Hsin Kuang Steel Company Limited

Financial Statements for the Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are as follows:

<u>Write-down of Inventories</u>

As of December 31, 2019, inventories in the Company's financial statements amounted to NT$3,337,743 thousand, representing 21% 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 of net realizable value of inventory involves management's judgment; in particular, management based its estimation of the net realizable value of inventory 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 11 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 obtained the data used by management in calculating the allowance for inventory write-downs and recalculated the sales price used for estimation. We evaluated the reasonableness of management's estimation by selecting samples with their relating invoices to verify the authenticity of the data.

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, 2019 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.

The 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 17, 2020

<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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 906,531	6	$ 978,699	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	728,466	5	889,644	5
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	-	-	80,115	1
Financial assets at amortized cost - current (Notes 9 and 30)	55,684	-	116,677	1
Notes receivable from related parties (Notes 4, 5, 10 and 29)	44,465	-	56,772	-
Notes receivable from unrelated parties (Notes 4, 5, 10 and 30)	1,040,374	7	1,252,277	7
Trade receivables from related parties (Notes 4, 5, 10 and 29)	54,753	-	39,488	-
Trade receivables from unrelated parties (Notes 4, 5 and 10)	1,313,690	9	1,228,738	7
Inventories (Notes 4, 5 and 11)	3,337,743	21	4,027,175	24
Prepayments	109,809	1	144,639	1
Other current assets (Note 15)	41,372	-	2,301	-
Total current assets	7,632,887	49	8,816,525	52
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	1,677,957	11	1,898,224	11
Investments accounted for using the equity method (Notes 4 and 12)	2,073,493	13	2,024,422	12
Property, plant and equipment (Notes 4, 13, 29 and 30)	3,276,213	21	3,165,177	19
Investment properties (Notes 4, 14 and 30)	947,208	6	958,879	6
Deferred tax assets (Notes 4 and 24)	41,571	-	32,240	-
Other non-current assets (Notes 10 and 15)	56,030	-	46,612	-
Total non-current assets	8,072,472	51	8,125,554	48
TOTAL	$ 15,705,359	100	$ 16,942,079	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	$ 4,688,264	30	$ 6,875,405	41
Short-term bills payable (Notes 4 and 16)	469,737	3	429,734	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	41,755	-	8,659	-
Contract liabilities - current (Note 22)	141,910	1	143,030	1
Notes payable to unrelated parties (Notes 4 and 18)	254,763	2	647,007	4
Notes payable to related parties (Notes 4, 18 and 29)	608	-	3,156	-
Trade payables to unrelated parties (Notes 4 and 18)	45,499	-	177,687	1
Trade payables to related parties (Notes 4, 18 and 29)	1,299	-	1,482	-
Other payables (Notes 19 and 29)	91,511	-	165,288	1
Current tax liabilities (Notes 4 and 24)	-	-	71,573	-
Current portion of long - term borrowings and bonds payable (Notes 4, 16 and 17)	420,532	3	610,526	4
Other current liabilities	2,066	-	1,524	-
Total current liabilities	6,157,944	39	9,135,071	54
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	-	-	400,337	2
Long-term borrowings (Notes 4 and 16)	807,603	5	128,948	1
Long-term bills payable (Note 16)	1,898,531	12	-	-
Provisions - non-current (Notes 4 and 12)	3,570	-	3,570	-
Deferred tax liabilities (Notes 4 and 24)	12,201	-	21,605	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	27,048	-	27,744	-
Other non-current liabilities	514,382	4	514,382	3
Total non-current liabilities	3,263,335	21	1,096,586	6
Total liabilities	9,421,279	60	10,231,657	60
EQUITY (Notes 4 and 21)				
Share capital	3,106,877	20	3,106,877	18
Capital surplus	817,716	5	818,309	5
Retained earnings				
Legal reserve	858,883	6	761,010	5
Special reserve	43,567	-	-	-
Unappropriated earnings	1,565,297	10	2,067,794	12
Total retained earnings	2,467,747	16	2,828,804	17
Other equity	(108,260)	(1)	(43,568)	-
Total equity	6,284,080	40	6,710,422	40
TOTAL	$ 15,705,359	100	$ 16,942,079	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 22 and 29)				
Sales	$ 8,335,222	99	$ 8,591,658	99
Other operating revenue	78,443	1	57,121	1
Total operating revenue	8,413,665	100	8,648,779	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 23 and 29)	(8,210,795)	(98)	(7,925,662)	(92)
Other operating costs	(27,340)	-	(6,731)	-
Total operating costs	(8,238,135)	(98)	(7,932,393)	(92)
GROSS PROFIT	175,530	2	716,386	8
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(682)	-	(3,803)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	3,798	-	5	-
REALIZED GROSS PROFIT	178,646	2	712,588	8
OPERATING EXPENSES				
Selling and marketing expenses (Note 23)	(151,295)	(2)	(168,585)	(2)
General and administrative expenses (Notes 23 and 29)	(68,506)	(1)	(114,273)	(1)
Expected credit (loss) gain	(35,029)	-	10,823	-
Total operating expenses	(254,830)	(3)	(272,035)	(3)
(LOSS) PROFIT FROM OPERATIONS	(76,184)	(1)	440,553	5
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Other income	74,648	1	75,366	1
Other gains	228,335	3	487,604	6
Finance costs	(161,553)	(2)	(138,896)	(2)
Share of profit of associates and joint ventures	66,314	1	236,611	3
Total non-operating income and expenses	207,744	3	660,685	8

