended standards and interpretations that issued by IASB to be effective, but not recognized and issued as effective by FSC: none4. new/revised/amended standards and interpretations that issued by IASB to be effective, but not recognized and issued as effective by FSC

New, Revised or Amended Standards and Interpretations	Key content	Effective Date Issued by IASB
IFRS 3 (amendment)	"Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance contracts	January 1, 2023
IFRS 17 (amendment)	Amendment to IFRS 17	January 1, 2023
IFRS (amendment)	IFRS 2018-2020 cycle Annual improvements	January 1, 2022
IAS 1 (amendment)	"Classification of Liabilities as Current or Non-current"	January 1, 2022 (Note)
IAS 1 (amendment)	Disclosure of Accounting Policies	January 1, 2023
IAS 8 (amendment)	Definition of Accounting Estimates	January 1, 2023
IAS 16 (amendment)	Property, plant and equipment: Proceeds before Intended Use	January 1, 2022
IAS 37 (amendment)	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022

Note: IASB has postponed the effective date from July 15 2020 to January 1, 2023.

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(In NTD thousand, unless stated otherwise)

The management currently is assessing the potential impacts of abovementioned standards or amendments; therefore their impacts on the Company's individual financial statements cannot be reasonably estimated temporarily.

IV. Summary of Significant Accounting Policies

The significant accounting policies applied for preparing the individual financial statements are described as the following. Unless otherwise specified, such accounting policies are consistently applied to all the presentation period.

1. Basis of Preparation and Measurement of Financial Statements

(1) Statement of compliance

The accompanying individual financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Preparation Regulations), and IFRS, IAS, interpretations and interpretation announcement thereof recognized and issued as effective by FSC.

(2) Measurement bases

The accompanying individual financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. For assets, a historical cost is generally based on the fair value of the consideration given in exchange for the assets. For liabilities, it refers to the amount received when assuming obligations, or the amount expected to pay for repaying a liability

(3) Functional and presentation currency

Functional currency is the currency of the primary economic environment in which the entity operates. The individual financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar (NTD). Unless specified otherwise, all financial data presented in NTD shall use NTD thousand as the unit

2. Criteria for Classification of Assets and Liabilities as Current or Non-current

(1) Current assets include cash and cash equivalents (not including these under restriction for exchange of assets or liability repayment within 12 months after the reporting period); assets held primarily for the purpose of trading; assets expected to be realised within 12 months after the reporting period; assets expected to be realised, sold, or consumed in the entity's normal operating cycle. All other assets are non-current.

(2) Current liabilities include liabilities held for purpose of trading; liabilities expected to be settled within 12 months after the reporting period or within the entity's normal operating cycle, and liabilities for which the entity does not have the right at the end of the reporting period to defer settlement beyond 12 months. Other liabilities are non-current.

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(In NTD thousand, unless stated otherwise)

3. Foreign currency transaction

The New Taiwan dollar (NTD) is the Company's functional currency, and the presentation currency for the individual financial statements. The Company's foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the reporting date, foreign currency monetary items shall be translated using the closing rate; non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Exchange differences of monetary shall be recognised in profit or loss in the period in which they arise; When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

4. Cash and cash equivalents

comprises cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

5. Financial instruments

(1) When becoming a party in financial instrument contract, recognize financial asset or financial liability in the balance sheet. In a regular way purchase or sale of financial assets, an equity instrument applies trade date accounting; liability instrument, beneficiary instrument, and derivative instrument applies settlement date accounting.

(2) When initially recognizing a financial asset or financial liability, it is measured at fair value; but these are not measured at FVTPL, shall plus or less the transaction cost for acquisition or issuance.

(3) When initially recognizing a financial instrument, the Company classify the components as financial liability, financial asset or equity instrument based on the nature of contractual arrangement, and the definitions of financial liability, financial asset and equity instrument

(4) A financial asset and a financial liability shall be offset when, and only when the Company currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the balance sheet, it is presented in net amount.

(5) The Company's financial instruments include the following:

A. Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met, and not assigned as the financial asset measured at FVTPL, including cash and cash equivalents, notes receivable, receivables, and other receivables listed in the balance sheet:

(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.

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(In NTD thousand, unless stated otherwise)

After the financial assets measured at amortised cost initially recognized, it is measured at amortised cost by deducting impairment losses from the total carrying amount determined with effective interest method; when derecognition, through amortisation procedure, or recognizing the impairment gain or loss, such gain or loss is recognized in profit or loss.

B. Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met, and not assigned as the financial assets measured FVTPL; or at initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading:

(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.

Afterward it is measured at fair value; other than than impairment loss of debt instrument investment, foreign exchange gains and losses on monetary financial assets, and interest calculated with effective interest method, the dividend not clearly represents a recovery of part of the cost of the investment of equity investment, the value changes are recognized in other comprehensive income before derecognition or reclassification. When derecognizing, for the accumulated profit or loss recognized in other comprehensive income previously, the debt instrument investment is reclassified from equity to profit or loss; the equity instrument investment is transferred to retained earnings. The dividends of equity instrument investment are recognized when acquiring the right to receive dividends.

C. Financial assets measured at FVTPL

A financial asset not measured at amortised cost or at fair value through other comprehensive income; or financial asset irrevocable elected at initial recognition to be measured at fair value through profit or loss to eliminate or materially reduce accounting mismatch. Subsequent measurement is at fair value, and the changes of fair value are recognized in profit or loss.

D. Financial liability measured at amortised cost

A financial liability not measured at FVTPL is the financial liability measured at amortised cost, including short-term borrowings, notes payable, payables, other payables, and long-term borrowings; these are measured at the amortised cost by the effective interest method. But the short term payables with no interest attached, is measured at the original transaction amount if the discounting impacts negligible.

E. Derivatives

The initial recognition and subsequent measurement of the Company's derivatives are based on the fair value. If not meeting the conditions of hedge accounting, the changes of fair value of derivatives are recognized as profit or loss; the derivatives assigned as the effective hedging instrument, the timing to recognize its profit or loss depends on the nature of the hedging relationship. If the fair value is positive, it is recognized as the financial asset; if negative, it is recognized as the financial liability.

6. Fair value measurement

- (1) The 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 framework of fair value measurement takes into account the characteristics of a specific asset or liability, including the condition and location of the asset, and restrictions on the sale or use of the asset, while assuming that the transaction of the sale of assets or transfer of liabilities occurs in the major market for such asset or liability, or if there is no major market, the most favorable market for the asset or liability. The major or most favorable market must be the one accessible to the Company; and it is assumed that these market participants are pricing in their best interest of the economy.

The fair value measurement of non-financial assets takes into account that market participants use the asset at its highest and best use or sell the asset to another market participant who will use the asset for its highest and best use, In order to generate economic benefits

- (2) The fair value measured at value technique is to apply the value technique that is suitable under these circumstances with sufficient information available, and uses the maximum observable input value that is relevant and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

7. Derecognition of financial assets and liabilities

(1) Financial asset

For the termination of contractual rights from the cash flow of financial assets, or the financial asset has been transferred and almost all the risks and rewards of the ownership of the asset have been transferred, or almost all the risks and rewards of the ownership of the financial asset have not been transferred nor retained and the control over the said financial asset has not been retained, the financial asset is derecognized, and any rights and obligations arising from or retained by the transfer are individually recognized as assets or liabilities. On the derecognition day, the difference between the carrying amount of the financial assets measured at the amortized cost and the consideration received is recognized as profit or loss; The difference between the derecognized carrying amount of equity instrument investment measured at fair value through other comprehensive income, and the consideration received plus the cumulative sum of profit or loss recognized as other comprehensive profit or loss is recognized as retained earnings, and the debt instrument investment is recognized as profit and loss. Financial assets that are not derecognized as a whole are allocated on the basis of the relative fair value of the continuously recognized part of their respective carrying amounts. If the transfer of financial asset does not qualify as derecognition, the entire transferred asset shall be continuously recognized and the consideration received shall be recognized as a financial liability.

(2) Financial liability

Financial liabilities are only derecognized all or in part only when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

8. Impairment of Assets

(1) Impairment of financial assets

- A. The Company recognizes loss allowance for expected credit losses on a financial asset measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables, etc.).
- B. The Company measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and 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. For notes receivable, accounts receivable, and other receivables, the simplified method is applied to measure the loss allowance based on the expected credit loss amount of the duration on the reporting date; other than that, if the credit risk of cash and cash equivalents is low on the reporting date or no significant increase after initial recognition, the loss allowance is measured based on the 12-month expected credit loss amount; if the aforementioned financial asset's credit risk has increased significantly since the initial recognition on the reporting date, the loss allowance is measured based on the duration.
- C. The carrying amount of the above-mentioned financial assets are reduced by means of loss allowance, and the listed and reversed amount of loss allowance is recognized in profit and loss.

(2) Impairment of non-financial assets

For the assets applicable to IAS 36 "Impairment of Assets," except for goodwill, intangible assets with non-determined useful life, intangible assets with indefinite useful lives, and intangible asset not yet available for use, the impairment test is conducted annually or if any indication of impairment, the Company assess whether there are any indication that the asset may have been impaired on each reporting day. If there are indications of impairment, the recoverable amount of the asset is estimated. The recoverable amount refers to the higher of the fair value of the asset or cash-generating unit minus the cost of sale and its value in use. If the recoverable amount of the asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount. This reduction is the impairment loss and is recognized as profit or loss; afterwards, on the reporting date, if there is any indication showing that the impairment loss of assets other than goodwill has been recognized in the previous periods may no longer exist or has decreased, the recoverable amount of the asset shall be re-estimated. If the estimate of the recoverable amount of the asset changes and increases, the impairment loss shall be reversed; provided that, the carrying amount of the asset increased by the reversal of the impairment loss shall not exceed the carrying amount of the asset after deducting the amortization or depreciation if the impairment loss was not recognized in the previous year.

For the cash-generating unit of amortized goodwill, the impairment test of the unit is performed by comparing the carrying amount of the unit containing goodwill with its recoverable amount. If the carrying amount of the unit exceeds its recoverable amount, the impairment loss must be recognized. When the impairment loss is recognized, the carrying amount of the unit's amortized goodwill is deducted first, and the deducted amount is then reduced in proportion to the carrying amount of the other assets in the unit. The recognized impairment loss of goodwill shall not be reversed in the subsequent period.

9. Inventories

Inventory cost includes all purchase costs, processing costs and other costs incurred to bring the inventory to the current location and state. The calculation of the cost uses the weighted average cost formula to allocate the inventory cost. The inventories at the end of period is measured at the lower of cost and net realizable value. When comparing the cost and net realizable value, not only the inventories under the same category, individual items shall be compared one by one Net realizable value refers to the estimated selling price in the normal course of business after deducting the estimated cost required to be completed, and the estimated cost required to complete the sale.

10. Property, Plant and Equipment

(1) They are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. Its recognition and subsequent measurement adopt the cost model, and the amount after the cost deducting accumulated depreciation and accumulated impairment losses is shown. Cost amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, as well as the costs of dismantling and removing the item and restoring the site on which it is located When the useful life of the major components of property, plant and equipment are different, it is treated as a separate item of property, plant and equipment.

(2) The property, plant and equipment is depreciated by the straight-line method except that the land is not depreciated. It is apportioned based on the following useful life. At the end day of each year, the residual value of the asset, the useful life, and the depreciation method used are reviewed. When the expected value is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, and thus the depreciation method needs to be changed to reflect the changed pattern, the change is treated as a change in accounting estimates. If property, plant and equipment have recognized asset impairment losses, the depreciation expense of the asset in the future period will be adjusted based on the revised carrying amount of the asset less its residual value, and will be adjusted with the straight-line method within the remaining useful life:

Buildings	20-35 years
Attachment to buildings	2-35 years
Equipment	2-20 years
Transport equipment	2-6 years
Office equipment	5-8 years
Other equipment	2-15 years

(3) Replacement and major inspection costs are recognized in the carrying amount of real estate, plant and equipment items; routine maintenance costs are recognized as profit or loss when incurred. The borrowing cost of acquiring, constructing, or producing qualified assets is capitalized and listed as part of the cost of the asset.

(4) When disposing or the expected future economic benefits cannot be generated from the use or disposal, the carrying amount of the real estate, plant and equipment items shall be derecognized, the profits or losses arising from derecognition shall be recognized as profit and loss, and the benefits shall not be classified as income.

