Hsin Kuang Steel Company Limited

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying financial statements of Hsin Kuang Steel Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2018 are as follows:

Write-down of Inventories

As of December 31, 2018, inventories in the Company's financial statements amounted to NT$4,027,175 thousand, representing 24% of total assets. The Company mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. Under this business model, the Company must reserve various steel products to respond to market and customer demands. Because steel industry is highly affected by fluctuations of international steel prices, changes in the value of inventory can affect the calculation of net realizable value of inventories. The amount of inventories is significant to the financial statements as a whole and the valuation involves management's judgment, in particular, the net realizable value of inventory, is estimated based on past selling prices and actual transactions. Therefore, we identified write-down of inventories as a key audit matter.

Refer to Notes 4, 5 and 12 to the financial statements for the accounting policies and related disclosures on the write-down of inventories.

We performed the following audit procedures in respect of write-down of inventories:

1. We understood and tested the design and operating effectiveness of key controls over the estimation of inventory write-downs;

2. We took into consideration the steel price charts of China Steel Corporation and the market price trend of nickel metal, which was the main material of stainless steel, in assessing the reasonableness of management's estimate for the inventory write-downs;

3. We selected samples and checked the consistency of data used by management in calculating the allowance for inventory write-downs with original data in the system, as well as samples selection and the most recent sales price corroboration, in order to evaluate the reasonableness of management's estimate and determine inventories which were stated at the lower of net realizable value.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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.

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he engagement partners on the audit resulting in this independent auditors' report are Sheng-Hsiung Yao and Jui-Na Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

<u>*Notice to Readers*</u>

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

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

HSIN KUANG STEEL COMPANY LIMITED

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 978,699	6	$ 707,695	5
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 34)	889,644	5	503,339	4
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	80,115	1	-	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	81,767	1
Financial assets at amortized cost - current (Notes 9 and 34)	116,677	1	-	-
Notes receivable from related parties (Notes 11 and 33)	56,772	-	1,097	-
Notes receivable from unrelated parties (Notes 4, 5, 11 and 34)	1,252,277	7	1,015,611	7
Trade receivables from related parties (Notes 11 and 33)	39,488	-	12,235	-
Trade receivables from unrelated parties (Notes 4, 5 and 11)	1,228,738	7	1,240,856	9
Inventories (Notes 4, 5 and 12)	4,027,175	24	2,743,288	20
Prepayments	144,639	1	80,896	1
Other financial assets - current (Notes 4, 13 and 34)	-	-	87,706	1
Other current assets - other (Note 17)	2,301	-	708	-
Total current assets	8,816,525	52	6,475,198	48
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,898,224	11	-	-
Available-for-sale financial assets - non-current (Notes 4, 8 and 34)	-	-	1,850,769	14
Investments accounted for using the equity method (Notes 4 and 14)	2,024,422	12	1,351,258	10
Property, plant and equipment (Notes 4, 15 and 34)	3,165,177	19	3,595,147	26
Investment properties (Notes 4, 16 and 34)	958,879	6	268,846	2
Deferred tax assets (Notes 4 and 26)	32,240	-	13,498	-
Other non-current assets (Notes 4, 5, 11 and 17)	46,612	-	57,731	-
Total non-current assets	8,125,554	48	7,137,249	52
TOTAL	$ 16,942,079	100	$ 13,612,447	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 18)	$ 6,875,405	41	$ 3,449,674	25
Short-term bills payable (Notes 4 and 18)	429,734	2	469,508	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	8,659	-	38,012	-
Contract liabilities - current (Note 24)	143,030	1	-	-
Notes payable to unrelated parties (Notes 4 and 20)	647,007	4	422,237	3
Notes payable to related parties (Notes 20 and 33)	3,156	-	2,034	-
Trade payables to unrelated parties (Notes 4 and 20)	177,687	1	9,642	-
Trade payables to related parties (Notes 20 and 33)	1,482	-	178	-
Other payables (Notes 21 and 33)	165,288	1	147,742	1
Current tax liabilities (Notes 4 and 26)	71,573	-	131,731	1
Current portion of long - term borrowings and bonds payable (Notes 4, 18 and 19)	610,526	4	1,010,526	8
Other current liabilities - other	1,524	-	104,325	1
Total current liabilities	9,135,071	54	5,785,609	43
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	400,337	2	532,148	4
Long-term borrowings (Notes 4 and 18)	128,948	1	737,512	5
Provisions - non-current (Note 4)	3,570	-	3,570	-
Deferred tax liabilities (Notes 4 and 26)	21,605	-	4,590	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	27,744	-	27,780	-
Other non-current liabilities - other (Notes 4 and 33)	514,382	3	250,300	2
Total non-current liabilities	1,096,586	6	1,555,900	11
Total liabilities	10,231,657	60	7,341,509	54
EQUITY (Notes 4 and 23)				
Share capital	3,106,877	18	3,061,937	23
Capital surplus	818,309	5	867,686	6
Retained earnings				
Legal reserve	761,010	5	654,386	5
Special reserve	-	-	19,407	-
Unappropriated earnings	2,067,794	12	1,638,702	12
Total retained earnings	2,828,804	17	2,312,495	17
Other equity	(43,568)	-	28,820	-
Total equity	6,710,422	40	6,270,938	46
TOTAL	$ 16,942,079	100	$ 13,612,447	100

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 33)				
Sales	$ 8,591,658	100	$ 8,086,772	99
Other operating revenue	22,904	-	81,011	1
Total operating revenue	8,614,562	100	8,167,783	100
OPERATING COSTS (Notes 25 and 33)				
Cost of goods sold	(7,925,662)	(92)	(7,108,450)	(87)
Other operating costs	(6,731)	-	(26,053)	-
Total operating costs	(7,932,393)	(92)	(7,134,503)	(87)
GROSS PROFIT	682,169	8	1,033,280	13
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(3,803)	-	-	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	5	-	-	-
REALIZED GROSS PROFIT	678,371	8	1,033,280	13
OPERATING EXPENSES (Notes 4 and 25)				
Selling and marketing expenses	(168,585)	(2)	(183,472)	(2)
General and administrative expenses	(114,273)	(1)	(145,392)	(2)
Expected credit loss	10,823	-	-	-
Total operating expenses	(272,035)	(3)	(328,864)	(4)
OTHER OPERATING INCOME AND EXPENSES (Note 25)	-	-	159,076	2
PROFIT FROM OPERATIONS	406,336	5	863,492	11
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 25)				
Other income	109,583	1	13,232	-
Other gains and losses	487,604	6	105,063	1
Finance costs	(138,896)	(2)	(106,240)	(1)

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HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Gain from bargain purchase - acquisition of associates and joint ventures	$ -	-	$ 206,762	3
Share of profit or loss of subsidiaries and joint ventures	236,611	3	117,648	1
Total non-operating income and expenses	694,902	8	336,465	4
PROFIT BEFORE INCOME TAX	1,101,238	13	1,199,957	15
INCOME TAX EXPENSE (Notes 4 and 26)	(122,513)	(2)	(133,731)	(2)
NET PROFIT FOR THE YEAR	978,725	11	1,066,226	13
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(3,125)	-	(2,955)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(75,941)	(1)	-	-
	(79,066)	(1)	(2,955)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	3,553	-	(10,373)	-
Unrealized gain on available-for-sale financial assets	-	-	58,600	1
	3,553	-	48,227	1
Other comprehensive (loss) income for the year, net of income tax	(75,513)	(1)	45,272	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 903,212	10	$ 1,111,498	14
EARNINGS PER SHARE (Note 27)				
From continuing operations				
Basic	$ 3.17		$ 3.49	
Diluted	$ 3.06		$ 3.30	

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings			Other Equity			
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2017	299,188	$ 2,991,876	$ 1,016,806	$ 579,610	$ 231,141	$ 744,667	$ 9,034	$ -	$ (28,441)	$ 5,544,693
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	(211,734)	211,734	-	-	-	-
Appropriation of 2016 earnings										
Legal reserve	-	-	-	74,776	-	(74,776)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(306,194)	-	-	-	(306,194)
Other changes in capital surplus										
Equity component of convertible bonds issued by the Company	-	-	54,892	-	-	-	-	-	-	54,892
Changes in capital surplus from investments in subsidiaries, associates, and joint ventures accounted for using equity method	-	-	(3)	-	-	-	-	-	-	(3)
Cash dividends distributed from capital surplus	-	-	(244,955)	-	-	-	-	-	-	(244,955)
Convertible bonds converted to ordinary shares	7,006	70,061	40,946	-	-	-	-	-	-	111,007
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,066,226	-	-	-	1,066,226
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(2,955)	(10,373)	-	58,600	45,272
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,063,271	(10,373)	-	58,600	1,111,498
BALANCE AT DECEMBER 31, 2017	306,194	3,061,937	867,686	654,386	19,407	1,638,702	(1,339)	-	30,159	6,270,938
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	30,159	(30,159)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	306,194	3,061,937	867,686	654,386	19,407	1,638,702	(1,339)	30,159	-	6,270,938
Appropriation of 2017 earnings										
Legal reserve	-	-	-	106,624	-	(106,624)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(459,291)	-	-	-	(459,291)
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	(19,407)	19,407	-	-	-	-
Other changes in capital surplus										
Changes in capital surplus from investments in subsidiaries, associates, and joint ventures accounted for using equity method	-	-	66	-	-	-	-	-	-	66
Cash dividends distributed from capital surplus	-	-	(153,097)	-	-	-	-	-	-	(153,097)
Convertible bonds converted to ordinary shares	4,494	44,940	103,654	-	-	-	-	-	-	148,594
Net profit for the year ended December 31, 2018	-	-	-	-	-	978,725	-	-	-	978,725
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(3,125)	3,553	(75,941)	-	(75,513)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	975,600	3,553	(75,941)	-	903,212
BALANCE AT DECEMBER 31, 2018	310,688	$ 3,106,877	$ 818,309	$ 761,010	$ -	$ 2,067,794	$ 2,214	$ (45,782)	$ -	$ 6,710,422