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX	$ 131,560	2	$ 1,101,238	13
INCOME TAX EXPENSE (Notes 4 and 24)	(10,886)	-	(122,513)	(2)
NET PROFIT FOR THE YEAR	120,674	2	978,725	11
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(631)	-	(3,125)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(62,108)	(1)	(75,941)	(1)
	(62,739)	(1)	(79,066)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(2,584)	-	3,553	-
Other comprehensive loss for the year, net of income tax	(65,323)	(1)	(75,513)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 55,351	1	$ 903,212	10
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	$ 0.39		$ 3.17	
Diluted	$ 0.39		$ 3.06	

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, 2019 AND 2018
(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, 2018	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
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	(19,407)	19,407	-	-	-	-
Appropriation of 2017 earnings										
Legal reserve	-	-	-	106,624	-	(106,624)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(459,291)	-	-	-	(459,291)
Other changes in capital surplus										
Changes in capital surplus from investments in subsidiaries, associates, and joint ventures accounted for using the 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
Appropriation of 2018 earnings										
Legal reserve	-	-	-	97,873	-	(97,873)	-	-	-	-
Special reserve	-	-	-	-	43,567	(43,567)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(466,032)	-	-	-	(466,032)
Changes in percentage of ownership interests in subsidiaries	-	-	(593)	-	-	(1,302)	-	-	-	(1,895)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(13,766)	-	-	-	(13,766)
Net profit for the year ended December 31, 2019	-	-	-	-	-	120,674	-	-	-	120,674
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(631)	(2,584)	(62,108)	-	(65,323)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	120,043	(2,584)	(62,108)	-	55,351
BALANCE AT DECEMBER 31, 2019	310,688	$ 3,106,877	$ 817,716	$ 858,883	$ 43,567	$ 1,565,297	$ (370)	$ (107,890)	$ -	$ 6,284,080