11. Leases

(1) The Company is the lessor

When the lease clause transfers almost all the risks and rewards attached to the ownership of the asset to the lessee, it is classified as a financial lease; leases other than financing leases are classified as operating leases.

When the company subleases the right-of-use asset, it uses the right-of-use asset (not the underlying asset) to determine the classification of sublease. However, if the main lease is a short-term lease for which the recognition exemption applies, the sublease is classified as an operating lease.

- A. Under a financing lease, the net lease investment is measured by the sum of the current value of amount to be collected from the lessee and the unguaranteed residual value plus the original direct cost, and is expressed as the financing lease receivable. The recognition of financing lease income is based on the fixed rate of return that reflects the Company's unexpired net lease investment during each lease period.
- B. The rental income of operating leases is recognized as revenue during the lease period on a straight-line basis. If the lease contract provides incentives to the lessee to facilitate the signing of the lease contract, the total cost of the incentives is recognized during the lease period using the straight-line method, as a deduction of rental income. The original direct costs incurred by negotiating and arranging operating leases are added to the carrying amount of the underlying assets and recognized as expenses during the lease period on a straight-line basis.

If there is a variable rent in the lease agreement that does not depend on the index or rate, it is recognized as income in the current period when incurring.

(2) The Company is the lessee

Except for short-term leases and lease payments for low-value underlying assets that are recognized as expenses during the lease period on a straight-line basis, other leases are recognized as right-of-use assets and lease liabilities on the lease start date.

- A. The initial recognition and subsequent measurement of the right-of-use asset is based on a cost model, where the cost minus the accumulated depreciation and accumulated impairment loss, and the amount after adjusting the remeasurement of the lease liability is presented. The depreciation of the right-of-use asset is based on the straight-line method. The depreciation is calculated based on the earlier of the lease start date to the end of the useful life of the right-of-use asset or the expiration of the lease term.
- B. The initial recognition of lease liabilities is measured by the current value of the lease payments not yet paid on the lease start date. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted at that interest rate. If the interest rate is not easy to determine, the lessee's incremental borrowing interest rate is used to discount. The subsequent measurement is measured at the amortised cost with the effective interest method. The remeasurement of the lease liability is used as an adjustment of the right-of-use asset, but if the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in the profit and loss.

If there is a variable rent in the lease agreement that does not depend on the index or rate, it is recognized as an expense in the current period.

12. Investment Property

- (1) Refers to real estate held for earning rentals or for capital appreciation or both, and not used in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Investment property is initially measured at its cost (including transaction cost). After initial recognition, investment property is also measured by the cost model. The depreciation method, useful life and residual value adopted are treated based on the cost model of property, plant and equipment. Investment property is derecognized when it is disposed of, or is no longer in use forever and is not expected to produce future economic benefits from the disposal, and the benefits or losses arising from derecognition are recognized as profit and loss.
- (2) Investment property can only be converted into reclassification of the carrying amount of real estate only when the purpose is changed and there is evidence to prove it.

13. Provision

- (1) The Company has current obligations due to past events and is likely to need to outflow economically effective resources to pay off the obligations, and when the amount of the obligations can be reliably estimated, the provision shall be recognized. The provision is the best estimate of the expenditure required to repay current obligations on the balance sheet date and is measured on a pre-tax basis. When obtaining the best estimate of the provision, it is inevitable to take the risks and uncertainties related to many events and circumstances into consideration. When the time value of money has a significant impact, the amount of provisions is the present value of the expected expenditure required to repay the obligation. For future events that may affect the amount of payment required to repay the obligation, if there is sufficient objective evidence to show that it will happen, it will be reflected in the amount of provisions. In addition, the expected benefits of disposing of assets are not taken into consideration when measuring the provision.
- (2) The Company reviews the provision on each balance sheet date and adjusts it to reflect the current best estimate. If it is no longer probable that the outflow of economically effective resources will be required to pay off the obligation, the provision shall be reversed.
- (3) The Company's current provision recognition items are as follows:
 - A. Estimated provision for expenses to clean the landfilled industrial waste in the plant area and the fine due to violating the Waste Disposal Act
The Company was suspected of landfilling industrial wastes in the plant area, and thus violating the Waste Disposal Act. The Company estimates the removal and treatment costs of the landfilled industrial wastes based on the expert's appraisal outcomes and supplemented by the quotations of relevant vendor. With the estimate of the possible fines based on expert opinions, the sum is the Company's management's best estimate for the expenditure required to settle this obligation.
 - B. Provision for pending claim
For the Company's commercial disputes with suppliers arising from the purchase of materials, the Company applies the suppliers claim as the Company's management's best estimate of the expenditure required to settle this obligation.

14. Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

15. Revenue Recognition

Revenue is measured at the consideration that is expected to be entitled when transferring goods or services. The Company recognizes revenue when the control of goods or services is transferred to the customer and the performance obligations are satisfied. The main revenue items of the Company are explained as follows:

Sales of goods

The Company mainly manufactures and sells cold-rolled stainless steel coil products, and recognizes revenue when transferring control of the products to customers, and at the same time an enforceable right to obtain consideration is generated. Therefore, the Company usually recognizes revenue when the goods have been delivered and the legal ownership has been transferred. If the discount or future returns can be reliably estimated and the refund liability can be recognized based on past experience and other relevant factors, it will be listed as a deduction of sales revenue when recognizing the sales.

The Company recognizes the accounts receivable when the control of goods is transferred with the right to unconditionally receive the consideration; if the goods have been transferred to the customer but still do not have the right to unconditionally receive the consideration, the sales are recognized as contract assets; if, before transferring the goods to the customer, because the consideration has been received from the customer or the consideration is available to be received from the customer, and thus the obligation of the goods is required to be transferred to the customer, it shall be recognized as the contract liability

If the payment timing of the contract agreement clearly or implicitly provides the customer or the Company with significant financial benefits for the transaction of the transferred goods, the Company adjusts the promised consideration amount to reflect the time value of money; for sales contract where the time between when transfer of goods is expected at the beginning of the contract, and when the customers payment for the product is made less than one year, the Company does not adjust the promised amount of consideration.

16. Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) form part of the cost of that asset shall be capitalized. Other borrowing costs are recognized as an expense in the period in which it incurs them. For particular borrowings, before the expenditure of a qualified asset is incurred, the investment income on the temporary investment of those borrowings is deducted from the actual borrowing cost. When substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed, the borrowing costs shall be ceased capitalizing. If the qualifying asset is suspended from active development for longer period of time, the capitalization is suspended during this period.

17. Employee benefits

(1) Short-term employee benefits

are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service shall be recognized as expense and liability. For the expected cost of profit-sharing and bonus payments, the entity has a present legal or constructive obligation to make such payments as a result of past events; and a reliable estimate of the obligation can be made. Such cost is recognized as expense and liability as required in the preceding paragraph.

(cont'd)

(In NTD thousand, unless stated otherwise)

(2) Post-employment benefits

- A. The Company's employee retirement procedures are applicable to all employees who are officially hired. The employee pension fund is fully contributed for the management of the Labor Pension Reserve Supervision Committee, and deposited into a special pension fund account. Because the above-mentioned pension funds are deposited in the name of the Labor Pension Reserve Supervision Committee, It is completely separated from the Company, so it is not included in the aforesaid individual financial statements.
- B. For post-employment benefits plans that are definite allocation plans, the company's monthly employee pension allocation rate shall not be less than 6% of the employee's monthly salary, and the amount allocated shall be recognized as the current expense
- C. For post-employment benefits plans that are defined benefit plans, they are listed under the other comprehensive income, based on actuarial report on the annual reporting date by the projected unit credit method; the re-measured is included in other comprehensive income when it occurs, and immediately recognized in the retained earnings.

18. Income tax

- (1) Income tax expense included the current deferred income tax. Except for those related to mergers, directly recognized in equity or other comprehensive income items, current income tax and deferred income tax expenses are recognized in profit and loss.
- (2) Current income tax expenses are the estimated income tax payable or tax refund receivable calculated on the taxable income or loss of the current year based on the tax rate that has been legislated or substantively legislated on the reporting date, and any adjustments to the income tax payable or refundable in previous years.
- (3) Deferred income tax expenses are calculated and recognized for the temporary difference between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
- (4) Deferred income tax assets and liabilities are measured at the tax rate applicable when the temporary difference is expected to reverse, and are based on the tax rate that has been legislated or substantively legislated on the reporting date. Deferred income tax assets and liabilities are offset only if the entity has a legally enforceable right to set off the recognized amounts, with only these assets and liabilities under the same tax entity and levied by the same tax authority; or although under different tax authority, but the entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.
- (5) For unused taxable losses, income tax deductions, and deductible temporary differences, they are recognized as deferred tax assets to the extent that future taxable income is likely to be available for use, and on each reporting day Assess and reduce the relevant income tax benefits to the extent that they are not likely to be realized
- (6) For the Companys undistributed earnings for the current year plus the income tax portion of profit-seeking enterprise income tax, after the earnings distribution proposal is approved by the shareholders meeting in the following year, the actual earning distribution situation will be recognized and the income tax expense of the undistributed earnings will be recognized.

19. Government grants

- (1) Government grants are recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them; and the grants will be received.
- (2) Asset-related government grants are recognized in profit and loss on a systematic basis during the period when the cost of related assets that it intends to subsidize is recognized as an expense by the Company. If it is used as compensation for the expense or loss that has already occurred, it shall be recognized in the profit and loss during the period when it can be collected.
- (3) The expression of government grants in individual financial reports is as follows: unrealized ones (that is, the benefits of deferred government grants) are listed as liabilities in individual balance sheets; those realized are listed as other income in individual comprehensive income statements.

20. Earnings per Share

The Company lists the basic and diluted earnings per share of holders of the Company's common equity for the current period. Basic earnings per share is calculated by dividing the profit and loss of the company's common share equity holders by the weighted average number of ordinary shares outstanding in the current period; for diluted earnings per share, the effect of all dilutive potential ordinary shares is adjusted with the profit or loss of the Company's common share equity holders, and divided by the effect of all dilutive potential common shares to adjust the weighted average number of outstanding shares in the current period.

21. Operating Segment Report

An operating segment is a component of the Company, that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

When the Company prepares individual financial statements, the management must make judgments, estimates and assumptions, which will affect the reported amount of income, expenses, assets and liabilities. The uncertainties of these critical assumptions and estimates have the risk of resulting in significant adjustments to the carrying amounts of assets and liabilities in the future, ie. actual results may differ from estimates.

1. In the process of adopting accounting policies, the management has made judgments that have a significant impact on the amount recognized in individual financial statements:
Please also refer to Note 6.7 of the individual financial statements for the classification of investment properties.
2. The assumptions made about the future and other major sources of estimated uncertainties on the reporting date will cause significant adjustments to the carrying amounts of assets and liabilities in the next financial year, as explained below:
 - (1) Employee benefit: measurement to determine benefit obligations
As stated in Note 6.10 of individual financial statements, the measurement of defined benefits obligations and expenses are based on actuarial assumptions, including demographic assumptions and financial assumptions about the future characteristics of employees who are eligible for benefits. Any change in actuarial assumptions may result in actuarial gains and losses, and affect the amount of net determined welfare liabilities.

(cont'd)

(In NTD thousand, unless stated otherwise)

The carrying amount of the net defined benefit liability was NTD 13,533 thousand as of December 31, 2020. If the discount rate used by the Company's actuarial assumptions and the expected salary increase rate increase or decrease by 0.25%, the carrying amount of the net definite benefit liability will decrease by NTD 502,000 or increase by NTD 476,000, and increase by NTD 524 thousand or decrease by NTD 460 thousand.

The above only analyzes the impact of a single assumption change under the condition that other assumptions remain unchanged; however, the impact of the actual actuarial assumption changes are interrelated. The method used in the sensitivity analysis is the same as that used to measure the net definite benefit liability, and the method and assumptions used are the same as in the previous period.

(2) Estimated provision for expenses to clean the landfilled industrial waste in the plant area and the fine due to violating the Waste Disposal Act

As stated in Note 4.13 and 6.8 of the individual financial statements, the Company estimates the removal and disposal costs of landfilled industrial waste based on expert appraisal outcomes while supplemented by relevant vendor's quotations, and estimates the possible fines based on expert opinions as the best estimate of the Company's management for the expenditure required to settle this obligation. The management of the Company will regularly review the reasonableness of the estimates.