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,101,238	$ 1,199,957
Adjustments for:		
Depreciation expenses	81,071	77,138
Amortization expenses	1,387	690
Expected credit loss reversed on trade receivables	(10,823)	-
Impairment loss on receivables	-	34,217
Net gain on financial assets held for trading	(467,995)	(163,629)
Net (gain) loss on financial liabilities held for trading	(24,521)	24,856
Finance costs	138,896	106,240
Interest income	(1,071)	(775)
Dividend income	(68,281)	(79,959)
Share of profit of subsidiaries, associates and joint ventures	(236,611)	(117,648)
Loss on disposal of property, plant and equipment	708	518
Net loss on disposal of available-for-sale financial assets	-	55,796
Impairment loss recognized on available-for-sale financial assets	-	3,860
Write-downs of inventories	108,793	1,986
Net gain on foreign currency exchange	(39,113)	(47,836)
Unrealized gain on transactions with associates and joint ventures	3,803	-
Realized gain on transactions with associates and joint ventures	(5)	-
Net defined benefit liabilities	(3,161)	5,160
Gain from bargain purchase	-	(206,762)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	-	183,050
Decrease in financial assets mandatorily classified as at fair value through profit or loss	87,175	-
Increase in notes receivable	(281,490)	(44,239)
(Increase) decrease in trade receivables	(21,474)	2,091
(Increase) decrease in other receivables	(1,706)	13,150
Increase in inventories	(1,392,680)	(548,195)
Increase in prepayments	(63,743)	(42,432)
Decrease in other current assets	113	222
Increase (decrease) in notes payable	225,892	(9,337)
Increase (decrease) in trade payables	174,771	(65,026)
Increase in contract liabilities	24,398	-
(Decrease) increase in other payables	(3,428)	19,042
Increase in other current liabilities	15,831	28,390
Cash (used in) generated from operations	(652,026)	430,525
Interest received	1,071	775
Dividends received	68,281	79,959
Income tax paid	(185,226)	(16,763)
Net cash (used in) generated from operating activities	(767,900)	494,496

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HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (129,451)	$ -
Proceeds from capital reduction and return of shares from Financial assets at fair value through other comprehensive income	2,222	-
Purchase of financial assets at amortized cost	(28,971)	-
Purchase of available-for-sale financial assets	-	(47,729)
Proceeds from sale of available-for-sale financial assets	-	246,434
Proceeds from the capital reduction and return of shares from available-for-sale financial assets	-	9,731
Acquisition of associates and joint ventures	(441,152)	(296,976)
Net cash outflow on acquisition of subsidiaries	-	(231,700)
Payments for property, plant and equipment	(314,068)	(836,119)
Proceeds from disposal of property, plant and equipment	6,024	1,549
Decrease (increase) in refundable deposits	73	(84)
Decrease in other financial assets	-	(22,130)
Increase in other non-current assets	(5,006)	-
Increase in prepayments for equipment	(17,254)	(55,209)
Dividends received from subsidiaries and associates	5,248	5,220
Net cash used in investing activities	(922,335)	(1,227,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	13,228,755	9,761,730
Repayments of short-term borrowings	(10,565,104)	(9,460,638)
(Decrease) increase in short-term bills payable	(40,000)	280,000
Proceeds from issuance of convertible bonds	-	601,200
Proceeds from long-term borrowings	-	750,000
Repayments of long-term borrowings	(210,527)	(600,000)
Proceeds from guarantee deposits received	264,082	250,000
Dividends paid	(612,388)	(551,149)
Interest paid	(103,579)	(103,421)
Net cash generated from financing activities	1,961,239	927,722
NET INCREASE IN CASH AND CASH EQUIVALENTS	271,004	195,205
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	707,695	512,490
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 978,699	$ 707,695

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

1. GENERAL INFORMATION

Hsin Kuang Steel Company Limited (the “Company”) was incorporated in January 1967. The original paid-in-capital was NT$200 thousand, and ordinary shares were issued subsequently for promoting business expansion and a sound financial structure. The Company’s share was approved to be listed on the Taipei Exchange in April 1997 and was approved to transfer to the Taiwan Stock Exchange (“TWSE”) in August 2000. The Company’s shares have been listed on the TWSE since September 2000 under the approval of the Financial Supervisory Commission (FSC) of the Republic of China.

The Company mainly engages in the cutting, stamping and sale of various steel products, including steel coils, steel plates, stainless steel, alloy steel and special steel.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 19, 2019.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IFRS 12 clarifies that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Company applied the aforementioned amendment retrospectively.

2) Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”

The amendment requires that market conditions and non-vesting conditions should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of a cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amendment should be applied to cash-settled share-based payment transactions that are unvested as of January 1, 2018.

3) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 707,695	$ 707,695	
Equity securities	Held for trading	Mandatorily at FVTPL	483,174	483,174	
	Available for sale	Mandatorily at FVTPL	5,485	5,485	a)
	Available for sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	1,927,051	1,927,051	a)
Mutual funds	Held for trading	Mandatorily at FVTPL	20,165	20,165	
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	87,706	87,706	
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	2,270,300	2,270,300	b)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	IFRS 9 Carrying Amount as of January 1, 2018	Remark
FVTPL				
Carrying amount	$ 503,339	$ -	$ 503,339	
Add: Reclassification from available-for-sale (IAS 39) Required reclassification at January 1, 2018	-	5,485	5,485	
	503,339	5,485	508,824	
FVTOCI - Equity instruments				
Add: Reclassification from available-for-sale (IAS 39)	-	1,927,051	1,927,051	
	-	1,927,051	1,927,051	a)
Amortized cost				
Add: Reclassification from loans and receivables (IAS 39)	-	2,270,300	2,270,300	
	-	2,270,300	2,270,300	b)
	$ 503,339	$ 4,202,836	$ 4,706,175	

a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading, except for the investment of NT$5,485 thousand of the listed shares is classified as mandatorily at FVTPL. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $30,159 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

4) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

If the customer has retained a portion of payment to the Company in accordance with the terms of the contract in order to protect the customer from the contractor's possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Prior to the application of IFRS 15, retention receivables under construction contracts were recognized as receivables and discounted to reflect the time value of money in accordance with IAS 39.

Incremental costs of obtaining a contract will be recognized as an asset to the extent the Company expects to recover those costs. Such an asset is amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Prior to the application of IFRS 15, related costs are recognized as expenses immediately.

If the contract is non-cancellable, the Company will recognize a receivable and a contract liability when it has an unconditional right to the considerations in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

The Company elected only to retrospectively apply IFRS 15 to contracts that are not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Notes receivable from unrelated parties	$ 1,015,611	$ 24,589	$ 1,040,200
Notes receivable from related parties	1,097	-	1,097
Trade receivables from unrelated parties	1,240,856	9,024	1,249,880
Trade receivables from related parties	12,235	-	12,235
Total effect on assets	$ 2,269,799	$ 33,613	$ 2,303,412
Contract liabilities - current	$ -	$ 118,632	$ 118,632
Other current liabilities - other	104,325	(85,019)	19,306
Total effect on liabilities	$ 104,325	$ 33,613	$ 137,938

5) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Company assumed it will recover the asset at its carrying amount when estimating probable future taxable profit. The Company applied the above amendments retrospectively in 2018.

6) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

7) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a 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. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The impact of the initial application of the above New IFRSs is summarized below

Impact on assets and liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
FVTPL financial assets - current	$ 503,339	$ 5,485	$ 508,824
FVTOCI financial assets - current	-	81,767	81,767
Amortized cost financial assets - current	-	87,706	87,706
FVTOCI financial assets - non-current	-	1,845,284	1,845,284
Available for sale financial assets - current	81,767	(81,767)	-
Available for sale financial assets - non-current	1,850,769	(1,850,769)	-
Notes receivable from unrelated parties	1,015,611	24,589	1,040,200
Notes receivable from related parties	1,097	-	1,097
Trade receivables from unrelated parties	1,240,856	9,024	1,249,880
Trade receivables from related parties	12,235	-	12,235
Other financial assets - current	87,706	(87,706)	-
Total effect on assets	$ 4,793,380	$ 33,613	$ 4,826,993
Contract liabilities - current	$ -	$ 118,632	$ 118,632
Other current liabilities - other	104,325	(85,019)	19,306
Total effect on liabilities	$ 104,325	$ 33,613	$ 137,938

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

2) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings. Upon initial application of the above amendment, the related borrowing costs will be included in the calculation starting from 2019.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company will apply the above amendments prospectively.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

e. Foreign currencies

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

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

1) Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

2) Transactions entered into in order to hedge certain foreign currency risks; and

3) Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

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

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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

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

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

h. Investment in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of the equity of associates and joint ventures.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's financial statements only to the extent that interests in the associate and the joint venture are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

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

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

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, other receivables, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

<u>2018</u>

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

<u>2017</u>

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For a financial asset measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, notes receivable and overdue receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables, notes receivable and overdue receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables, notes receivable and overdue receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL

  Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or is designated as at FVTPL.

  Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

- Contingent liabilities acquired in investments in associates and joint ventures

  Contingent liabilities acquired in investments in associates and joint ventures are initially measured at fair value at the acquisition date, when the fair value of the present obligation resulting from past events can be reliably measured. At the end of subsequent reporting periods, such contingent liabilities are measured at their amortized amount. However, if the present obligation amount is assessed to have a probable outflow of resources, the contingent liabilities shall be measured at the higher of the present obligation amount and the amortized amount.

n. Revenue recognition

<u>2018</u>

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the process of cutting and stamping with wholesale and retail of various steel products. Sales of goods are recognized as revenue when the goods are delivered to the customer's designated location, the customer has the right to set the price and use of the goods and has the primary responsibility for resale. Advance receipts for pre-determined sales price contracts are recognized as contract liabilities before the products have been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the cutting process of steel. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

2) Revenue from the rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

p. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 32. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

As of December 31, 2018, the total amount of notes receivable, trade receivables and overdue receivables was NT$2,582,356 thousand. (The net amount after deducting NT$43,310 thousand of the allowance for impairment loss.)

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As of December 31, 2017, the total amount of notes receivable, trade receivables and overdue receivables was NT$2,272,799 thousand. (The net amount after deducting NT$54,133 thousand of the allowance for impairment loss.)

c. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 759	$ 680
Checking accounts and demand deposits	977,940	707,015
	$ 978,699	$ 707,695

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2018	2017
Bank balance	0.001%-0.48%	0.001%-0.28%

As of December 31, 2018 and 2017, time deposits with an original maturity of more than 3 months were NT$116,677 thousand and NT$87,706 thousand, respectively, which were classified as financial assets at amortized cost in 2018 (refer to Note 9) and as other financial assets - current in 2017 (refer to Note 13).

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic quoted shares	$ 781,996	$ -
Mutual funds	4,450	-
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	103,198	-
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	-	483,174
Mutual funds	-	20,165
	$ 889,644	$ 503,339
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts (a)	$ -	$ 19,916
Convertible options (Note 19)	8,659	18,096
	$ 8,659	$ 38,012

a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2018			
Buy	NT$/US$	2019.01-2019.12	NT$3,614,920/US$122,290
December 31, 2017			
Buy	NT$/US$	2018.01-2018.11	NT$1,931,361/US$64,703

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
Current	
Investments in equity instruments at FVTOCI	$ 80,115
Non-current	
Investments in equity instruments at FVTOCI	$ 1,898,224

- Investments in equity instruments at FVTOCI

	December 31, 2018
Current	
Domestic investments	
Listed shares and emerging market shares	
Ordinary shares - China Steel Corporation	$ 80,115
Non-current	
Domestic investments	
Listed shares and emerging market shares	
Ordinary shares - China Steel Corporation	$ 1,379,823
Unlisted shares	
Ordinary shares - Century Wind Power Co., Ltd.	174,000
Ordinary shares - Envirolink Corporation	17,500
Ordinary shares - Yuan Jing Corporation	8,934
Ordinary shares - Dah Chung Bills Finance Corp.	5,506

(Continued)

	December 31, 2018
Ordinary shares - Linkou Entertainment Corp.	$ 4,600
Ordinary shares -Shang Yang Technology Corp.	3,528
Ordinary shares - Hua Mian Corporation	1,500
Ordinary shares - Shin Ji Technology Corp.	450
	1,595,841
Foreign investments	
Unlisted shares	
Ordinary shares - China Steel Sumikin Company	302,383
	$ 1,898,224

(Concluded)

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

Refer to Note 34 for information relating to investments in equity instruments at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturity of more than 3 months (a)	$ 116,677

a. The interest rates for time deposits with original maturity of more than 3 months were 0.13% - 0.77% as at the end of the reporting period. The time deposits were classified as other financial assets - current under IAS 39. Refer to Note 3 and Note 13 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic listed shares and emerging market shares	$ 81,767
Non-current	
Domestic listed shares and emerging market shares	$ 1,408,272
Domestic unlisted shares	94,275
Foreign unlisted shares	348,222
Available-for-sale financial assets	$ 1,850,769

Refer to Note 34 for information relating to available-for-sale financial assets pledged as security.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
Operating - unrelated parties	$ 1,254,055	$ 1,017,103
Operating - related parties	56,772	1,097
Less: Allowance for impairment loss	(1,778)	(1,492)
	$ 1,309,049	$ 1,016,708
Trade receivables		
At amortized cost - unrelated parties	$ 1,232,380	$ 1,244,597
At amortized cost - related parties	39,488	12,235
Less: Allowance for impairment loss	(3,642)	(3,741)
	$ 1,268,226	$ 1,253,091
Overdue receivables (recorded under other non-current assets)		
Overdue receivables	$ 42,971	$ 51,900
Less: Allowance for impairment loss	(37,890)	(48,900)
	$ 5,081	$ 3,000

a. Notes receivable and trade receivables

In 2018

The average credit period of sales of goods was 90-150 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of notes receivable and trade receivables based on the Company's provision matrix.

December 31, 2018

	Not Past Due	Less than 30 Days	31 Days to 1 Year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate	0.21%	0.00%	0.00%	0.00%	50.00%	
Gross carrying amount	$ 2,557,269	$ 11,680	$ 12,902	$ 660	$ 184	$ 2,582,695
Loss allowance (Lifetime ECL)	(5,328)	-	-	-	(92)	(5,420)
Amortized cost	$ 2,551,941	$ 11,680	$ 12,902	$ 660	$ 92	$ 2,577,275

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

	2018
Balance at January 1, 2018 per IAS 39	$ 5,233
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	5,233
Add: Net remeasurement of loss allowance	1,267
Less: Transferred to overdue receivables	(1,080)
Balance at December 31, 2018	$ 5,420

Compared with January 1, 2018, the net book value of notes receivable and trade receivables at December 31, 2018 increased by NT$307,476 thousand, which resulted in an increase of NT$1,267 thousand of loss allowance.

Refer to Note 34 for information relating to notes receivable pledged as security.

In 2017

The Company applied the same credit policy in 2018 and 2017. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 90 days and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Trade receivable that was past due but for which no allowance for impairment loss was recognized was NT$104,212 thousand as of December 31, 2017, which is disclosed in the aging analysis below. The Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances. In addition, the Company does not have the legal right to off-set the trade receivables with trade payables from the same counterparty.

The aging of trade receivables that were past due but not impaired was as follows:

	December 31, 2017
Up to 90 days	$ -
91-365 days	94,858
Over 365 days	9,354
	$ 104,212

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the allowance for doubtful trade receivables were as follows:

	December 31, 2017
Balance at the beginning of the year	$ 4,517
Add: Impairment losses recognized on receivables	1,488
Less: Impairment losses reversed	(772)
Balance at the end of the year	$ 5,233

b. Overdue receivables

Overdue receivable balances that were past due but for which no allowance for impairment loss was recognized were NT$5,081 thousand and NT$3,000 thousand as of December 31, 2018 and 2017, respectively, which are disclosed in the aging analysis below. The Company did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances. In addition, the Company did not have the legal right to off-set the overdue receivables with trade payables from the same counterparty.

The aging of overdue receivables that were past due but not impaired was as follows:

	December 31	
	2018	2017
Up to 90 days	$ -	$ -
90-365 days	2,081	-
Over 365 days	3,000	3,000
	$ 5,081	$ 3,000

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the allowance for doubtful overdue receivables were as follows:

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 48,900	$ 15,399
Add: Impairment losses transferred from trade receivables	1,080	-
Add: Impairment losses recognized on receivables	337	35,486
Less: Impairment losses reversed	(12,427)	(1,985)
Balance at December 31	$ 37,890	$ 48,900

The Company recognized an impairment loss on overdue receivables amounting to NT$37,890 thousand and NT$48,900 thousand as of December 31, 2018 and 2017, respectively. These amounts mainly related to customers that the Company were pursuing legal claims. Impairment losses recognized is the difference between the carrying amount of overdue receivables and its recoverable amount. The Company held chattel pledged as collateral over these balances.

12. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 604,109	$ 372,923
Raw materials	3,407,939	2,370,365
Raw materials in transit	15,127	-
	$ 4,027,175	$ 2,743,288

As of December 31, 2018 and 2017, the allowance for inventory devaluation was NT$111,219 thousand and NT$2,426 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was NT$7,925,662 thousand and NT$7,108,450 thousand, respectively. The cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of NT$108,793 thousand and NT$1,986 thousand, respectively, which resulted from the decline in the market price of the steel market.