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 131,560	$ 1,101,238
Adjustments for:		
Depreciation expenses	83,354	81,071
Amortization expenses	1,826	1,387
Expected credit loss recognized (reversed) on trade receivables	35,029	(10,823)
Net gain on fair value changes of financial assets at fair value through profit or loss	(151,126)	(467,995)
Net loss (gain) on fair value changes of financial liabilities at fair value through profit or loss	136,294	(24,521)
Finance costs	161,553	138,896
Interest income	(798)	(1,071)
Dividend income	(70,688)	(68,281)
Loss on disposal of property, plant and equipment	518	708
Share of profit of associates	(66,314)	(236,611)
(Reversal of) write-downs of inventories	(12,056)	108,793
Unrealized gain on transactions with associates	682	3,803
Realized gain on transactions with associates	(3,798)	(5)
Net gain on foreign currency exchange	(66,420)	(39,113)
Net defined benefit liabilities	(1,486)	(3,161)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	209,106	87,175
Decrease (increase) in notes receivable	224,211	(281,490)
Increase in trade receivables	(132,346)	(21,474)
Decrease (increase) in inventories	701,488	(1,392,680)
Decrease (increase) in prepayments	34,830	(63,743)
Increase in other current assets	(28,171)	(1,593)
(Decrease) increase in notes payable	(394,791)	225,892
(Decrease) increase in trade payables	(133,680)	174,771
Decrease in other payables	(53,188)	(3,428)
(Decrease) increase in contract liabilities	(1,120)	24,398
Increase in other current liabilities	542	15,831
Cash generated from (used in) operations	605,011	(652,026)
Interest received	798	1,071
Dividends received	70,688	68,281
Income tax paid	(111,291)	(185,226)
Net cash generated from (used in) operating activities	565,206	(767,900)

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HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (12,000)	$ (129,451)
Proceeds from sale of financial assets at fair value through other comprehensive income	228,386	-
Proceeds from capital reduction and return of shares from financial assets at fair value through other comprehensive income	8,121	2,222
Proceeds from disposal (purchase) of financial assets at amortized cost	60,992	(28,971)
Acquisition of associates and joint ventures	(17,675)	(441,152)
Payments for property, plant and equipment	(171,098)	(314,068)
Proceeds from disposal of property, plant and equipment	7,043	6,024
Acquisition of investment properties	(3,000)	-
Proceeds from disposal of investment properties	1,400	-
Increase in other non-current assets	(1,837)	(5,006)
Increase in prepayments for equipment	(17,212)	(17,254)
Dividends received from subsidiaries and associates	32,908	5,248
(Increase) decrease in refundable deposits	(11,858)	73
Net cash generated from (used in) investing activities	104,170	(922,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	14,842,199	13,228,755
Repayments of short-term borrowings	(16,962,430)	(10,565,104)
Increase (decrease) in short-term bills payable	40,000	(40,000)
Proceeds from long-term borrowings	689,182	-
Repayments of long-term borrowings	(610,526)	(210,527)
Proceeds from long-term bills payable	1,900,000	-
Proceeds from guarantee deposits received	-	264,082
Interest paid	(173,937)	(103,579)
Dividends paid	(466,032)	(612,388)
Net cash (used in) generated from financing activities	(741,544)	1,961,239
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(72,168)	271,004
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	978,699	707,695
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 906,531	$ 978,699

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, round steel bar, stainless steel, alloy steel, special steel and SuperDyma.

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 17, 2020.

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 SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, 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 did not have material impact on the Company's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

      The Company elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company did not have lease contracts to which IFRS 16 was applied retrospectively, except for those for which the underlying asset is of low-value and short-term leases which are recognized as expenses on a straight-line basis. Consequently, there was no significant effect on the Company's assets, liabilities and equity as of January 1, 2019.

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts 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 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" 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 are 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 applied the above amendments prospectively.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 "Definition of material"

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

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.

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

New IFRSs	**Effective Date Announced by IASB (Note)**
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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

1) 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.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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.

d. Reclassification

To increase the utilization of its properties and manage them efficiently, the Company established property management department in 2019. Consequently, the classification of rental income was changed from non-operating income to operating revenue, and the presentation of the statement of comprehensive income was revised since 2019. Comparative information for the year ended December 31, 2018 was reclassified to conform to the current year's presentation.

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. 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 foreign operations (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.

e. 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.

f. 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.

g. Investments 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.

h. 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.