The Company recognized the estimated provision for expenses to clean the landfilled industrial waste in the plant area and the fine due to violating the Waste Disposal Act on December 31, 2020, was NTD 368,770 thousand and NTD 15,000 thousand respectively, and total NTD 383,770 thousand. If the final result differs the estimate of the Company's management for 10%, the carrying amount of the estimated provision for expenses to clean the landfilled industrial waste in the plant area and the fine due to violating the Waste Disposal Act will decrease NTD 38,377 thousand or increase NTD 36,877 thousand.

(3) Valuation of Inventories

As mentioned in Note 4.9 of the individual financial statements, the inventories at the end of period is valued at the lower of cost and net realizable value. When comparing the cost and net realizable value, not only the inventories under the same category, individual items shall be compared one by one. Net realizable value refers to the estimated selling price in the normal course of business after deducting the estimated cost required to be completed, and the estimated cost required to complete the sale. These estimates are based on the current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect the results of these estimates.

The carrying amount of the inventories was NTD 435,741 thousand as of December 31, 2020; the allowance of inventory depreciation losses of NTD 29,052 thousand was deducted.

(4) Evaluation of non-financial assets (other than goodwill) impairment

As mentioned in Note 4.8 of individual financial statements, in the process of asset impairment assessment, the Company has to rely on subjective judgments, and determine the independent cash flow, asset useful life, and possible income and expenses generated in the future of certain group of assets based on use model of the asset and industrial characteristics. Any estimated changes brought about by changes in economic conditions or the Company strategies may cause significant impairment in the future or reverse the recognized impairment losses.

For the impairment of non-financial assets on December 31, 2020, please refer to Note 6.20 of the individual financial statements.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(5) Realizability of deferred income tax assets

As mentioned in Note 4.18 of the individual financial statements, deferred income tax assets only recognized when it is likely that enough taxable income is available to deduct the temporary difference. Assessing the realizability of deferred income tax assets must involve significant accounting judgments and estimates of the management, including assumptions such as expected future growth in operating income and profitability, available loss deductions, and tax planning. Any changes in the global economic environment, industrial environment and laws and regulations may cause major adjustments to deferred income tax assets.

The deferred income tax assets recognized on December 31, 2020 was NTD 2,847 thousand. For the amounts not recognized as deferred income tax assets, please refer to Note 6.19(7) of the individual financial statements.

VI. Summary of Significant Accounting Items

1. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$1,550	\$1,534
Check and demand (current) deposit	19,038	154,093
Total	<u>\$20,588</u>	<u>\$155,627</u>

The said cash in banks are not provided as collateral or pledge.

2. Financial assets measured at FVTPL - current

	December 31, 2020	December 31, 2019
Financial assets measured at FVTOCI		
TWSE/TPEX listed shares:	\$77,414	\$93,051
Valuation adjustment for financial assets measured at FVTOCI		
TWSE/TPEX listed shares:	(25,004)	(31,051)
Total	<u>\$52,410</u>	<u>\$62,000</u>

The said financial assets measured at FVTPL are not provided as collateral or pledge.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

3. Net receivable

	December 31, 2020	December 31, 2019
Trade receivable	\$18,139	\$ -
Less: Allowance for loss	-	-
Net amount	\$18,139	\$ -

- (1) The Company's allowance losses of the accounts receivables applies the simplified approach, measuring at the expected credit loss of the duration Accounts receivable are classified based on the common risk characteristics of the customer's ability to pay all due amounts in accordance with contractual terms, taking reasonable and supportable information related to past events, current conditions and forecasts of future economic conditions (that is available without undue cost or effort at the reporting date) into account, and estimate the expected credit loss based on the estimated default rate and expected credit loss rate.
- (2) There has been no change for the loss allowance of the accounts receivable in 2020 and 2019.
- (3) For the disclosure of the credit risk of the accounts receivable, please refer to Note 12.2 (3)B of the individual financial statements.

4. Inventories

	December 31, 2020		
	Cost	Allowance of inventory depreciation losses	Carrying amount
Raw materials	\$1,081	\$ -	\$1,081
Supplies	11,904	(85)	11,819
Work in progress	226,012	(3,284)	222,728
Finished good	225,796	(25,683)	200,113
Total	\$464,793	\$(29,052)	\$435,741

	December 31, 2019		
	Cost	Allowance of inventory depreciation losses	Carrying amount
Raw materials	\$1,081	\$ -	\$1,081
Supplies	13,264	(25)	13,239
Work in progress	209,653	(15,195)	194,458
Finished good	400,017	(54,442)	345,575
Total	\$624,015	\$(69,662)	\$554,353

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(1) Cost of sales related to inventories:

	2020	2019
Inventories transferred to cost of sales	\$1,033,214	\$1,288,232
Inventories cost offset up to the net realizable value	-	26,459
Appreciating net realizable value of inventories	(40,610)	-
Total operating cost	\$992,604	\$1,314,691

- (2) In 2020, the net realizable value of some inventories was lower than the cost and disappeared due to the sale, resulting in a rebound in the net realizable value of the inventories, thus the cost of goods sold reduced by NTD 40,610 thousand.

- (3) The said inventories are not provided as collateral or pledge.

5. Financial assets measured at fair value through other comprehensive income- non-current

	December 31, 2020	December 31, 2019
<u>Equity instrument</u>		
Acquisition cost		
TWSE/TPEX listed shares:	\$65,215	\$65,215
TWSE/TPEX unlisted shares	8,257	8,257
Subtotal	73,472	73,472
Adjustment of valuation:		
TWSE/TPEX listed shares:	2,753	(13,984)
TWSE/TPEX unlisted shares	(8,257)	(8,257)
Subtotal	(5,504)	(22,241)
Total	\$67,968	\$51,231

- (1) The equity instrument investment measured at fair value through other comprehensive income is not an investment held for trading, so the Company elected to designate it as measured at fair value through other comprehensive income.
- (2) The dividend income recognized by the Company in 2020 and 2019 as a result of investment in equity instruments measured at fair value through other comprehensive income was NTD 497 thousand and NTD 0, respectively.
- (3) The Company did not have accumulated profits or losses transferred within the equity in both 2020 and 2019.
- (4) The said financial assets measured at FVTOCI are not provided as collateral or pledge.
- (5) For the disclosure of market risk and credit risk information of financial assets measured at fair value through other comprehensive income by the Company, please refer to Note 12.2(3) A and B of individual financial statements.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

6. Property, Plant and Equipment

(1) The changes of property, plant and equipment are as following:

	Land	Buildings	Equipment	Transport equipment	Office equipment	Other equipment	Unfinished construction and equipment to be inspected	Total
<u>2020</u>								
Original cost								
Beginning retained earnings	\$312,736	\$366,924	\$3,927,038	\$11,676	\$9,428	\$33,151	\$43,046	\$4,703,999
Increase/decrease in the period	-	-	-	-	-	-	5,244	5,244
Disposal in the period	-	-	(282)	(90)	-	-	-	(372)
Others-reclassification	-	487	909	305	-	250	1,951	-
Ending balance	312,736	367,411	3,927,665	11,891	9,428	33,401	46,339	4,708,871
accumulated depreciation:								
Beginning retained earnings	-	358,607	3,454,890	6,482	9,300	31,847	-	3,861,126
Depreciation in the period	-	1,288	115,982	1,343	56	287	-	118,956
Disposal in the period	-	-	(282)	(12)	-	-	-	(294)
Ending balance	-	359,895	3,570,590	7,813	9,356	32,134	-	3,979,788
Carrying amount at the end of period	\$312,736	\$7,516	\$357,075	\$4,078	\$72	\$1,267	\$46,339	\$729,083
<u>2019</u>								
Original cost								
Beginning retained earnings	\$312,736	\$366,587	\$3,912,781	\$16,890	\$9,518	\$31,843	\$34,653	\$4,685,008
Increase/decrease in the period	-	-	-	-	-	-	26,322	26,322
Disposal in the period	-	-	(585)	(6,518)	(90)	(138)	-	(7,331)
Others-reclassification	-	337	14,842	1,304	-	1,446	(17,929)	-
Ending balance	312,736	366,924	3,927,038	11,676	9,428	33,151	43,046	4,703,999
accumulated depreciation:								
Beginning retained earnings	-	357,425	3,340,028	11,487	9,309	31,767	-	3,750,016
Depreciation in the period	-	1,182	115,447	1,513	81	218	-	118,441
Disposal in the period	-	-	(585)	(6,518)	(90)	(138)	-	(7,331)
Ending balance	-	358,607	3,454,890	6,482	9,300	31,847	-	3,861,126
Carrying amount at the end of period	\$312,736	\$8,317	\$472,148	\$5,194	\$128	\$1,304	\$43,046	\$842,873

(2) The Company has conducted asset revaluation pursuant the Land Act, the Equalization of Land Rights Act, and other relevant laws and regulations over the years. The total revaluation increase amounted to NTD 1,187 thousand, which was originally listed as unrealized revaluation increase under shareholders' equity, but on January 1, 2012 (the date when the company switched to IFRS), the Company elected to apply the revaluation value as the cost of the revaluation date.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

- (3) The Company did not capitalize borrowing costs due to acquisition of property, plant and equipment in both 2020 and 2019.
- (4) There was no impairment of property, plant and equipment of the Company in both 2020 and 2019.
- (5) Please refer to Note 8 of the individual financial statements for the property, plant and equipment provided as collateral or pledge. For property, plant and equipment, as Tainan District Prosecutors Office issued a letter request to the registration agency to prohibit the Company's properties to apply for the disposal registration on August 16, 2018, due to violation of Waste Disposal Act, the carrying amount on December 31, 2020 and 2019 was NTD 313,206 thousand and NTD 313,398 thousand respectively. On September 21, 2018, the Company received an order from the prosecutor of the Tainan District Prosecutors Office to seize the relevant property, plant and equipment-transportation equipment due to the crime in the aforementioned case, and an appraisal auction, and the price in custody were conducted. It was sold on October 22, 2018. The auctioned price and disposal loss were NTD 590 thousand and NTD 501 thousand, respectively. Please also refer to Note 4.13, 5, and 6.8 of the individual financial statements for the description.
- (6) Acquired property, plant and equipment listed in the individual cash flow statement:

	2020	2019
The property, plant and equipment listed in Note 6.6(1) of the individual financial statements added during the period	\$5,244	\$26,322
Plus: Other payables at the beginning of the period	5,953	7,502
Less Other payables at the end of the period	(5,953)	(5,953)
Cash outflow from acquisition of property, plant and equipment	\$5,244	\$27,871

- (7) The Company signed a rooftop lease contract with another company in July, 2017. The lease period is from the date of commercial operation of the solar power system up to the expiration after 20 years. The rent calculation method is based on a floating system, and for the percentage of power actually generated by the solar power system, and collected on a monthly basis. The Company's rent income incurred in the 2020 and 2019 as a result of the aforementioned leases was NTD 1,689 thousand and NTD 1,568 thousand, respectively.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.

(cont'd)

(In NTD thousand, unless stated otherwise)

7. Investment Property

(1) The changes of Investment property are as following:

	2020		
	Land	Buildings	Total
Original cost			
Beginning retained earnings	\$149,357	\$87,203	\$236,560
Increase/decrease in the period	-	-	-
Disposal in the period	-	-	-
Ending balance	149,357	87,203	236,560
accumulated depreciation:			
Beginning retained earnings	-	34,538	34,538
Depreciation in the period	-	1,744	1,744
Disposal in the period	-	-	-
Ending balance	-	36,282	36,282
Accumulated impairment:			
Beginning retained earnings	38,047	34,368	72,415
Impairment of the period	-	-	-
Reversal	-	-	-
Ending balance	38,047	34,368	72,415
Carrying amount at the end of period	\$111,310	\$16,553	\$127,863
	2019		
	Land	Buildings	Total
Original cost			
Beginning retained earnings	\$149,357	\$87,203	\$236,560
Increase/decrease in the period	-	-	-
Disposal in the period	-	-	-
Ending balance	149,357	87,203	236,560
accumulated depreciation:			
Beginning retained earnings	-	32,794	32,794
Depreciation in the period	-	1,744	1,744
Disposal in the period	-	-	-
Ending balance	-	34,538	34,538
Accumulated impairment:			
Beginning retained earnings	38,047	34,368	72,415
Impairment of the period	-	-	-
Reversal	-	-	-
Ending balance	38,047	34,368	72,415
Carrying amount at the end of period	\$111,310	\$18,297	\$129,607

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

- (2) The Company has leased some investment properties in the manner of operating lease to other related parties as their offices. The lease term is from March 1, 2017 to February 28, 2022. Please also refer to Note 7.2(1) of the individual financial statements for the description.
- (3) The maturity analysis for the receivable undiscounted lease payment (tax included) under operating lease on December 31, 2020 and 2019:

Period	December 31, 2020	December 31, 2019
Year 1	\$60	\$60
Year 2	10	60
Year 3	-	10
Total	<u>\$70</u>	<u>\$130</u>

- (4) The fair values of the investment properties held by the Company are as following:

	December 31, 2020	December 31, 2019
Fair value of investment property	<u>\$787,649</u>	<u>\$356,190</u>

The fair value of the aforesaid investment properties is the result of the evaluation based on the announced market price by inquiring the actual price registration information.