13. OTHER FINANCIAL ASSETS - CURRENT

	December 31, 2017
Time deposits with original maturities of more than 3 months (a)	$ 87,706

a. The market interest rates of the time deposits with an original maturity of more than 3 months were 0.07%-0.77% per annum for the year ended December 31, 2017.

b. Refer to Note 34 for information relating to other financial assets - current pledged as security.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 1,462,465	$ 828,471
Investments in associates	58,395	29,800
Investments in joint ventures	503,562	492,987
	$ 2,024,422	$ 1,351,258

a. Investments in subsidiaries

	December 31	
	2018	2017
Hsin Ching International Co., Ltd. (Note 28)	$ 344,298	$ 259,125
Hsin Yuan Investment Co., Ltd.	390,059	254,491
Sinpao Investment Co., Ltd.	135,299	144,434
Hsin Ho Fa Metal Co., Ltd.	256,760	169,333
APEX Wind Power Equipment Co., Ltd.* (Note 29)	336,049	1,088
	$ 1,462,465	$ 828,471

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2018	2017
Hsin Ching International Co., Ltd. (Note 28)	60.00%	60.00%
Hsin Yuan Investment Co., Ltd.	100.00%	100.00%
Sinpao Investment Co., Ltd.	99.82%	99.82%
Hsin Ho Fa Metal Co., Ltd.	83.37%	83.37%
APEX Wind Power Equipment Co., Ltd.* (Note 29)	51.31%	68.16%

* Hsin Kuang Alga Engineering Co., Ltd. changed its name to APEX Wind Power Equipment Company Limited on June 11, 2018.

b. Investments in associates

	December 31	
	2018	2017
Associates that are not individually material	$ 58,395	$ 29,800

		Proportion of Ownership and Voting Rights	
		December 31	
Name of Associate	Nature of Activities	2018	2017
Hsin Wei Solar Co., Ltd.	Non-metallic power generation	40.00%	40.00%
E-Tech Steel Co., Ltd.	Steel structure	29.96%	29.96%

Aggregate information of associates that are not individually material is as follows:

	December 31	
	2018	2017
The Company's share of:		
Profit from continuing operations	$ 3,793	$ 593
Other comprehensive income	-	-
Total comprehensive income	$ 3,793	$ 593

The profits or losses of the associates using the equity method for the years ended December 31, 2018 and 2017 was based on the associates' audited financial statements for the respective years.

c. Investments in joint ventures

	December 31	
	2018	2017
Material joint ventures	$ 503,562	$ 492,987

In order to promote upstream and downstream strategic alliance, strengthen sales and increase the added value of its products, the Company purchased 24,500 thousand shares of ordinary shares of Mason Metal Industry Co., Ltd. at a price of NT$11.4 per share, and 500 thousand ordinary shares of the Company's subsidiary, Sinpao Investment Co., Ltd., resulting in a total of 50% of shareholder rights. The total purchase price was NT$285,077 thousand. The transaction was completed on October 6, 2017. Under the joint venture agreement, the Company can assign three out of six members of the board of directors of Mason Metal Industry Co., Ltd. Therefore, the Company has a significant influence, and joint control with the other company, over Mason Metal Industry Co., Ltd.

A bargain purchase gain of NT$206,762 thousand on the acquisition of Mason Metal Industry Co., Ltd. was recognized separately in the statements of comprehensive income.

Refer to Table 4 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the joint ventures. The above joint ventures are accounted for using the equity method.

The summarized financial information below represents the amount shown in the joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Mason Metal Industry Co., Ltd.

	December 31	
	2018	2017
Cash and cash equivalents	$ 210,917	$ 96,316
Current assets	$ 1,129,049	$ 1,069,540
Non-current assets	314,988	285,988
Current liabilities	(448,207)	(307,596)
Non-current liabilities	(345,607)	(432,287)
Equity	$ 650,223	$ 615,645
Proportion of the Company's ownership	49%	49%
Equity attributable to the Company	$ 318,609	$ 301,666
Provisions	3,570	3,570
Gain from bargain purchase	206,762	206,762
Other adjustments	(25,379)	(19,011)
Carrying amount	$ 503,562	$ 492,987

	For the Year Ended December 31, 2018	For the Period Between October 1 (the Acquisition Date) and December 31, 2017
Operating revenue	$ 1,757,584	$ 472,421
Depreciation and amortization expense	$ 3,968	$ 725
Interest income	$ 122	$ 59
Interest expense	$ 7,008	$ 615
Income tax benefit (expense)	$ 205	$ (2,812)
Net profit	$ 33,606	$ 13,539
Other comprehensive income	971	-
Total comprehensive income	$ 34,577	$ 13,539

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Devices Awaiting Inspection	Total
Cost							
Balance at January 1, 2017	$ 1,848,785	$ 896,446	$ 553,794	$ 125,549	$ 18,575	$ 6,173	$ 3,449,322
Additions	68	2,695	12,674	2,962	1,218	816,183	835,800
Disposals	-	-	(3,892)	(1,938)	(86)	-	(5,916)
Reclassified	306,186	558	17,413	11,752	-	(307,217)	28,692
Balance at December 31, 2017	$ 2,155,039	$ 899,699	$ 579,989	$ 138,325	$ 19,707	$ 515,139	$ 4,307,898
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 205,064	$ 343,263	$ 82,817	$ 10,786	$ -	$ 641,930
Depreciation expenses	-	23,829	39,029	10,545	1,268	-	74,671
Disposals	-	-	(2,675)	(1,104)	(71)	-	(3,850)
Balance at December 31, 2017	$ -	$ 228,893	$ 379,617	$ 92,258	$ 11,983	$ -	$ 712,751
Carrying amounts at December 31, 2017	$ 2,155,039	$ 670,806	$ 200,372	$ 46,067	$ 7,724	$ 515,139	$ 3,595,147
Cost							
Balance at January 1, 2018	$ 2,155,039	$ 899,699	$ 579,989	$ 138,325	$ 19,707	$ 515,139	$ 4,307,898
Additions	3,326	1,416	11,367	2,873	166	294,920	314,068
Disposals	-	(1,028)	(15,099)	(8,487)	-	-	(24,614)
Transferred to investment properties	(158,401)	(17,686)	-	-	-	(529,626)	(705,713)
Others (transferred from prepaid equipment)	-	4,104	28,274	1,420	-	-	33,798
Reclassified	136,098	46,492	-	-	-	(182,590)	-
Balance at December 31, 2018	$ 2,136,062	$ 932,997	$ 604,531	$ 134,131	$ 19,873	$ 97,843	$ 3,925,437
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 228,893	$ 379,617	$ 92,258	$ 11,983	$ -	$ 712,751
Depreciation expenses	-	23,778	38,178	10,584	1,008	-	73,548
Disposals	-	(92)	(9,865)	(7,925)	-	-	(17,882)
Transferred to investment properties	-	(8,157)	-	-	-	-	(8,157)
Balance at December 31, 2018	$ -	$ 244,422	$ 407,930	$ 94,917	$ 12,991	$ -	$ 760,260
Carrying amounts at December 31, 2018	$ 2,136,062	$ 688,575	$ 196,601	$ 39,214	$ 6,882	$ 97,843	$ 3,165,177

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

Buildings	
Main buildings	40-55 years
Building construction	3-20 years
Equipment	
Main equipment	5-20 years
Equipment maintenance	3-5 years
Transportation equipment	
Truck and automotive	5-8 years
Stacker	5-9 years
Automotive accessories	3 years
Miscellaneous equipment	
Computer equipment	5 years
Office equipment and construction	3-10 years

The Company purchased 25,404.37 square meters of land located in Guanyin for operation use from 2008 to 2018. As of December 31, 2018, the carrying amount was NT$133,781 thousand. As the law stipulates, an entity may not have ownership of land registered for agricultural purposes. However, the Company holds the land through the approval of the board of directors and the signing of the real estate trust contract with an individual.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 34.

16. INVESTMENT PROPERTIES

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Machinery and Equipment	Total
Cost				
Balance at January 1, 2017	$ 213,682	$ 49,238	$ 9,525	$ 272,445
Balance at December 31, 2017	$ 213,682	$ 49,238	$ 9,525	$ 272,445
Accumulated depreciation and impairment				
Balance at January 1, 2017	$ -	$ 699	$ 433	$ 1,132
Depreciation expenses	-	1,601	866	2,467
Balance at December 31, 2017	$ -	$ 2,300	$ 1,299	$ 3,599
Carrying amounts at December 31, 2017	$ 213,682	$ 46,938	$ 8,226	$ 268,846
Cost				
Balance at January 1, 2018	$ 213,682	$ 49,238	$ 9,525	$ 272,445
Transferred from Property, plant and equipment	158,401	547,312	-	705,713
Balance at December 31, 2018	$ 372,083	$ 596,550	$ 9,525	$ 978,158
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ -	$ 2,300	$ 1,299	$ 3,599
Depreciation expenses	-	6,657	866	7,523
Transferred from Property, plant and equipment	-	8,157	-	8,157
Balance at December 31, 2018	$ -	$ 17,114	$ 2,165	$ 19,279
Carrying amounts at December 31, 2018	$ 372,083	$ 579,436	$ 7,360	$ 958,879

The increase in investment properties was from leasing the factory in Guanyin District of Taoyuan City for the purpose of earning income. Therefore, the relevant land and the factory of which construction was completed in July 2018 were transferred to investment properties. Except for the addition of investment properties mentioned above, the changes in the rest of investment properties in the year of 2018 are due to depreciation and there are no significant disposals or impairment.