- (5) The income and expenses generated by the Company's investment properties are as follows:

	2020	2019
Rent income from investment properties	<u>\$57</u>	<u>\$57</u>
Direct operating expenses (including maintenance) incurred by investment properties that generates rent income	<u>\$501</u>	<u>\$501</u>
Direct operating expenses (including maintenance) incurred by investment properties that generates rent income	<u>\$1,243</u>	<u>\$1,243</u>

- (6) Please refer to Note 6.20 of the individual financial statements for the investment properties impairment.

(cont'd)

(In NTD thousand, unless stated otherwise)

- (7) Please refer to Note 8 of the individual financial statements for the investment properties provided as collateral or pledge. Also for the investment properties, as Tainan District Prosecutors Office issued a letter request to the registration agency to prohibit the Company's properties to apply for the disposal registration on July 9, 2018, or applied for the seizure to Taiwan Tainan District Court. The carrying amount on December 31, 2020 and 2019 was NTD 127,863 thousand and NTD 129,607 thousand respectively. Please also refer to Note 4.13, 5, and 6.8 of the individual financial statements for the description. On August 27, 2018, the Company received the judgement from Taiwan Tainan District Court that favored the application from the Company's bank creditor for provisional seizure some of the Company's investment properties. The reason of this application was that to secure the credit, the creditor took the Company's Chairman, Shuo-Tang Yeh as the joint guarantor of the Company's borrowing; and as Mr. Yeh was detained by the court, the bank creditor, pursuant to the contract, claimed that all the borrowings to the Company shall be deemed due. The carrying amount on December 31, 2020 and 2019 was NTD 53,302 thousand and NTD 54,610 thousand respectively. Please also refer to Note 6.9(1) of the individual financial statements for the description.
- (8) The company did not capitalize borrowing costs due to the acquisition of investment properties in both 2020 and 2019.

8. Provision- current/non-current

	December 31, 2020	December 31, 2019
Provisions - current	\$236,262	\$173,534
Provisions - non-current	147,508	264,224
Total	\$383,770	\$437,758

- (1) Changes of the Company's provision is as the following:

	Estimated provision for expenses to clean the landfilled industrial waste in the plant area and the fine due to violating the Waste Disposal Act	Provision for pending claim	Total
<u>2020</u>			
Carrying amount at the beginning of period	\$437,758	\$ -	\$437,758
Used in the period	(53,988)	-	(53,988)
Carrying amount at the end of period	\$383,770	\$ -	\$383,770
<u>2019</u>			
Carrying amount at the beginning of period	\$451,395	\$ -	\$451,395
Newly added provision in the period	-	45,608	45,608
Used in the period	(13,637)	-	(13,637)
Reversal	-	(45,608)	(45,608)
Carrying amount at the end of period	\$437,758	\$ -	\$437,758

(cont'd)

(In NTD thousand, unless stated otherwise)

- (2) On July 9, 2018, the Company was suspected of landfilling industrial wastes in the plant area, and thus violating the Waste Disposal Act, and was searched by the Tainan District Prosecutors Office (Prosecutors Office hereafter) in conjunction with relevant authorities. In addition, some of the property, plant and equipment and investment properties held by the Company will be seized for recovery. Please refer to the explanations under Notes 6.6(5) and 6.7(7) of individual financial statements. On April 8, 2019, the Company received an indictment of a violating the Waste Disposal Act by the Prosecutor's Office. Twelve people including the company and the Chairman, Mr. Yeh Shuotang, were listed as defendants. The cleaning costs were estimated to be NTD 1,224,404 thousand (tax included), and the fines was set a maximum amount of NTD 15,000 thousand. As of the release date of individual financial statements, the case is under trial at Tainan District Court. Based on the results of experts and the price quoted by the relevant vendor, the Company estimated a disposal and handling expense of NT\$436,395 thousand for the buried business waste and NT\$15,000 thousand for the possible fines with reference to the expert opinion. The disposal and disposal expense difference between the Companys estimate and the estimated amount in the indictment is primarily due to the difference in the weight of the waste converted and the difference in the quotation from the relevant vendors. However, the Company has provided its best estimate of the expenses required to settle this obligation and will review its reasonableness on a regular basis. The said provision for liabilities is expected to be paid in accordance with the waste disposal progress of the vendor after the competent authorities approves the Companys waste disposal plan and claim for release of evidence of preservation from the court. The fines are expected to be paid after the competent authorities determines the fines. On September 17, 2019, the Company received a letter of consent principle from the competent authorities for the said waste disposal plan. Aside from the removal of the buried waste area in the rezoning project of Tainan City Government, which is due to be completed within one month, the remaining removal shall be completed within 36 months from September 12, 2019. After completion, the competent authorities shall be notified to conduct on-site verification. The Company uses the waste removal deadline determined by the competent authorities and the estimated progress of waste removal by the vendor as the basis for distinguishing between current and non-current liabilities. Please also refer to Note 4.13 of the individual financial statements
- (3) The provision for pending claims is a commercial dispute between the Company and its suppliers due to the purchase of materials in Q2 2019. The Company uses the supplier's claim as the basis for the Company's management for the best estimate to pay off this obligation. The aforesaid provision is expected to be paid within one year after the responsibilities of both parties are clarified and the amount of the claim is confirmed. On October 21, 2019, the Company received a written agreement from the supplier. Before the Company continued to perform the original purchase contract, the Company and the supplier did not engage in commercial dispute claims. After evaluation by the management of the company, in Q3 2019, the original estimated provision for pending claim was reversed fully. The Company has also performed the original material purchase contract on November 5, 2019. Please also refer to Note 4.13 of the individual financial statements

9. Long-term borrowings

Creditors	Nature of borrowing	Contractual period	Interest rate	Amount	Repayment method
<u>December 31, 2020</u>					
Taiwan Business Bank	Guaranteed borrowing	May 4, 2018 to February 2, 2022	1.70%	\$799,123	(Note)
Less: long-term borrowings due within a year				(512,174)	
Long-term borrowings due after a year				<u>\$286,949</u>	

(cont'd)

(In NTD thousand, unless stated otherwise)

Creditors	Nature of borrowing	Contractual period	Interest rate	Amount	Repayment method
<u>December 31, 2019</u>					
Taiwan Business Bank	Guaranteed borrowing	May 4, 2018 to February 2, 2021	1.95%	\$799,123	(Note)
Less: long-term borrowings due within a year				(512,174)	
Long-term borrowings due after a year				<u>\$286,949</u>	

Note: Repay interest monthly, and repay the principal when it is due.

- (1) As stated in Note 6.7(7) of individual financial statements, the Company's original short-term borrowings of NTD 799,123 thousand was deemed overdue and default, but the Company had signed an agreement with the creditor bank on October 25, 2018 to alter the credit conditions as stopping the use of the original credit facility, and extending the original maturity date of each of the aforementioned borrowing for another year. Interests are paid monthly, and the principal is paid at the maturity. Therefore, the company reclassified the aforementioned short-term borrowings as long-term loans. On September 9, 2019, the Company and the creditor bank signed another alteration contract to extend the original maturity date of each of the aforementioned borrowing for another year; interests are paid monthly, and the principal is paid at the maturity. On September 22, 2020, the Company and the creditor bank signed another alteration contract to extend the original maturity date of each of the aforementioned borrowings for another year; interests are paid monthly, and the principal is paid at the maturity.
- (2) For the collateral provided by the Company for long-term loans, please refer to Note 8 of individual financial statements.

10. Post-employment benefits

(1) Defined benefit plan

- A. The Company has established employee retirement procedures on the basis of employees' years of service and expected wages before retirement. Pursuant to the "Labor Standards Act," a certain percentage of the total monthly wage is contributed for pension reserves, which are allocated to the Labor Pension Reserve Supervision Committee for depositing in the special account and disbursement. Since this pension reserve is completely separated from the Company, it is not included in the individual financial statements.
- B. The remeasurement of net defined benefit liabilities is recognized in other comprehensive income and the cumulative amount is as follows:

	2020	2019
Amount at the beginning of the period	\$2,464	\$1,925
Net re-measurement of the defined benefit plan	735	539
Amount at the end of period	<u>\$3,199</u>	<u>\$2,464</u>

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

C. Adjustment of the current value of defined benefit obligation and fair value of planned assets

	December 31, 2020	December 31, 2019
Current value of a defined benefit obligation	\$15,072	\$33,396
Fair value of planned assets	(1,539)	(18,706)
Defined benefit liability	<u>\$13,533</u>	<u>\$14,690</u>

D. Changes of the current value of a defined benefit obligation

	2020	2019
Carrying amount at the beginning of period	\$33,396	\$35,222
Current service cost	42	42
Interest expense	234	352
Net re-measurement of the defined benefit liability		
Actuarial loss generated from the changes of financial assumption	600	1,053
Actuarial gains generated from the experience adjustment	(719)	(933)
Benefit paid	(18,481)	(2,340)
Carrying amount at the end of period	<u>\$15,072</u>	<u>\$33,396</u>

E. Changes of fair value of planned assets are as following

	2020	2019
Carrying amount at the beginning of period	\$18,706	\$16,130
Interest income	131	161
Net determined welfare assets re-measurement plan asset return (excluding current interest)	616	659
Contribution from employer	567	4,096
Benefit paid	(18,481)	(2,340)
Carrying amount at the end of period	<u>\$1,539</u>	<u>\$18,706</u>

- (A) Pursuant to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund,” the competent authority, in conjunction with the Ministry of Finance, shall commission the Bank of Taiwan to manage the revenues, expenditures, safeguard, and utilization of the Fund, where the safeguard and utilization of the Fund may be commissioned to another financial institution. The scope of Fund utilization shall be as follows: deposit in domestic or foreign financial institutions; loan to government agencies in various levels or state-owned enterprises for undertaking economic construction or capital expenditure with compensation or repayable by budgeting on a year-by-year basis; investment in domestic or foreign listed, over-the-counter, or private placement equity securities; investment in domestic or foreign debt securities; investment in publicly or privately placing beneficiary certificates issued by domestic securities investment trust funds, futures trust fund, mutual trust funds or collective trust products; investment in beneficiary certificates, fund shares or investment unit securities issued or managed by foreign fund management institutions; investment in domestic or foreign real estate and its securitization products; investment in domestic or foreign spot commodities; engaging in domestic or foreign financial derivatives transactions; engaging in securities lending. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Information on the asset utilization of the Labor Retirement Fund, includes the fund contributions and the rate of return provided by Bank of Taiwan, and the fund asset allocation announced on the website of the Bureau of Labor Funds (BLF), Ministry of Labor, Executive Yuan. Please refer to the website of BLF.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(B) As of December 31, 2020 and 2019, the balances of Company's dedicated account in Bank of Taiwan for depositing pension reserve, was NTD 1,539 thousand and NTD 18,706 thousand, respectively.

(C) As of December 31, 2020, the defined benefit plan expected to contribute NTD 356 thousand in 2021.