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	25-55 years
Crane equipment	10 years

The determination of fair value was performed by independent qualified professional valuers on March 31, 2017, April 12, 2018 and April 13, 2018. Evaluation was based on different standards using cost approach, market comparison approach and direct capitalization method under the income approach, depending on different properties. The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. Compared with March 31, 2017, April 12, 2018 and April 13, 2018, the fair value had no significant change as of December 31, 2018. The fair value was as follows:

	December 31	
	2018	2017
Fair value	$ 1,908,943	$ 299,637

The investment properties pledged as collateral for bank borrowing are set out in Note 34.

17. OTHER ASSETS

	December 31	
	2018	2017
Current		
Other receivables	$ 2,114	$ 501
Others	187	207
	$ 2,301	$ 708
Non-current		
Refundable deposits	$ 22,484	$ 22,557
Prepayments for equipment	14,560	31,105
Overdue receivables	5,081	3,000
Others	4,487	1,069
	$ 46,612	$ 57,731

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Secured borrowings (Notes 32 and 34)		
Bank loans	$ 1,760,000	$ 500,000
Issuance credit payable	1,053,540	530,590
	2,813,540	1,030,590
Unsecured borrowings		
Line of credit borrowings (Note 32)	350,000	100,000
Issuance credit payable	3,711,865	2,319,084
	4,061,865	2,419,084
	$ 6,875,405	$ 3,449,674

The range of weighted average effective interest rates on bank loans was 1.06%-4.06% and 1.0%-3.1% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31 2018	December 31 2017
Commercial paper (Note 32)	$ 430,000	$ 470,000
Less: Unamortized discount on bills payable	(266)	(492)
	$ 429,734	$ 469,508

Outstanding short-term bills payable were as follows:

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 200,000	$ 79	$ 199,921	1.2%	-	-
B bank	100,000	67	99,933	1.1%	-	-
C bank	80.000	91	79,909	1.1%	Head office	$ 13,543
D bank	50,000	29	49,971	1.2%	-	-
	$ 430,000	$ 266	$ 429,734			

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
A bank	$ 250,000	$ 316	$ 249,684	1.2%	-
B bank	100,000	92	99,908	1.2%	-
C bank	50,000	65	49,935	1.2%	-
D bank	40,000	4	39,996	1.2%	-
E bank	30,000	15	29,985	1.2%	-
	$ 470,000	$ 492	$ 469,508		

c. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Notes 32 and 34)		
Syndicated bank loans - Land Bank of Taiwan (1)	$ 1,400,000	$ 1,600,000
Bank loans - Banking Division of Mega Bank (2)	139,474	150,000
	1,539,474	1,750,000
Less: Current portions	(610,526)	(1,010,526)
Listed as short-term borrowings	(800,000)	-
Syndicated loan fees	-	(1,962)
Long-term borrowings	$ 128,948	$ 737,512

1) In August 2014 and October and December 2017, the Company acquired syndicated bank loans from Land Bank of Taiwan secured by the Company's freehold land and buildings (refer to Note 34) in the amount of NT$1,000,000 thousand for loan item A, NT$500,000 thousand and NT$300,000 thousand for loan item B, respectively, and all will be repayable in August 2019. The grace period of the loan item A acquired in 2014 was 2.5 years. From the date of expiry of the grace period, the repayment of principal and interest is divided into six installments every six months. The first to the fifth installments are 10% of the outstanding balance of the loan, and the sixth installment shall be all of the remaining outstanding principal and the interest balance.

   The loan item B acquired in 2017 had a revolving credit line. Interest shall be paid by month, and on the expiry date the loan shall be extended or settled. After 3 years of the first use of the loans, the credit line shall be reduced to 80% of the original credit line and to 60% after 4 years. The outstanding principal and interest shall be settled on the credit line adjustment day, and all of the remaining outstanding principal and interest shall be fully settled at the maturity date of this credit. Currently, the days of the loans are 90 days.

   Under the agreements, the Company's current ratio, net-debt ratio and times interest earned ratio should meet some criteria which were based on the consolidated financial statements of the Company. If the Company breaches the financial ratios specified in the agreements, the Company shall amend the status of its financial ratios to meet the agreed upon ratios within five months from April 1 of the following auditing year, and this will not be considered as breach of the agreement. The Company was in compliance with the syndicated credit facility agreements based on the consolidated financial statements of the Company for the year ended December 31, 2017. The weighted average effective interest rates were both 1.7% per annum as of December 31, 2018 and 2017.

2) In January 2017, the Company acquired syndicated bank loans from Banking Division of Mega Bank secured by the Company's freehold land and buildings (refer to Note 34) in the amount of NT$150,000 thousand, and will be expired in January 2032. Starting from the January of 2018, the repayment of principal is divided into 57 installments every 3 months, with the amount of NT$2,632 thousand per installment. The weighted average effective interest rate was 1.7% per annum as of December 31 2018.

3) On December 13, 2018, the Company signed a joint credit line contract with Yushan Bank, and such syndicated loan was collateralized by the Company's freehold land and plant. As of December 31, 2018, the credit line has not been used. The credit line of loan item A is NT$2,300,000 thousand, and the total credit line of loan items B and C is not more than NT$2,700,000 thousand. The credit line of loan item A is not allowed to be used as a revolving credit. It shall be used in installments within 24 months from the date of first use, and the overdue credit will be cancelled and may not be used again. The outstanding principal balance that has been used at the expiration

date has to be repaid in three installments. The first period is 36 months after the date of first use by repaying 10% of the balance, the second period is 12 months after the first period by repaying 20% of the balance, and the third period is 12 months after the second period by repaying 70% of the balance. For each time of reduction, the amount which exceeded the credit line has to be paid off once.

Loan item B is a revolving credit line with a 5-year period from the date of first use. Loan item C is a revolving credit line with a 5-year period from the date of first use of the commercial promissory notes issued by the Company. The revolving credit line of loan items B and C would be reduced at the end of each period, for a total of 3 periods. The first period is 36 months after the date of first use, and then every 12 months thereafter per period. The revolving credit line will be reduced by 10% at the first period, reduced by 20% at the second period, and reduced by 70% at the third period. Each time the credit line is reduced, the amount exceeding the remaining credit line shall be repaid at once.

During the loan period, the current ratio, debt ratio and times interest earned ratio, which shall be calculated based on the annual consolidated financial audit report, shall meet the criteria as stipulated in the agreement. If the financial ratios do not meet the criteria, the Company shall remedy within nine months after the end of the fiscal year in order not to be considered as a breach of the agreement.

19. UNSECURED DOMESTIC CONVERTIBLE BONDS

On November 9, 2017, the Company issued 6 thousand units of 0% NT-denominated unsecured convertible bonds with a 5-year period in Taiwan, for an aggregate principal amount of $601,200 thousand, which was issued at 100.2% of the nominal amount of $600,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of NT$36. If the Company increases its ordinary shares after the bond issuance, the conversion price will be adjusted by Article 11 of the Regulation Governing the Company's 5th Unsecured Convertible Bond Issuance and Conversion. Conversion may occur at any time between February 10, 2018 and November 9, 2022. The holder can notify the Company 30 days before the expiry of 3 years and 4 years from issuance to request the Company the accrued interest based on the bond's denomination value (the 3-year interest compensation is 3.03%, 4-year interest compensation is 4.06%) and redeem the bonds by cash.

The convertible bonds contained two components: The host liability instrument and the conversion option derivative instrument. The effective interest rate of the host liability on initial recognition was 2.61% per annum, and the conversion option derivative instruments were measured at FVTPL.