F. The amount of pension expenses recognized as profit and loss and the accounting status are as follows:

	2020	2019
Current service cost	\$42	\$42
Interest expense	234	352
Interest income	(131)	(161)
Total	\$145	\$233

	2020	2019
Operating cost	\$129	\$201
Selling and marketing expenses	2	4
Administrative expenses	14	28
Total	\$145	\$233

G. The main actuarial assumptions used in determining the current value of defined benefit obligation are as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.40%	0.70%
Expected wage increase rate	2.00%	2.00%

Please refer to Note 5.2(1) of individual financial statements for the sensitivity analysis of the Company's actuarial assumptions if there is a reasonably possible change that affects the amount of net defined benefit liabilities.

H. The overview of the maturity of the defined benefit obligation is as following:

	December 31, 2020	December 31, 2019
Weighted average duration	14 years	11 years

Maturity analysis of future benefit payment		
Within a year	\$298	\$630
2-5 years	901	7,276
6 years or more	14,722	28,135
Total undiscounted cash amount	\$15,921	\$36,041

(cont'd)

(In NTD thousand, unless stated otherwise)

(2) Defined contribution plans

- A. After the implementation of the "Labor Pension Act" in July 2005, the Company adopted a definite contribution plan. After the implementation, employees may choose to apply the relevant pension provisions of the "Labor Standards Act", or apply the pension system of the Labor Pension Act, while retaining the service years before the Act are applied. For employees subject to this Act, the Company's monthly contribution rate for the employee pension shall not be less than 6% of the employee's monthly wage, and the monthly pension contributions will be deposited in the individual dedicated labor pension account of the employee, set up by the Bureau of Labor Insurance. The Company is not liable for the statutory and assumed obligations of paying additional contributions after the monthly contributions are made.
- B. The amount of pension expenses recognized by the Company as a result of the definite contribution plan is as follows:

	2020	2019
Operating cost	\$1,691	\$2,039
Selling and marketing expenses	34	73
Administrative expenses	541	639
Total	<u>\$2,266</u>	<u>\$2,751</u>

11. Share capital

	Registered authorized capital (thousand shares) (note)	Issued common shares, face value per share NTD 10 (thousand shares) Share capital	
Balance on January 1, 2019	378,800	281,167	\$2,811,673
Balance on December 31, 2019	<u>378,800</u>	<u>281,167</u>	<u>\$2,811,673</u>
Balance on January 1, 2020	<u>378,800</u>	<u>281,167</u>	<u>\$2,811,673</u>
Balance on December 31, 2020	<u>378,800</u>	<u>281,167</u>	<u>\$2,811,673</u>

Note: The Company adopted the resolution of the AGM on March 23, 2012, to increase the total amount of the authorized share capital to NTD 5,000,000 thousand, divided into 500,000 thousand shares, each with a face value of NTD 10, and issuance in installments. The aforementioned amendment to the authorized share capital could not be registered for such change with the Company Act before the amendment. As the Company Act was amended on August 1, 2018, and enforced on November 1, 2018, the change can be directly registered. However, as of the release date of individual financial statements, the Company has not yet completed the change registration.

The rights, priorities and restrictions of the common shares issued by the Company are as follows

- (1) Each shareholder has one vote per share.
- (2) Distribution of the dividends and bonuses shall be effected in proportion to the number of shares held by each shareholder accordingly.
- (3) After paying off the debts, the remaining property shall be distributed in proportion to the shares of each shareholder.

(cont'd)

(In NTD thousand, unless stated otherwise)

12. Profit distribution and dividend policy

- (1) Pursuant to the Articles of Incorporation, the annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any surpluses remaining will be added to unappropriated earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution.
- (2) The Company's dividend policy is that the Company shall devise earnings appropriation plans for the amount of distributable earnings calculated above after taking into consideration prospects of the economic environment, future capital requirements, long-term financial plans, and shareholders needs for cash inflow, and present the proposal for resolution at shareholder meeting. At least 10% of total shareholders dividends shall be paid in cash, but the Company may choose to pay dividends in shares instead if cash dividends amount to less than NT\$0.5 per share.
- (3) As of the end of 2020 and 2019, the Company only accumulated loss, and thus no profit to be distributed.

13. Other equity (net amount after tax)

	2020	2019
<u>Unrealized valuation loss on financial assets</u> <u>measured at FVTOCI</u>		
Beginning retained earnings	\$(22,241)	\$(2,100)
Occurred in the period	16,737	(20,141)
Ending balance	<u>\$(5,504)</u>	<u>\$(22,241)</u>

14. Net operating income

	2020	2019
Income from product sales	\$769,242	\$1,114,478
Other operating revenue	34,774	43,602
Total	804,016	1,158,080
Less: Sales returns	(70)	-
Sales discounts and allowances	(171)	(2,982)
Net operating income	<u>\$803,775</u>	<u>\$1,155,098</u>

The Company's revenue mainly comes from goods transferred at a certain point of time. The relevant revenue is detailed as follows

(1) Major product/service lines

	2020	2019
Steel coils	\$769,001	\$1,111,496
Others	34,774	43,602
Total	<u>\$803,775</u>	<u>\$1,155,098</u>

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(2) Major geographic market

Area where clients are	2020	2019
Taiwan	\$803,775	\$1,155,098

15. Operating costs and expenses

Employee benefit expense, depreciations, and amortisation expenses are aggregated by function as following:

By nature \ By function	2020			2019		
	As operating costs	As operating expenses	Total	As operating costs	As operating expenses	Total
Employee benefits expense						
Wage expense (note 1)	\$30,172	\$10,168	\$40,340	\$37,355	\$11,946	\$49,301
Labor and health insurance expense	3,686	1,307	4,993	4,523	1,602	6,125
Pension expense	1,820	591	2,411	2,240	744	2,984
Remuneration to directors (Note 1)	-	1,215	1,215	-	1,259	1,259
Other employee benefits expense	3,759	1,263	5,022	1,471	505	1,976
Depreciation expense (Note 2)	117,250	1,706	118,956	116,497	1,944	118,441
Amortisation expenses	153	-	153	151	-	151

Note 1: (1) Pursuant to the Articles of Incorporation, annual profits concluded by the Company are subject to employee remuneration of 2%-3%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive this remuneration. Up to 1% of the aforementioned profit may be distributed as directors remuneration at the discretion of the board of directors. Employee and director remuneration proposals are to be raised for resolution during shareholder meetings. Profits must first be reserved to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages. The said annual profit mentioned shall refer to pre-tax profit before employees' and directors' remuneration in the current year. As of the end of 2020 and 2019, the Company only accumulated loss, and thus no employee or director remuneration is estimated.

(2) As of the end of 2020 and 2019, the Company only accumulated loss, and thus no employee or director remuneration is distributed.

(3) Regarding the information related to the employee or director remuneration approved by the Board of Directors, please inquiry at the MOPS

Note 2: The depreciation expenses provided by the Company for 2020 and 2019 were NTD 120,700 thousand and NTD 120,185 thousand, respectively. Of which the depreciation expenses for investment properties-leased assets were both NTD 1,744 thousand, and listed in net other income and expenses.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

- Note 3:
- (1) The average number of employees at the end of each month of the Company during 2020 and 2019 was 95 and 110 respectively; of which the number of directors who were not currently serving employees were both six.
 - (2) The Companys average employee benefit expenses in 2020 and 2019 were NTD 593 thousand and NTD581 thousand, respectively.
 - (3) The Companys average employee wage costs in the 2020 and 2019 were NTD 453 thousand and NTD 474 thousand, respectively; the average employee wage costs in 2020 were 4.43% lower than that 2019.
 - (4) The Company has established the Audit Committee to replace the functions of supervisors, as required, and thus no remuneration to supervisor.
 - (5) The companys remuneration policy (including directors, managerial officers and employees):
The Companys policy for remuneration to directors and managerial officers is based on the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”, and is determined by the Company’s Remuneration Committee with reference to the standard payment of peer industries with consideration of personal performances, the Companys operational performance and future risks.

For the Company’s policy on remuneration to employees, the wage (basic wage, various subsidies, job allowances, overtime pay and various bonuses) is set based on the common wage levels in the industry, job categories, ranks, academic and industrial background, professional capabilities and responsibilities. The bonuses and wage adjustments depend on the Company’s annual operating profitability and the achievement of the goals set by departments and individuals.

Regarding the remuneration of employees and directors of the Company, please refer to the explanation under Note 1(1) above.

16. Net other incomes and expense

	2020	2019
Investment property- leasing assets		
Rent income	\$57	\$57
depreciation expense	(1,744)	(1,744)
Net other incomes and expense	<u>\$(1,687)</u>	<u>\$(1,687)</u>

17. Non-operating income and expense

(1) Interest income

	2020	2019
Interest on bank deposits	<u>\$144</u>	<u>\$692</u>

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(2) Other income

	2020	2019
Rent income	\$1,689	\$1,568
Dividend revenue	1,894	2,001
Gains form government grants	6,897	-
Other income	9,380	10,422
Total	\$19,860	\$13,991

Note: This is the governmental grant received by the Company between May to November 2020 issued by MOEA under the “Subsidies for wages and working capitals for the enterprises in manufacturing and technical service industries facing difficulties due to COVID-19.” Please also refer to Note 12.4 of the individual financial statements for the description.

(3) Other gains or losses

	2020	2019
Net gain on financial assets at FVTPL	\$6,152	\$20,205
Net foreign exchange losses	-	(187)
Net income from disposal of property, plant and equipment	198	159
Total	\$6,350	\$20,177

(4) Financial costs

	2020	2019
Interest on bank loans	\$(14,044)	\$(15,588)

18. Other comprehensive income

Composition Items of Other Comprehensive Income	Recognized during the period	Reclassification adjustments of the period	Other comprehensive income	Income tax expense	After-tax amount
<u>2020</u>					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of the defined benefit plan	\$735	\$ -	\$735	\$(147)	\$588
Unrealized valuation gains on investments in equity instruments as at fair value through other comprehensive income	16,737	-	16,737	-	16,737
Total	\$17,472	\$ -	\$17,472	\$(147)	\$17,325

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

Composition Items of Other Comprehensive Income	Recognized during the period	Reclassification adjustments of the period	Other comprehensive income	Income tax expense	After-tax amount
<u>2019</u>					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of the defined benefit plan	\$539	\$ -	\$539	\$(107)	\$432
Unrealized valuation losses on investments in equity instruments as at fair value through other comprehensive income	(20,141)	-	(20,141)	-	(20,141)
Total	<u>\$(19,602)</u>	<u>\$ -</u>	<u>\$(19,602)</u>	<u>\$(107)</u>	<u>\$(19,709)</u>

19. Income tax

(1) The Company's profit-seeking enterprise income tax settlement and report cases before the 2018 (inclusive) have been approved by the tax collection agency.

(2) Major components of income tax expense were as follows:

A. Income tax recognized in profit or loss

	2020	2019
Income tax expense of the period		
Income tax expense to be borne for the period	\$ -	\$ -
Deferred income tax expense		
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

Pursuant to the amended provisions of the Income Tax Act promulgated on February 7, 2018, the income tax rate of profit-seeking enterprises has been increased from 17% to 20% from 2018. The Company changed the tax rate during the period when the tax rate changed. The impact on deferred income tax was recognized once in profit and loss. Moreover, if the earnings of the current year has not been distributed since 2018, the undistributed earnings will be taxed for an additional 10% profit-seeking enterprise income tax reduced from 5%.

B. Income tax related to other comprehensive income components

	2020	2019
Deferred income tax expense related to initially generated temporary difference and reversal	<u>\$147</u>	<u>\$107</u>

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(3) The relationship between income tax expenses and accounting profits:

	2020	2019
Accounting profit		
Net loss of continuing operations before tax	\$(209,678)	\$(177,829)
Tax amount based on the tax rate applicable to the Company	\$(41,936)	\$(35,566)
Adjusted item		
The effects of income tax from unrecognizable items on the tax return	(2,887)	(4,941)
Income tax effects of temporary differences	44,823	40,507
Income tax expense to be borne for the period	-	-
Adjustment of income tax of previous years recognized in current period	-	-
Income tax expense of the period	-	-
Deferred income tax expense	-	-
Income tax expense	\$ -	\$ -

(4) The information of unused tax credit for loss

Year of occurrence	Amount not credited		Last year for credit
	December 31, 2020	December 31, 2019	
2010	\$ -	\$95,020	2020
2011	291,017	291,017	2021
2012	407,770	407,770	2022
2013	268,611	268,611	2023
2014	86,078	86,078	2024
2015	332,570	332,570	2025
2016	21,430	21,430	2026
2018	44,293	50,793	2028
2019	193,592	193,592	2029
2020 (estimated)	317,827	-	2030
Total	\$1,963,188	\$1,746,881	

(5) There was no income taxes related to direct credit or debt of equity.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(6) The analysis of the deferred tax assets is as following:

	Beginning retained earnings	Recognized in comprehensive income	Recognized in other comprehensive income	Ending balance
<u>2020</u>				
Deferred tax assets				
Taxation difference from the contributed pension expense	\$2,994	\$ -	\$(147)	\$2,847
<u>2019</u>				
Deferred tax assets				
Taxation difference from the contributed pension expense	\$3,101	\$ -	\$(107)	\$2,994

(7) Unrecognized deferred tax assets
As of December 31, 2020 and 2019, the amount of income that are not likely taxable not recognized as deferred income tax assets was NTD 487,843 thousand and NTD 463,754 thousand, respectively.

20. Non-financial asset impairments

(1) The Company treats the regulated assets based on IAS 36 "Impairment of Assets." December 31, 2020 and 2019, the accumulated impairment balance are detailed as following:

	December 31, 2020	December 31, 2019
Investment Property	\$72,415	\$72,415

(2) In Q4 2004, the Company used the net fair value in the evaluation of investment properties-land and houses as the recoverable amount. After appraisal and evaluation, the estimated recoverable amount is lower than the carrying amount, and the difference of NTD 24,997 thousand is recognized as an impairment loss. Also in Q2, 2014, the aforementioned investment properties-land and houses were evaluated based on the actual price registration information inquired with the announced market price. After the evaluation, the estimated recoverable amount of the land was higher than the carrying amount, and the difference of NTD 5,997 thousand was reversed. Later, on November 27, 2017, due to the merger of the Company and the subsidiary, this was transferred to the accumulated impairment of the investment properties for NTD 53,415 thousand.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

21. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit and loss of the Company's common share equity holders divided by the weighted average number of outstanding common shares in the current period. The calculation is as follows:

	2020	2019
Net loss of the holders of the Company's common share equity	\$(209,678)	\$(177,829)
Weighted-average shares	281,167 thousand shares	281,167 thousand shares
Basic earnings per share (after tax) (NTD)	\$(0.75)	\$(0.63)

22. Adjustment of liabilities from financing activities

	Beginning retained earnings	Cash flows	Non-cash change Acquisition	Change of exchange rate	Ending balance
<u>2020</u>					
Long-term borrowings (due within a year include)	\$799,123	\$ -	\$ -	\$ -	\$799,123
Other payables-related parties (financing)		83,000			83,000
Total	\$799,123	\$83,000	\$ -	\$ -	\$882,123
<u>2019</u>					
Long-term borrowings (due within a year include)	\$799,123	\$ -	\$ -	\$ -	\$799,123

VII. Related party transaction

1. Name of related parties and the relationship

Related Party Name	Relationship to the Company
Chien Shing Construction Co., Ltd. (Chien Shing Construction)	The two companies share the same chairman.
Chien Shing Investment Co., Ltd. (Chien Shing Investment)	The two companies share the same chairman.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

2. Material transaction matters with related parties

(1) Rent income

The Company leases some investment properties to the other related parties, Chien Shing Construction for its use, and thus rent income incurs (the rent is paid semi-annually). Please also refer to Note 6.7 of the individual financial statements for the description.

	2020	2019
Other incomes and expense- rent income	\$57	\$57

(2) Financing

The Company has borrowed funds from the related parties as following:

Type/name of related parties	Highest balance	Ending balance	Interest rate range	Total interest expense
<u>Other payables- related parties</u>				
<u>2020</u>				
Other related party				
Chien Shing Investment	\$83,000	\$83,000	1.2%	\$ -

2019: none

(3) Debt and credit generated from the above transactions

Type/name of related parties	December 31, 2020	December 31, 2019
<u>Other payables- related parties</u>		
Other related party		
Chien Shing Investment	\$83,000	\$ -

The Company has not provided collateral or guarantee to the related parties' debts

(4) Information of the total remunerations of major management

The aggregated information of the total remunerations paid to major management such as directors and president is as following:

Item	2020	2019
Short-term benefit	\$1,215	\$1,259

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

VIII. Pledged Assets

1. Among the assets as of December 31, 2020 and 2019, the assets provided by the Company as the collaterals for financing to the financial institutions are the followings:

Line Item	December 31, 2020	December 31, 2019	Institution for pledge	Description of guaranteed debt
Property, Plant and Equipment				
Land	\$312,736	\$312,736	Taiwan Business Bank	Long-term borrowings
Buildings	469	662	Taiwan Business Bank	Long-term borrowings
Investment Property				
Land	74,997	74,997	Taiwan Business Bank	Long-term borrowings
Total	<u>\$388,202</u>	<u>\$388,395</u>		

2. As of December 31, 2020 and 2019, the amount of Company's investment properties provisionally seized by the course upon the application of the bank creditor was NTD 53,302 thousand and NTD 54,610 thousand, respectively. Please also refer to Note 6.7(7) of the individual financial statements for the description.

IX. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2020, the Company still have the following significant contingent liabilities and unrecognized commitments not listed in the abovementioned individual financial statements:

1. The amount of material contract for constructing plants and procuring equipment is NTD. 35,289 thousand, and NTD 20,002 thousand was paid (included the accounted payables); NTD 15,827 thousand must be paid in the future.
2. The Company has issued the note as bond to the vendor for cleaning general industrial waste for NTD 2,000 thousand.

X. Loss on Material Disaster

None.

XI. Material Events after the Period

None.

XII. Other1. Capital management.

- (1) The goal of the Company's capital management is to ensure the Company's ability to continue to operate, to continue to provide shareholder returns and other stakeholder benefits, while maintaining the best capital structure to reduce capital costs, and pricing products or services based on relative risk levels, to provide shareholders with sufficient remuneration
- (2) The Company sets the amount of capital based on the risk ratio, and conducts capital structure management and appropriate adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, reduce capital to refund shareholders with share payments, issue new shares or sell assets to settle debts.
- (3) The Company conducts capital control based on the ratio of net debt to total capital. The ratio is calculated by dividing net debt by total capital. Net debt is total liabilities minus cash and cash equivalents; total capital is all components of equity (i.e. equity, capital reserve, retained earnings and other equity) plus net liabilities.
- (4) The Company has no external capital regulations to be observed. The ratio of net debt to total capital of the Company for each period is listed as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$1,320,517	\$1,293,772
Less: cash and cash equivalents	(20,588)	(155,627)
Net liabilities	1,299,929	1,138,145
Total Equity	434,108	626,461
Total capital	\$1,734,037	\$1,764,606
Ratio of net liabilities to total capital	74.97%	64.50%

2. Financial risk management

- (1) The Company's main financial instruments include cash and cash equivalents, financial assets measured at fair value through profit and loss, financial assets measured at fair value through other comprehensive income, long-term borrowings, and receivables and payables arising from operating activities. By using these financial instruments the Company adjusts operating capital requirements, and thus the Company's operations are subject to a number of financial risks, including market risks (including exchange rate risks, interest rate risks and other price risks), credit risks and liquidity risks. The purpose of the Company's overall financial risk management is to reduce the potential adverse effects of the Company's exposure to financial risks due to changes in the financial market.
- (2) The Company's financial management department is responsible for identifying, evaluating and avoiding financial risks through close communications with the Company's business units, coordinating access to domestic and international financial markets, and analyzing the risk of risk to manage the company's operations. Financial risks are supervised and managed by the Board of Directors

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(3) Major risks of the Company's financial instruments are described as following:

A. Market risk

The Company's main market risk is the exchange rate risk arising from operating activities such as sales or purchases denominated in non-functional currencies, and the interest rate risk or price risk arising from the transaction of financial instruments.

(A) Exchange rate risk

The Company evaluates and analyzes the overall exchange rate risk, and uses foreign exchange forward contracts for risk management when the recognized assets and liabilities and future commercial transactions are exposed to significant exchange rate risks, within the scope permitted by the policy.

The Company's non-functional currency-denominated financial assets and liabilities with significant risk of exchange rate fluctuations at the reporting date and sensitivity analysis information are as following. The sensitivity analysis is that for the Company's non-functional currency-denominated financial assets and liabilities at the reporting date, if NTD appreciates 5% of the relevant foreign currencies, its impact on the net profit before tax or equity, or if it depreciates by 5%, the impact on the net profit before tax or equity in the opposite direction:

	Foreign currency (thousand dollar)	Exchange rate	Carrying amount	Sensitivity analysis		
				Change	Increase/decrease of net profit before tax	Decrease of equity
<u>December 31, 2020</u>						
<u>Financial asset</u>						
<u>Monetary items</u>						
USD	\$72	28.43	\$2,165	5%	\$108	\$ -

Non-currency item: none.

Derivative financial instruments: none.

Financial liability

Monetary items

USD	\$78	28.53	\$2,340	5%	\$117	\$ -
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Non-currency item: none.

Derivative financial instruments: none.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

	Foreign currency (thousand dollar)	Exchange rate	Carrying amount	Sensitivity analysis		
				Change	Increase/decrease of net profit before tax	Decrease of equity
<u>December 31, 2019</u>						
<u>Financial asset</u>						
<u>Monetary items</u>						
USD	\$98	29.930	\$3,004	5%	\$150	\$ -

Non-currency item: none.

Derivative financial instruments: none.

Financial liability

Monetary items

USD	\$78	30.030	\$3,529	5%	\$176	\$ -
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Non-currency item: none.

Derivative financial instruments: none.

The amounts of foreign exchange net gain or loss of the currency item (Including realized and unrealized) converted into functional currency, and the information of exchange rate converted into the currency expressed in individual financial statements are as follows:

functional currency	2020		2019	
	Foreign exchange net gain (loss)	Average exchange rate	Foreign exchange net gain (loss)	Average exchange rate
NTD	\$ -	-	\$(187)	-

(B) Interest rate risk

The Company's interest rate risks include the fair value interest rate risk of financial instruments with fixed interest rate, and the cash flow interest rate risk of financial instruments with floating interest rate. Fixed interest rate financial instruments are bank borrowings and other payables – related parties – financing undertaken by the Company; floating interest rate financial instruments are demand deposits. The Company evaluates and analyzes interest rate risk on a dynamic basis. It maintains an appropriate mix of fixed and floating interest rates to control the exposure of interest rate risk. If the interest rate risk in the future arises significant exposure, within the extent permitted by the policy, it is expected to carry out risk management through forward interest rate agreements.

(cont'd)

(In NTD thousand, unless stated otherwise)

a. The financial assets and liabilities with fixed and floating interest rates

	December 31, 2020	December 31, 2019
Fixed interest rate		
Financial asset	\$ -	\$ -
Financial liability	(882,123)	(799,123)
Net amount	<u>\$(882,123)</u>	<u>\$(799,123)</u>
floating interest rate		
Financial asset	\$18,990	\$154,045
Financial liability		
Net amount	<u>\$18,990</u>	<u>\$154,045</u>

b. Sensitivity analysis

For the Company's financial assets with floating interest rates, if the market deposit interest rate increases by 0.5% on the reporting date, and maintains for a whole fiscal year, when all other factors remain unchanged, the Company will have the net profit before tax for 2020 and 2019 increased by NTD 95 thousand and NTD 770 thousand, respectively.

(C) Other price risk

The Company possesses the equity securities including financial assets measured at fair value through profit and loss, and financial assets measured at fair value through other comprehensive income, and thus the equity price risk is generated. The Company diversifies such risks by means of investment portfolios, so it is still exposed to equity price risks.