Movements of the host liability instruments were as follows:

	Host Liability Instruments
Proceeds from issuance	$ 601,200
Equity component	(54,892)
Conversion option derivative instrument	(15,551)
The host liability instrument at date issued	530,757
Interest charged at an effective interest rate	1,391
The host liability instrument at end of the year	532,148
Less: Current portions	-
Balance at December 31, 2017	$ 532,148

(Continued)

	Host Liability Instruments
Balance at January 1, 2018	$ 532,148
Interest charged at an effective interest rate	11,952
Corporate bonds payable converted into ordinary shares	(143,763)
The host liability instrument at end of the year	400,337
Less: Current portions	-
Balance at December 31, 2018	$ 400,337

(Concluded)

Movements of the conversion option derivative instrument were as follows:

	Conversion Option Derivative Instrument
Issued date	$ 15,551
Loss from the change of fair value	2,545
Balance at December 31, 2017	$ 18,096
Balance at January 1, 2018	$ 18,096
Gain from the change of fair value	(4,606)
Converted into ordinary shares	(4,831)
Balance at December 31, 2018	$ 8,659

20. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
Operating - unrelated parties	$ 647,007	$ 422,237
Operating - related parties	$ 3,156	$ 2,034
Trade payables		
Operating - unrelated parties	$ 177,687	$ 9,642
Operating - related parties	$ 1,482	$ 178

21. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries and bonuses	$ 106,986	$ 107,359
Interest payable	33,945	12,971
Other accrued expenses	24,357	27,412
	$ 165,288	$ 147,742

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 54,583	$ 48,730
Fair value of plan assets	(26,839)	(20,950)
Net defined benefit liabilities	$ 27,744	$ 27,780

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 39,082	$ (19,390)	$ 19,692
Service cost			
Current service cost	288	-	288
Past service cost	5,845	-	5,845
Net interest expense (income)	440	(228)	212
Recognized in profit or loss	6,573	(228)	6,345
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	51	51
Actuarial loss - changes in demographic assumptions	928	-	928
Actuarial loss - changes in financial assumptions	464	-	464
Actuarial loss - experience adjustments	2,090	-	2,090
Recognized in other comprehensive income	3,482	51	3,533
Contributions from the employer	-	(1,790)	(1,790)
Benefits paid	(407)	407	-
Balance at December 31, 2017	48,730	(20,950)	27,780
Service cost			
Current service cost	286	-	286
Net interest expense (income)	487	(234)	253
Recognized in profit or loss	773	(234)	539
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(612)	(612)
Actuarial loss - changes in demographic assumptions	810	-	810
Actuarial loss - changes in financial assumptions	530	-	530
Actuarial loss - experience adjustments	3,740	-	3,740
Recognized in other comprehensive income	5,080	(612)	4,468
Contributions from the employer	-	(5,043)	(5,043)
Balance at December 31, 2018	$ 54,583	$ (26,839)	$ 27,744

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 178	$ 193
Selling and marketing expenses	$ 274	$ 6,103
General and administrative expenses	$ 87	$ 49

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

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

2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	**2017**
Discount rates	0.875%	1.000%
Expected rates of salary increase	1.500%	1.500%

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

	December 31	
	2018	**2017**
Discount rates		
0.25% increase	$ (1,083)	$ (963)
0.25% decrease	$ 1,120	$ 998
Expected rates of salary increase		
0.25% increase	$ 1,094	$ 973
0.25% decrease	$ (1,062)	$ (944)

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

	December 31	
	2018	**2017**
Expected contributions to the plans for the next year	$ 5,055	$ 4,925
The average duration of the defined benefit obligation	8 years	8 years

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	360,000	360,000
Shares authorized	$ 3,600,000	$ 3,600,000
Number of shares issued and fully paid (in thousands)	310,688	306,194
Shares issued	$ 3,106,877	$ 3,061,937

The share issued had a par value of NT$10. Each share entitles the rights to dividends and to vote.

For the year ended December 31, 2018, the shares increased due to conversion of bonds into ordinary shares.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 733,079	$ 767,865
Treasury share transactions	7,754	7,754
May be used to offset a deficit only (2)		
Changes in percentage of ownership interest in subsidiaries	593	528
May not be used for any purpose (3)		
Employee share options	36,647	36,647
Share warrants	40,236	54,892
	$ 818,309	$ 867,686

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

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

3) Such capital surplus may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors and supervisors in Note 25-g.

To ensure the interests of shareholders and the Company's sustainable development, the Company adopts a balanced dividends policy. The dividends payment principle shall be determined on the basis of the current and forthcoming development plan, considering the investing environment, demanding for funds, domestic and foreign competition, and shareholders' interests. The Company shall, in accordance with the capital budget plan for the following year, determine the most appropriate dividend policy. After the board of directors resolve the distribution plan, such plan will be subject to the resolutions in the shareholders' meeting.

The issuance of dividends may be distributed in cash or share dividends. Among the dividends payment, no less than 30% shall be paid in cash.

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

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 19, 2018 and June 15, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 106,624	$ 74,776	$ -	$ -
Cash dividends	459,291	306,194	1.5	1.0
Cash dividends distributed from capital surplus	153,097	244,955	0.5	0.8

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 19, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 97,873	$ -
Special reserve	43,541	-
Cash dividends	466,032	1.5

The appropriation of earnings for 2018 is subject to the resolution in the shareholders' meeting to be held on June 11, 2019.

d. Special reserves

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 19,407	$ 231,141
Reversal		
Reversal of the debit to other equity items	(19,407)	(211,734)
Balance at December 31	$ -	$ 19,407

e. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (1,339)	$ 9,034
Effect of change in tax rate	49	-
Exchange differences on translating the financial statements of foreign operations	3,504	(10,373)
Balance at December 31	$ 2,214	$ (1,339)

2) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	$ (28,441)
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	58,600
Balance at December 31, 2017	$ 30,159
Balance at January 1, 2018 per IAS 39	$ 30,159
Adjustment on initial application of IFRS 9	(30,159)
Balance at January 1, 2018 per IFRS 9	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	30,159
Balance at January 1 per IFRS 9	30,159
Recognized for the year	
Unrealized gain (loss) - equity instruments	(75,941)
Balance at December 31	$ (45,782)

24. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sales of goods	$ 8,591,658	$ 8,086,772
Other operating revenue		
Revenue from processing	$ 22,904	$ 81,011

Contract Balances

	December 31	
	2018	2017
Trade receivables (including related parties) (Note 11)	$ 1,268,226	$ 1,253,091
Contract liabilities		
Sales of goods	$ 143,030	$ -

25. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

Net Profit from Continuing Operations:

a. Other operating income and expenses

	For the Year Ended December 31	
	2018	2017
Net gain on evaluation of financial assets	$ -	$ 163,629
Net loss on evaluation of financial liabilities	-	(24,856)
Net loss on disposal of available-for-sale financial assets	-	(55,796)
Impairment loss on available-for-sale financial assets	-	(3,860)
Dividends	-	79,959
	$ -	$ 159,076

b. Other income

	For the Year Ended December 31	
	2018	2017
Interest income - bank deposits	$ 1,071	$ 775
Rental income	34,217	10,643
Dividends		
Financial assets mandatorily classified as at FVTPL	14,859	-
Financial assets classified as at FVTOCI	53,422	-
Others	6,014	1,814
	$ 109,583	$ 13,232

c. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net loss on disposal of property, plant and equipment	$ (708)	$ (518)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	492,516	-
Net foreign exchange (losses) gains	(4,204)	105,581
	$ 487,604	$ 105,063

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 133,961	$ 112,303
Interest on convertible bonds	11,952	1,495
Less: Amounts included in the cost of qualifying assets	(7,017)	(7,558)
	$ 138,896	$ 106,240

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 7,017	$ 7,558
Capitalization rate	2.5%	2.5%

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 73,548	$ 74,671
Investment properties	7,523	2,467
Long-term prepayments	1,387	690
	$ 82,458	$ 77,828
An analysis of depreciation by function		
Operating costs	$ 62,092	$ 62,682
Operating expenses	18,979	14,456
	$ 81,071	$ 77,138
An analysis of amortization by function		
Operating costs	$ 561	$ 672
Operating expenses	826	18
	$ 1,387	$ 690

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 239,945	$ 233,699
Post-employment benefits (Note 22)		
Defined contribution plans	4,707	4,380
Defined benefit plans	539	6,345
	$ 245,191	$ 244,424
An analysis of employee benefits expense by function		
Operating costs	$ 100,512	$ 88,588
Operating expenses	144,679	155,836
	$ 245,191	$ 244,424

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 19, 2019 and March 13, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	3%	3%
Remuneration of directors and supervisors	3%	3%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 35,146	$ -	$ 38,309	$ -
Remuneration of directors and supervisors	35,146	-	38,309	-

If there is a change in the amounts after the parent only financial statements were authorized for issuance, the differences are recorded as a change in the accounting estimate.

Information on employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 180,064	$ 235,776
Foreign exchange losses	(184,266)	(130,195)
	$ (4,202)	$ 105,581

26. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 72,720	$ 100,785
Income tax on unappropriated earnings	49,736	36,370
Adjustments for prior years	1,297	53
	123,753	137,208
Deferred tax		
In respect of the current year	(143)	(3,477)
Adjustments to deferred tax attributable to changes in tax rates and laws	(1,097)	-
	(1,240)	(3,477)
Income tax expense recognized in profit or loss	$ 122,513	$ 133,731

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 1,101,238	$ 1,199,957
Income tax expense calculated at the statutory rate	$ 220,248	$ 203,993
Non-taxable income and expenses	(136,718)	(75,224)
Tax-exempt income	(13,656)	(25,202)
Income tax on unappropriated earnings	49,736	36,370
Used loss carryforwards	-	(8,091)
Unrecognized deductible temporary differences	2,703	1,832
Effect of tax rate changes	(1,097)	-
Adjustments for prior years' tax	1,297	53
Income tax expense recognized in profit or loss	$ 122,513	$ 133,731

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of tax rate changes	$ 475	$ -
In respect of the current year:		
Translation of foreign operations	(876)	(2,125)
Remeasurement on defined benefit plan	888	(605)
Total income tax recognized in other comprehensive income	$ 487	$ (2,730)