Sensitivity analysis

When the equity price of financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive income held by the Company increases by 5% on the reporting date, the impact on net profit after tax or equity is as following. If the equity price falls at 5%, the net profit or equity after tax will be impacted in the opposite direction:

	December 31, 2020	December 31, 2019
Profit after tax increased		
Financial assets measured at FVTPL	<u>\$2,621</u>	<u>\$3,100</u>
Increased equity		
Financial assets at FVTOCI	<u>\$3,398</u>	<u>\$2,562</u>

(In NTD thousand, unless stated otherwise)

B. Credit risk

(A) The Company's credit risks mainly are that the financial assets are impacted from the defaults of counterparty or other party. The impacts include the credit risk concentration, components, contractual amount and other receivables of the Company's financial assets. In order to reduce credit risks, the Company's financial assets, such as bank deposits, financial assets measured at fair value through profit and loss, and financial assets measured at fair value through other comprehensive income are all traded with well-known domestic or international financial or securities institutions. It is a low level of credit risk. For receivables, the Company continues to evaluate the financial positions, historical experience and other factors of the transaction counterparties, and revises the transaction limit and method with individual clients in a timely manner to improve the Company's credit quality to clients. As the Company's receivables have not exceeded the credit period on the balance sheet date, and the Company mainly trades with bank's letters of credit, there is no significant credit risk. Meanwhile, after evaluation and analysis, there is no circumstances where the allowance accounts for receivable impairment are required to be provided.

(B) The expected credit loss analysis of the Company's accounts receivable is as following:

	Carrying amount of accounts receivable	Reserve matrix (loss)	Loss allowance (lifetime ECLs)
<u>December 31, 2020</u>			
Not Past Due	\$18,139	-	\$ -
<u>December 31, 2019:</u>			
None			

(C) The analysis of the concentration of accounts receivable credit risk is as following

	December 31, 2020	December 31, 2019
Weight of receivables from top ten clients	100%	-%

C. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to meet all contractual obligations of operations and reduce the impact of cash flow fluctuations. Bank financing is an important source of liquidity for the Company. The management uses capital structure management, supervision of the use of bank financing limits, and compliance with borrowing contract terms, to ensure the reacquisition of bank financing and thereby reduce liquidity risks.

(A) Credit available from banks' facilities

	December 31, 2020	December 31, 2019
Bank loan	\$ -	\$ -

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(B) Maturity analysis of undiscounted financial liabilities

	Under 1 year	1 year to 2 years	2 years to 5 years	More than five years	Total
December 31, 2020					
<u>Non-derivative financial liabilities</u>					
Note payable	\$7,408	\$ -	\$ -	\$ -	\$7,408
Accounts payable	4,919	-	-	-	4,919
Other payables (related parties include)	109,846	-	-	-	109,846
Long-term borrowings (due within a year include)	512,174	286,949			799,123
Total	<u>\$634,347</u>	<u>\$286,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$921,296</u>

Non-derivative financial liabilities: none

December 31, 2019

Non-derivative financial liabilities

Note payable	\$10,916	\$ -	\$ -	\$ -	\$10,916
Accounts payable	87	-	-	-	87
Other payables	30,504	-	-	-	30,504
Long-term borrowings (due within a year include)	512,174	286,949			799,123
Total	<u>\$553,681</u>	<u>\$286,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$840,630</u>

Non-derivative financial liabilities: none

(4) Fair value of financial instruments

The carrying amounts of the Company's financial instruments are the reasonable approximation of fair values

A. The methods used for the fair value of financial instruments and the assumptions used when using evaluation techniques

(A) The fair value of short-term financial instruments is estimated based on their carrying amount on the balance sheet. As the maturity date of such financial instruments is very short, if the current value of future cash flows is discounted at the market interest rate, it is similar to the carrying amount, and thus the carrying amount of it should be a reasonable basis for estimating the fair value. This method applies to cash and cash equivalents, net accounts receivable, other receivables, notes payable, accounts payable and other payables (including related parties).

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(B) For financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive income, if there are public quotations from active markets, the market price is the fair value; if there is no public quotation from active markets, other evaluation techniques are used to determine its fair value.

(C) The fair value of long-term borrowings is estimated based on the carrying amount, because the expected future payment amount is similar to the carrying amount.

B. Fair value hierarchy

All assets and liabilities measured or disclosed at fair value, are classified to their respective fair value hierarchy level based on the lowest level inputs of importance to the overall fair value measurement. Input of each level are as the following:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that were originally measured at fair value on a repetitive basis and recognized on the balance sheet, the classification is reassessed at the end of each reporting period to determine whether there is a transfer between the levels of the fair value hierarchy.

(A) Hierarchy of financial instruments measured at fair value and recognized in the balance sheet

The Company does not have assets and liabilities measured at fair value on a non-repetitive basis. The fair value level information of assets and liabilities measured at fair value on a repetitive basis is listed below:

	Level 1:	Level 2:	Level 3:	Total
<u>December 31, 2020</u>				
<u>Asset</u>				
Financial asset equity securities measured at FVTPL				
Equity securities	\$52,410	\$ -	\$ -	\$52,410
Financial assets at FVTOCI				
Equity securities	67,968	-	-	67,968
<u>Liability: none</u>				

(cont'd)

(In NTD thousand, unless stated otherwise)

	Level 1:	Level 2:	Level 3:	Total
<u>December 31, 2019</u>				
<u>Asset</u>				
Financial assets measured at FVTPL				
Equity securities	\$62,000	\$ -	\$ -	\$62,000
Financial assets at FVTOCI				
Equity securities	51,231	-	-	51,231
<u>Liability: none</u>				

- (B) The Company did not have any significant transfers between the level 1 and the level 2 in the fair value hierarchy in 2020 to 2019.
- (C) The Company has no change in the fair value measurement at level 3 in 2020 and 2019, nor recognized any profit or loss or other total profit or loss under the comprehensive income due to changes in level 3 fair value for the current period.
- (D) Evaluation techniques and assumptions used to measure the fair value of financial assets:
- The fair value of financial assets with standard terms and conditions that are traded in an active market is determined by reference to market quotes.
 - Other evaluation techniques, to determine the fair value of other financial instruments, such as discounted cash flow analysis.

3. Material uncertainties related to continuing as a going concern

The Company's 2020 operation was still short of expectation, and kept on losing. As of December 31, 2020, the deficit to be compensated was NTD 2,372,061 thousand. The Company intended to undertake the following countermeasures to improve the operation and financial structure, for continuing operation.

- (1) Extension and renewal of existing bank debt, and seeking financial support from shareholders
Contacting the creditor banks to negotiate the extension and renewal of the due debts, while obtaining the available revolving credit limits, and seeking financial support from shareholders, to relieve the current struggle where the liquidity is insufficient to pay off the due debts, and maintain the Company's normal operation.

(cont'd)

(In NTD thousand, unless stated otherwise)

(2) Improve capital structure

- A. Revitalization of land assets: The land held by the Company is close to the Madou Interchange. It has been included in the rezoning program by the Tainan City Government and is currently under rezoning. Once the land rezoning completed, after deducting the area required for the Companys plants, there is still land available for disposal, the Company will actively looks for buyers to dispose some of the investment properties. It is expected that the aforementioned capital injection will greatly improve the Companys financial structure.
- B. Conducting capital increase in cash: as the Companys operations are gradually improving and the economy is expected to improve, when the timing is proper, new investors will be introduced to participate in the operations, and new funds will be injected to enrich the Companys own capital.

(3) Enhancing business promotion and diversified operation

- A. Currently, the Companys sales are mainly domestic sales. With the changes in the international economic environment, the export market still has great room for development. In the future, by coping with government policies, the Company will enter Southeast Asian emerging markets and other potential international markets to diversify risks and expand business.
- B. Develop a diversified business strategy:
Make use of the existing electric vehicle plant equipment, to expand the scale, research and innovate, conquer the market, in order to increase the Companys operating income.

(4) Save expenditure and reduce operating costs

- A. Save various expenses and expenditures, such as utilities, paper and other non-essential expenses, and reduce operating costs.
- B. Negotiate with the banks to lower the borrowing interest rate to reduce the cost burden.

The Company believes that through the above countermeasures, there are still major uncertainties in the ability to continue operations, but the Companys individual financial statements for 2020 are still prepared on the basis of continuing operations accounting.

- 4. Due to the impact of the COVID-19 pandemic, the Companys stainless steel prices have fallen sharply and orders have shrunk severely. As a result, the Companys net operating income decreased by about 30% in 2020, comparing to that 2019. In addition to the countermeasures described in note 12.3 of individual financial statement, the Company has applied to the Ministry of Economic Affairs in May, September and November, for the “Subsidies for wages and working capitals for the enterprises in manufacturing and technical service industries facing difficulties due to COVID-19.” The Ministry of Economic Affairs approved the subsidies of total NTD 6,227 thousand. The Company has successively received the aforementioned government subsidies totaling NTD 6,897 thousand. The difference from the approved amount is mainly resulted from the decrease employees in June 2020, which in turns resulted decrease in wage subsidies; meanwhile the Company has received subsidy of NTD 925 thousand in November 2020 but has not yet received approval letter from Industrial Development Bureau, MOEA. The Company will continue to evaluate the application for other relief plans from the government or make adjustments to its operating strategy.

XIII. Disclosures in Notes

1. Information about significant transactions

The supplementary of the Company's information for 2020 as following:

- (1) Loaning of fund to others: none
- (2) Endorsements/guarantees provided to others: none
- (3) Holdings of marketable securities at the end of the period (excluding investment in subsidiaries, affiliates and joint venture equity): detailed attached table 1.
- (4) Marketable securities acquired and disposed at costs or prices at least NTD300 million or 20% of the paid-in capital: none
None.
- (5) Acquisition of individual real estate at costs of at least NTD 300 million or 20% of the paid-in capital: none
- (6) Disposal of individual real estate at costs of at least NTD 300 million or 20% of the paid-in capital: none
- (7) Purchase or sales with related parties for at least NTD 100 million or 20% of the paid-in capital: none
- (8) Receivable from related parties for at least NTD 100 million or 20% of the paid-in capital: none
- (9) Derivatives transaction: none.
- (10) Business relationship and significant transactions between the Company and its subsidiaries: none.

2. Information about investees

Supplementary disclosure of relevant information about these who that directly or indirectly has significant influence, control, or joint venture equity on the Company's invested company in a non-mainland China area in 2020: No such matter.

3. Information on investments in mainland China

None.

4. Information on main investors

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 2.

XIV. Segments Information

1. The Company only operates on single industry, and the operation decision-makers of the Company assesses and allocate resources based on the overall Company. It is identified that the Company is the only segment shall report. This segment is the processing, manufacturing and trading of stainless steel products. Its technology and marketing strategies are the same, and no separate management is required. Reportable segment profit and loss is measured at the pre-tax operating profit and loss (excluding non-operating income and expenses and income tax expenses) and used as the basis for evaluating performance. This measurement amount is used by the operating decision-maker to determine the allocation of resources for the segment, and to evaluate the performance of the segment. The accounting policies of the operating segment are the same as the summary description of the critical accounting policies described in Note 4 of the individual financial statements.

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

Segments Information

	2020	2019
Revenue		
Income from external clients	\$803,775	\$1,155,098
Inter-segment income		
Total income	\$803,775	\$1,155,098
Segment losses	\$(221,988)	\$(197,101)
Non-operating income and expense	12,310	19,272
Net loss of continuing operations before tax	\$(209,678)	\$(177,829)
Depreciation and amortisation	\$120,853	\$120,336
Income tax expense	\$ -	\$ -
Non-current assets capital expenditure of segments	\$5,244	\$27,871

Note: The non-current assets capital expenditure of segments excludes the deferred income tax assets and financial instruments.

	December 31, 2020	December 31, 2019
Asset		
Segment assets	\$1,631,400	\$1,804,008
Deferred tax assets	2,847	2,994
Investment- non investment segment	120,378	113,231
Total asset	\$1,754,625	\$1,920,233
Liability		
Segment liabilities	\$1,306,984	\$1,279,082
Defined benefit liability	13,533	14,690
Total liabilities	\$1,320,517	\$1,293,772

2. Disclosure of the holistic enterprise information

(1) Information by product and service

The analysis of the Company's major product and service:

	2020	2019
Steel coils	\$769,001	\$1,111,496
Others	34,774	43,602
Total	\$803,775	\$1,155,098

Notes of individual finance statements of Chien Shing Stainless Steel Co., Ltd.
(cont'd)

(In NTD thousand, unless stated otherwise)

(2) Information by geographic area

A. The income from domestic and overseas external clients:

Area where clients are	2020	2019
Taiwan	\$803,775	\$1,155,098
Other countries	-	-
Total	<u>\$803,775</u>	<u>\$1,155,098</u>

B. The Company's non-current assets capital expenditure excludes the deferred income tax assets and financial instruments.

Location of non-current assets	December 31, 2020	December 31, 2019
Taiwan	\$858,734	\$977,163
Asia (ex-Taiwan)	-	-
Total	<u>\$858,734</u>	<u>\$977,163</u>

(3) Information of major clients

List of single clients from which the income accounted for 10% of net operating revenue:

Customer	2020	2019
A	\$275,729	\$417,042
B	242,259	247,437
C	195,151	210,363

Attachment 1: Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled equities).

Holding Company Name	Type of Marketable Securities	Name of Marketable Securities	Relation to the issuer	Line Item	End of the period (December 31, 2020)				
					Shares / Units (thousand shares or thousand units)	Carrying amount	Shareholding percentage (%)	Fair value/net worth	Remarks
Chien Shing Stainless Steel Co., Ltd	Stocks	Taiwan Business Bank	None	Financial assets measured at FVTPL - current	1,649	\$ 16,046	0.02%	\$ 16,046	-
	Stocks	Yieh Phui Enterprise Co., Ltd.	None	Financial assets measured at FVTPL - current	1,466	19,933	0.08%	19,933	-
	Stocks	Shihlin Electric & Engineering Corp	None	Financial assets measured at FVTPL - current	106	5,385	0.02%	5,385	-
	Stocks	Eastern Media International Corporation	None	Financial assets measured at FVTPL - current	226	3,945	0.04%	3,945	-
	Stocks	Cal-Comp Electronics (Thailand) Public Company Limited	None	Financial assets measured at FVTPL - current	698	2,856	0.02%	2,856	-
	Stocks	OSE Corp.	None	Financial assets measured at FVTPL - current	117	1,764	0.02%	1,764	-
	Stocks	RITEK Corporation	None	Financial assets measured at FVTPL - current	119	1,302	0.02%	1,302	-
	Stocks	AVID Electronics Corp.	None	Financial assets measured at FVTPL - current	66	568	0.12%	568	-
	Stocks	Hiyes International Co., Ltd.	None	Financial assets measured at FVTPL - current	7	611	0.01%	611	-
	Stocks	Asia Pacific Telecom Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income-non-current	6,554	66,199	0.17%	66,199	-
	Stocks	TRK Corporation	None	Financial assets measured at fair value through other comprehensive income-non-current	124	1,769	0.17%	1,769	-
	Stocks	Shin Yen Textile Co., Ltd	None	Financial assets measured at fair value through other comprehensive income-non-current	203	-	0.07%	-	-
	Stocks	Chien Tai Cement Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income-non-current	7	-	0.11%	-	-
	Stocks	Ya Hsin Industrial Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income-non-current	595	-	0.06%	-	-
	Stocks	Taiwan Fluorescent Lamp Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income-non-current	100	-	0.03%	-	-

V. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company's financial position, for the most recent year and until the date of publication of the annual report: None.

Seven. A review and analysis of the Company's financial position and financial performance, and a listing of risks

I. Financial position analysis:

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference	
			Amount	Proportion (%)
Current assets	825,076	888,845	(63,769)	(7.17)
Property, Plant and Equipment	729,083	842,873	(113,790)	(13.50)
Other assets	4,635	7,677	(3,042)	(39.62)
Total assets	1,754,625	1,920,233	(165,608)	(8.62)
Current liabilities	872,527	727,909	144,618	19.87
Non-current liabilities	447,990	565,863	(117,873)	(20.83)
Total liabilities	1,320,517	1,293,772	26,745	2.07
Share capital	2,811,673	2,811,673	0	0
Capital reserve	0	0	0	0
Retained earnings	(2,372,061)	(2,162,971)	(209,090)	9.67
Total Equity	434,108	626,461	(192,353)	(30.70)

The main reasons for significant changes (changes of 20% or more in two periods), their effects and future corresponding plans

(I) The main reasons for changes of 20% or more;

1. Other assets:

Due to the decrease in prepaid equipment and deferred income tax assets in 2020.

2. Current liabilities and non-current liabilities:

On September 17, 2019, the Company received a letter of consent principle from the competent authorities for the said waste disposal plan. Aside from the removal of the buried waste area in the rezoning project of Tainan City Government, which is due to be completed within one month, the remaining removal shall be completed within 36 months from September 12, 2019. After completion, the competent authorities shall be notified to conduct on-site verification. The Company uses the waste removal deadline determined by the competent authorities and the estimated progress of waste removal by the vendor as the basis for distinguishing between current and non-current liabilities. Which resulted in an increase in current liabilities and a decrease in non-current liabilities in 2020.

3. Total equity:

The decrease in 2020 from 2019 was mainly due to the increase in accumulated losses in 2020.

(II) Their effects and future corresponding plans: We will continue to strengthen the working capital and asset management and liability structure.

II. Financial performance:

Unit: NT\$ thousand

Item \ Year	2020	2019	Increase (decrease) amount	Change ratio (%)
Net operating income	803,775	1,155,098	(351,323)	(30.41)
Operating cost	(992,604)	(1,314,691)	(322,087)	(24.50)
Operating loss	(188,829)	(159,593)	29,236	18.32
Operating expenses	(31,472)	(35,821)	(4,349)	(12.14)
Operating loss	(221,988)	(197,101)	24,887	12.63
Non-operating income and expense	12,310	19,272	(6,962)	(36.12)
Net loss before income tax	(209,678)	(177,829)	31,849	17.91
Income tax benefit (expense)	0	0	0	0
Net loss for the period	(209,678)	(177,829)	31,849	17.91

(I) Analysis of the description of increase/decrease changes reaching 20% or more:

1. The change in operating revenue, operating profit and operating income was mainly due to the impact of the pandemic outbreak that shrank demand for stainless steel, which resulted in the decline in selling price and sales volume of the Company's products. As a result, operating profit and operating income decreased from 2019.
2. Non-operating income and expense decreased in 2020 from 2019 due to the decrease of disposal of investment profit and valuation gain on financial assets in 2020.
3. Net loss before tax and net loss for the period increased in 2019 due to the effects described above.

(II) Expected sales volume and its basis: Not applicable as the Company did not disclose financial forecast information to the public in 2020.

(III) Possible impact on the Company's future financial operations and corresponding plans: Please refer to "Five. Operational Overview" in the annual report.

III. Cash Flow:

(I) Analysis of changes in cash flows for the year:

Unit: NT\$ thousand

Opening cash balance	Estimated annual net cash flows from operating activities	Estimated annual net cash flows from investment activities	Estimated annual net cash flows from financing activities	Effects of changes in exchange rates	Remaining cash (deficiency) amount
155,627	(217,707)	(332)	83,000	0	20,588

Analysis of changes in cash flows for the period:

1. The cash outflow of NT\$217,707 thousand from operating activities was mainly due to the loss for the period.
2. The cash outflow of NT\$332 thousand from investment activities was mainly due to the procurement of property, plant and equipment.
3. The cash inflow of NT\$83,000 thousand from financing activities was mainly due to the borrowings from related parties.

(II) Analysis of remedies for cash deficits and liquidity : Not applicable.

(III) Analysis of liquidity for the coming year:

Unit: NT\$ thousand

Opening cash balance	Estimated annual net cash flows from operating activities	Estimated annual net cash flows from investment activities	Estimated annual net cash flows from financing activities	Effects of changes in exchange rates	Remaining cash (deficiency) amount
20,588	245,583	(155,835)	50,000	0	160,336
1. Analysis of expected 2020 cash flow changes: (1) Operating activities: The Company expects that the steel market in 2021 will be stable and the industry is expected to generate profits. (2) Investment activities: Routine production equipment retirement and replacement. (3) Financing activities: Estimated new loans. 2. Responsive measures and liquidity analysis for expected cash flow deficit: None.					

IV. Major capital expenditures in the most recent year and their impact on financial operations: None.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year: None.

VI. Risk evaluation during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

- (I) The impact of interest rate, exchange rate changes, and inflation on the Company's profit and loss and future corresponding measures:
1. In 2020, the interest expense totaled approximately NT\$14,044 thousand, a decrease of NT\$1,544 thousand from 2019. The decrease was due to the borrowing rate range of approximately 1.70% in 2020. In the future, the Company will continue to negotiate with banks to reduce the adjustment range on borrowing rates based on market interest rates.
 2. In consideration of costs and timeliness, the Company's raw materials are mainly procured abroad. Due to the fact that the Company's products are all being sold in Taiwan, related personnel have been put in place to observe the trend of exchange rates and capital requirements, while adopting flexible and favorable means to reduce the exchange rate losses caused by exchange rate fluctuations.
3. Impact of inflation on the company's profit and loss: None.
- (II) Main reasons and future corresponding measures of policies for engaging in highly risky and highly leveraged investments, lending funds to others, endorsements and guarantees and derivatives transactions: None.
- (III) Future R&D plans and estimated R&D investment expenses:
- (IV) Impact on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: None.
- (V) Impact on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: None.
- (VI) Impact on the company's crisis management of changes in the company's corporate image, and corresponding measures to be taken in response: None.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and corresponding measures being or to be taken: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and corresponding measures being or to be taken: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and corresponding measures being or to be taken: None.
- (X) Impact upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and corresponding measures being or to be taken: None.
- (XI) Impact upon and risk to company associated with any change in governance personnel or top management, and corresponding measures being or to be taken: None.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director (including independent director), the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could

materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: On April 8, 2019, the Company received an indictment from the District Prosecutor's Office for violating the Waste Disposal Act, with the Company and 12 persons listing as defendants including the Company's chairman, Shuo-Tang Yeh. The cleanup cost was estimated at NT\$1,224,404 thousand (tax included), with a maximum fine of NT\$15,000 thousand. Up to the date of publication of the annual report, the case is still pending review at the Taiwan Tainan District Court. Based on the results of experts and the price quoted by the relevant vendor, the Company estimated a disposal and handling expense of NT\$436,395 thousand for the buried business waste and NT\$15,000 thousand for the possible fines with reference to the expert opinion. The disposal and handling expense difference between the Company's estimate and the estimated amount in the indictment is primarily due to the difference in the weight of the waste converted and the difference in the quotation from the relevant vendor. However, the Company has provided its best estimate of the expenses required to settle this obligation and will review its reasonableness on a regular basis. The said provision for liabilities is expected to be paid in accordance with the waste disposal progress of the vendor after the competent authorities approves the Company's waste disposal plan and claim for release of evidence of preservation from the court. The fines are expected to be paid after the competent authorities determines the fines. On September 17, 2019, the Company received a letter of consent principle from the competent authorities for the said waste disposal plan. Aside from the removal of the buried waste area in the rezoning project of Tainan City Government, which is due to be completed within one month, the remaining removal shall be completed within 36 months from September 12, 2019. After completion, the competent authorities shall be notified to conduct on-site verification. The Company uses the waste removal deadline determined by the competent authorities and the estimated progress of waste removal by the vendor as the basis for distinguishing between current and non-current liabilities. Please refer to Note 4.13 of the individual financial statements.

(XIII) Other important risks, and mitigation measures being or to be taken:

Information security risk assessment:

1. In an effort to implement information security management, we have formulated the "Computer Operation Management Measures" and relevant enforcement rules to strengthen information operation security control. The computer room is an independent air-conditioning room with access control; mechanisms such as firewall, non-stop power system, electronic file encryption system and electronic personal data storage platform have all been set up; data is backed up on a regular basis; and information security inspection is carried out at least once a month. User privilege records are managed by the information unit, and audits are performed on an annual basis to reduce company information security risks.
2. A regular system recovery exercise is conducted annually to ensure the normal operation of the information system and data preservation. By doing so, the risk of system disruption caused by unpredictable natural disaster and human errors can be reduced, ensuring that the expected system recovery target time is met.
3. A maintenance contract will be signed with vendors of important machines and information systems. The contents of the contract clearly state the responsibility of confidentiality and the delivery information may not leaked or used, and that a machine must be required within the scheduled time in the event of a breakdown to maintain normal operation.
4. The Information Department periodically assesses the operational risks and impacts on the existing equipment regarding the financial side, laws and regulations, and customers, while also assessing the risks, planning and designing appropriate corresponding measures in order to adequately improve software and hardware resources as well as operational processes.

VII. Other important matters: None.

Eight. If any of the situations listed in Article 36, paragraph 2 subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

**CHIEN SHING STAINLESS STEEL
CO., LTD.**

Chairman: Shuo-Tang Yeh