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 71,573	$ 131,731

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Temporary differences				
Reversal of write-downs of inventories	$ 413	$ 21,831	$ -	$ 22,244
FVTPL financial assets	3,386	(3,386)	-	-
Convertible bonds	432	(432)	-	-
Gains or losses on foreign currency exchange	-	1,707	-	1,707
Unrealized gross profit	-	759	-	759
Defined benefit obligation	3,746	(668)	1,315	4,393
Allowance for impairment loss on receivables	5,247	(2,110)	-	3,137
Exchange differences on translating the financial statements of foreign operations	274	-	(274)	-
	$ 13,498	$ 17,701	$ 1,041	$ 32,240

(Continued)

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
FVTPL financial assets	$ -	$ 20,639	$ -	$ 20,639
Convertible bonds	-	412	-	412
Gains or losses on foreign currency exchange	4,590	(4,590)	-	-
Exchange differences on translating the financial statements of foreign operations	-	-	554	554
	$ 4,590	$ 16,461	$ 554	$ 21,605

(Concluded)

For the year ended December 31, 2017

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Reversal of write-downs of inventories	$ 75	$ 338	$ -	$ 413
FVTPL financial assets	-	3,386	-	3,386
Convertible bonds	-	432	-	432
Gains or losses on foreign currency exchange	3,981	(3,981)	-	-
Defined benefit obligation	2,366	775	605	3,746
Allowance for impairment loss on receivables	-	5,247	-	5,247
Exchange differences on translating the financial statements of foreign operations	-	-	274	274
	$ 6,422	$ 6,197	$ 879	$ 13,498

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
FVTPL financial assets	$ 1,463	$ (1,463)	$ -	$ -
Convertible bonds	407	(407)	-	-
Gains or losses on foreign currency exchange	-	4,590	-	4,590
Exchange differences on translating the financial statements of foreign operations	1,851	-	(1,851)	-
	$ 3,721	$ 2,720	$ (1,851)	$ 4,590

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets:

	December 31	
	2018	**2017**
Deductible temporary differences		
Unrealized profit or loss of foreign subsidiaries using equity method	$ 295	$ (2,047)
Impairment loss on FVTOCI financial assets	27,488	-
Impairment loss on available-for-sale financial assets	-	23,365
	$ 27,783	$ 21,318

f. Income tax assessments

The tax returns through 2016 and income tax on unappropriated earnings through 2015 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share		
From continuing operations	$ 3.17	$ 3.49
Diluted earnings per share		
From continuing operations	$ 3.06	$ 3.30

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net profit for the year

	For the Year Ended December 31	
	2018	**2017**
Profit for the period attributable to owners of the Company	$ 978,725	$ 1,066,226
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	9,561	1,155
Earnings used in the computation of diluted earnings per share	$ 988,286	$ 1,067,381

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in the computation of basic earnings per share	309,164	305,740
Effect of potentially dilutive ordinary shares:		
Convertible bonds	12,860	16,667
Employees' compensation	1,126	1,431
Weighted average number of ordinary shares used in the computation of diluted earnings per share	323,150	323,838

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

28. ACQUISITION OF SUBSIDIARIES - IMPACT ON CONTROL

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Hsin Ching International Co., Ltd.	Leasing and warehousing	February 2017	Originally held 50%, increased to 60% at the date of acquisition	$ 5,500

Hsin Ching International Co., Ltd. was acquired in order to expand and diversify the Company's business. For details about the acquisition of Hsin Ching International Co., Ltd., refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2018.

29. PARTLY ACQUISITION OR DISPOSAL OF SUBSIDIARIES - NO IMPACT ON CONTROL

In 2018, the Company subscribed for additional new shares of APEX Wind Power Equipment Manufacturing Co., Ltd., formerly called Hsin Kuang Alga Engineering Co., Ltd., by cash at a percentage different from its existing ownership percentage, decreasing its interests from 68.16% to 51.31%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over the subsidiary.

30. OPERATING LEASE ARRANGEMENTS

The Company as Lessor

Operating leases relate to leases of investment properties with lease terms between 1 to 3 years. The lessees do not have bargain purchase options to acquire the properties at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 33,664	$ 10,788
Later than 1 year and not later than 5 years	138,208	26,537
Later than 5 years	699,438	-
	$ 870,310	$ 37,325

31. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged over the past 5 years.

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

The Company is not subject to any externally imposed capital requirements.

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

32. FINANCIAL INSTRUMENTS

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

The management believes that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate their fair values:

December 31, 2018

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Time deposits with an original maturity date of more than 3 months	$ 116,677	$ 116,677
Notes receivable (including related parties)	1,309,049	1,309,049
Trade receivables (including related parties)	1,268,226	1,268,226
Overdue receivables	5,081	5,081
Cash and cash equivalents	978,699	978,699
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	7,614,879	7,614,879
Short-term bills payable	429,734	429,734
Notes payable, trade payables and other payables (including related parties)	994,620	994,620
Convertible bonds	400,337	400,337

December 31, 2017

	Carrying Amount	Fair Value
Financial assets		
Other financial assets - current	$ 87,706	$ 87,706
Other loans and receivables	2,980,494	2,980,494
Financial liabilities		
Financial liabilities measured at amortized cost		
Bank borrowings (including current portion)	5,197,712	5,197,712
Short-term bills payable	469,508	469,508
Notes payable, trade payables and other payables	581,833	581,833
Convertible bond (including current portion)	532,148	532,148

The methods and assumptions used by the Company for estimating financial instruments not measured at fair value are as follows:

1) The fair value of financial instruments, including cash and cash equivalents, trade receivables, overdue receivables, trade payables, time deposits with an original maturity date of more than 3 months, other financial assets, short-term borrowings, and short-term bills payable, is estimated as the carrying amount at the end of the reporting period because the maturity date is close to the reporting date or the payment amount is close to its carrying amount.

2) The fair value of long-term bank borrowings is determined using the discounted cash flow approach. Future cash flows are discounted at a long-term borrowing rate of the Company. The Company estimated the carrying amount of the long-term loans at the end of the reporting period as their fair values.

3) The fair value of the liability component of convertible bonds is measured at amortized cost using the effective interest method, and the conversion options component of the convertible bonds is measured at fair value. The fair value of the liability component of the convertible bonds is estimated at the carrying amount at the end of the reporting period.

b. Financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 781,996	$ -	$ -	$ 781,996
Mutual funds	4,450	-	-	4,450
Derivatives	-	103,198	-	103,198
	$ 786,446	$ 103,198	$ -	$ 889,644
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market securities	$ 1,459,938	$ -	$ -	$ 1,459,938
Domestic unlisted shares and emerging market securities	-	-	216,018	216,018
Foreign unlisted shares and emerging market securities	-	-	302,383	302,383
	$ 1,459,938	$ -	$ 518,401	$ 1,978,339
Financial liabilities at FVTPL				
Derivatives	$ -	$ 8,659	$ -	$ 8,659

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$ -	$ -	$ -	$ -
Non-derivative financial assets held for trading	503,339	-	-	503,339
	$ 503,339	$ -	$ -	$ 503,339
Available-for-sale financial assets				
Domestic listed shares and emerging market securities	$ 1,490,039	$ -	$ -	$ 1,490,039
Domestic unlisted shares and emerging market securities	-	-	94,275	94,275
Foreign unlisted shares and emerging market securities	-	-	348,222	348,222
	$ 1,490,039	$ -	$ 442,497	$ 1,932,536
Financial liabilities at FVTPL				
Derivatives	$ -	$ 38,012	$ -	$ 38,012

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

	Financial Assets at FVTOCI
	Equity Instruments
Balance at January 1, 2018	$ 442,497
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(45,839)
Purchases	129,450
Shares return of investments	(2,222)
Transfers out of Level 3	(5,485)
Balance at December 31, 2018	$ 518,401

For the year ended December 31, 2017

	Available-for-sale Financial Assets
	Non-quoted Benchmark Equity Instruments
Balance at January 1, 2017	$ 409,406
Recognized in profit or loss (included in other gains and losses)	(3,860)
Purchases	47,729
Sales (included in shares return of investments)	(10,418)
Balance at December 31, 2017	$ 442,497

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - conversion option component of convertible bonds	The value of the bonds payable and redemption and put options is estimated based on the binomial CB pricing model and historical volatility, risk-free interest rate, discount rate and liquidity risk at the end of the reporting period.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity instruments were determined using the market approach. In this approach, the fair value is appraised based on the market selling price of similar items, such as assets, liabilities, or the groups of assets and liabilities. The significant unobservable factors used are described below, an increase in long-term revenue growth rates, long-term pre-tax operating margin, a decrease in the weighted average cost of capital, or the discount for lack of marketability used in isolation would result in increases in the fair values.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Held for trading	$ -	$ 503,339
Mandatorily classified as at FVTPL	889,644	-
Financial assets at amortized cost (1)	3,677,732	-
Financial assets at FVTOCI	1,978,339	-
Other financial assets - current	-	87,706
Loans and receivables (2)	-	2,980,494
Available-for-sale financial assets	-	1,932,536
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	8,659	38,012
Financial liabilities at amortized cost (3)	9,439,570	6,781,201

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, overdue receivables, and time deposits with original maturity date of more than 3 months.

2) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables.

3) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade payables, other payables, and bonds issued.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, derivative financial instruments, notes receivable, trade receivables, overdue receivables, short-term bills payable, notes payables, trade payable, other payables, bonds payables and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see "a. foreign currency risk" below) and interest rates (see "b. interest rate risk" below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign exchange forward contracts to hedge the exchange rate risk arising on the import and export of steel plates;

b) Interest rate swaps to mitigate the risk of rising interest rates.

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
<u>Assets</u>		
USD	$ 152,745	$ 117,394
JPY	567	-
EUR	1,253	-
<u>Liabilities</u>		
USD	3,217,176	1,885,821

<u>Sensitivity analysis</u>

The Company was mainly exposed to USD, JPY and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit below would be negative.

	USD Impact			
	For the Year Ended December 31			
	2018		2017	
Profit or loss	$ 30,630	(i)	$ 17,708	(i)

	JPY Impact			
	For the Year Ended December 31			
	2018		2017	
Profit or loss	$ 6	(ii)	$ -	(ii)

	EUR Impact			
	For the Year Ended December 31			
	2018		2017	
Profit or loss	$ 13	(iii)	$ -	(iii)

i. This was mainly attributable to the exposure on outstanding USD letters of credit, trade payables, bank deposits and trade receivables which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding JPY bank deposits, which were not hedged at the end of the reporting period.

iii. This was mainly attributable to the exposure on outstanding EUR bank deposits, which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency increased during the current year mainly due to the increase in purchases which resulted in an increase in USD letters of credit.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to interest rate risk because entities of the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and the defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial assets	$ 922,708	$ 281,200
Financial liabilities	8,027,681	5,667,220

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the year ended December 31, 2018 and 2017 would have decreased/increased by NT$59,631 thousand and NT$56,480 thousand, which was mainly a result of the changes in the variable interest rate bank deposits and loans.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for year ended December 31, 2018 and 2017 would have increased/decreased by NT$7,868 thousand and NT$5,008 thousand, as a result of the changes in the fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 and 2017 would have increased/decreased by NT$14,449 thousand and NT$15,051 thousand, as a result of the changes in the fair value of financial assets at FVTOCI.

The Company's sensitivity to available-for-sale investments and held-for-trading investments has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets which were mainly trade receivables from operating activities.

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

The Company's trade receivables are from a large number customers. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of the gross monetary assets at any time during 2018 and 2017.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 95% and 90% of the total trade receivables as of December 31, 2018 and 2017, respectively.

The credit risk on derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2018 and 2017, the Company had available unutilized short-term bank loan facilities of NT$6,158,192 thousand and NT$5,598,062 thousand, respectively.

a) Liquidity and interest risk rate tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows.

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

December 31, 2018

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing		$ 128,686	$ 271,936	$ 596,043	$ 1,739	$ 18
Variable interest rate liabilities	1.75%	1,775,776	2,788,588	3,234,371	42,105	-
		$ 1,904,462	$ 3,060,524	$ 3,830,414	$ 43,844	$ 18

December 31, 2017

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing		$ 66,675	$ 349,908	$ 158,316	$ 6,439	$ 495
Variable interest rate liabilities	1.87%	599,881	1,587,218	2,740,648	642,105	97,368
		$ 666,556	$ 1,937,126	$ 2,898,964	$ 648,544	$ 97,863

The following table details the Company's expected maturity for some of its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2018

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial assets						
Non-interest bearing		$ 1,684,988	$ 826,832	$ 67,566	$ 19,877	$ 3,000
Variable interest rate assets	0.12%	819,043	66,103	37,562	-	-
		$ 2,504,031	$ 892,935	$ 105,128	$ 19,877	$ 3,000

December 31, 2017

	Weighted-Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial assets						
Non-interest bearing		$ 1,186,603	$ 889,977	$ 193,720	$ -	$ 3,000
Variable interest rate assets	0.28%	201,494	67,210	12,496	-	-
		$ 1,388,097	$ 957,187	$ 206,216	$ -	$ 3,000

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2018	2017
Bank loan facilities expiring in 2019 which may be extended upon mutual agreement:		
Amount used	$ 7,927,682	$ 5,637,236
Amount unused	9,458,188	6,300,024
	$ 17,385,870	$ 11,937,260

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationship with the Company:

Related Party	Relationship with the Company
Hsin Ching International Co., Ltd.	Subsidiary
Hsin Yuan Investment Co., Ltd.	Subsidiary
Sinpao Investment Co., Ltd.	Subsidiary
Hsin Ho Fa Metal Co., Ltd.	Subsidiary
APEX Wind Power Equipment Manufacturing Company., Ltd. (formerly Hsin Kuang Alga Engineering Co., Ltd.)	Subsidiary
Hsin Wei Solar Co., Ltd.	Associate
Mason Metal Industry Co., Ltd.	Joint venture

b. Sale of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 15,926	$ 4,212
Hsin Ho Fa Metal Co., Ltd.	4,192	-
Hsin Ching International Co., Ltd.	838	-
Joint venture		
Mason Metal Industry Co., Ltd.	119,534	8,647
	$ 140,490	$ 12,859

c. Purchases of goods and operating costs

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ -	$ 1,431
Joint venture		
Mason Metal Industry Co., Ltd.	7,742	1,935
	$ 7,742	$ 2,348

The Company's purchase and payment terms with related parties were comparable to those with unrelated parties.

d. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	December 31 2018	2017
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 16,722	$ 4,253
Hsin Ho Fa Metal Co., Ltd.	391	-
Joint venture		
Mason Metal Industry Co., Ltd.	79,147	9,079
	$ 96,260	$ 13,332

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from the related parties.

e. Payables to related parties

Related Party Category/Name	December 31	
	2018	2017
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 22	$ 180
Associate		
Hsin Wei Solar Co., Ltd.	2,467	-
Joint venture		
Mason Metal Industry Co., Ltd.	2,505	2,032
	$ 4,994	$ 2,212

The outstanding trade payables to related parties (including notes payable, and trade payables and other payables) are unsecured and will be paid in cash.

f. Endorsements and guarantees

Related Party Category/Name	December 31	
	2018	2017
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.		
Amount endorsed	$ 7,400	$ 7,400
Amount utilized	7,400	7,400

g. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2018	2017
Other income - rental income	Hsin Wei Solar Co., Ltd.	$ 3,332	$ 368
	Hsin Ching International Co., Ltd.	23,969	-
Other income - other	Mason Metal Industry Co., Ltd.	1,200	-

The Company entered into a contractual agreement to rent out its logistic center to its subsidiary, Hsin Ching International Co., Ltd., in 2018. The contractual period for land and buildings are 31 years and 30 years, respectively. The monthly rental payable is NT$1,921 thousand, and adjustments to the monthly payable amount for land and buildings will be made at the end of the second year and third year, respectively.

In accordance with the provisions of the contract, the subsidiary, Hsin Ching International Co., Ltd., paid a guarantee deposit of NT$514,083 thousand as a collateral for performance obligation upon signing the contract.

Due to business development, the Company received a guarantee deposit of NT$250,000 thousand from Hsin Ching International Co., Ltd., the Company's subsidiary, and will return the amount without interest after signing the contract.

h. Compensation of key management personnel

The amount of the remuneration of directors and key management personnel were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 57,593	$ 64,194

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, collateral for engineering service contract, and lease guarantee deposits:

	December 31	
	2018	2017
Notes receivable	$ 347,618	$ 257,000
Pledged deposits (classified as financial assets at amortized cost)	116,677	-
Pledged deposits (classified as other financial assets - current)	-	87,706
Investments in equity instruments at FVTOCI	230,375	-
Available-for-sale financial assets - non-current	-	235,125
Freehold land	552,590	720,991
Buildings, net	317,803	320,792
Investment properties - land	350,861	195,959
Investment properties - buildings	562,077	31,791
	$ 2,478,001	$ 1,849,364

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2018 and 2017 were as follows:

Significant Commitments

a. As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	December 31	
	2018	2017
NTD	$ 258,033	$ 127,639
USD	24,711	13,167
JPY	13,912	-

b. Unrecognized commitments were as follows:

	December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 35,755	$ 61,976

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,973	30.715 (USD:NTD)	$ 152,745
EUR	36	35.2 (EUR:NTD)	$ 1,253
Non-monetary items			
USD	4,174	30.715 (USD:NTD)	$ 128,190
Financial liabilities			
Monetary items			
USD	104,743	30.715 (USD:NTD)	$ 3,217,176

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,936	29.76 (USD:NTD)	$ 176,642
Non-monetary items			
USD	4,853	29.76 (USD:NTD)	$ 144,434
Financial liabilities			
Monetary items			
USD	63,368	29.76 (USD:NTD)	$ 1,885,821

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others: (Table 1)

2) Endorsements/guarantees provided: (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: (N/A)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: (N/A)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: (N/A)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: (N/A)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (N/A)

9) Trading in derivative instruments: (Note 7)

10) Information on investees: (Table 4)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (N/A)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (N/A)

38. SEGMENT INFORMATION

The segment information for 2018 and 2017 is disclosed in the Company's consolidated financial statements.