Except for freehold land which is not depreciated, the 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.

i. 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.

j. 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 and property, plant and equipment 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.

k. 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

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, and any dividends or interest earned on such a financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28: Financial Instruments.

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.

Financial assets are credit impaired when one or more of the following events have occurred: issuers and borrowers are in severe financial difficulty, breach of contract, or it becoming probable that the borrower will enter bankruptcy or undergo a financial restructuring, or the disappearance of an active market for that financial asset because of financial difficulties.

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.

b) Impairment of financial assets

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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due, unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

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.

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 sum of 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 remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

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 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.

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.

l. 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.

m. Revenue recognition

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.

n. Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

Lease payments are recognized as expenses on a straight-line basis over the lease terms for short-term leases and low-value asset leases accounted for applying the recognition exemption.

2018

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.

o. 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.

p. 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.

q. 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 on unappropriated earnings is provided for 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

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 28. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

As of December 31, 2019 and 2018, the total amount of notes receivable, trade receivables and overdue receivables were NT$2,456,282 thousand and NT$2,582,356 thousand, respectively, which were the net amount after deducting the allowance for impairment loss of NT$76,688 thousand and NT$43,310 thousand, respectively.

b. 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	
	2019	2018
Cash on hand	$ 720	$ 759
Checking accounts and demand deposits	905,811	977,940
	$ 906,531	$ 978,699

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

	December 31	
	2019	2018
Bank balance	0.001%-0.33%	0.001%-0.48%

As of December 31, 2019 and 2018, time deposits with original maturities of more than 3 months to 1 year and restricted demand deposits were NT$55,684 thousand and NT$116,677 thousand, respectively, which were classified as financial assets at amortized cost (refer to Note 9).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 723,406	$ 781,996
Mutual funds	5,060	4,450
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	-	103,198
	$ 728,466	$ 889,644
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts (a)	$ 34,114	$ -
Convertible options (Note 17)	7,641	8,659
	$ 41,755	$ 8,659

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2019			
Buy	NTD/USD	2020.01-2020.12	NT$2,015,329/US$66,530
December 31, 2018			
Buy	NTD/USD	2019.01-2019.12	NT$3,614,920/US$122,290

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Current		
Investments in equity instruments	$ -	$ 80,115
Non-current		
Investments in equity instruments	$ 1,677,957	$ 1,898,224

Investments in equity instruments at FVTOCI

	December 31	
	2019	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	$ 1,216,531	$ 1,379,823
Unlisted shares		
Ordinary shares - Century Wind Power Co., Ltd.	174,000	174,000
Ordinary shares - Envirolink Corporation	17,500	17,500
Ordinary shares - Duo Yuan Solar Corporation	9,000	-

(Continued)

	December 31	
	2019	2018
Ordinary shares - Dah Chung Bills Finance Corporation	$ 5,506	$ 5,506
Ordinary shares - Linkou Entertainment Corporation	4,600	4,600
Ordinary shares - Shin Ji Technology Corporation	3,450	450
Ordinary shares -Shang Yang Technology Corporation	2,822	3,528
Ordinary shares - Yuan Jing Corporation	1,519	8,934
Ordinary shares - Hua Mian Corporation	1,500	1,500
	1,436,428	1,595,841
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	241,529	302,383
	$ 1,677,957	$ 1,898,224

(Concluded)

These investments in equity instruments 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.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	$ 55,684	$ 116,677

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.25%-0.75% and 0.13%-0.77% per annum as of December 31, 2019 and 2018, respectively.

b. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
Operating - unrelated parties	$ 1,042,152	$ 1,254,055
Operating - related parties	44,465	56,772
Less: Allowance for impairment loss	(1,778)	(1,778)
	$ 1,084,839	$ 1,309,049
Trade receivables		
At amortized cost - unrelated parties	$ 1,315,229	$ 1,232,380
At amortized cost - related parties	54,753	39,488
Less: Allowance for impairment loss	(1,539)	(3,642)
	$ 1,368,443	$ 1,268,226
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 76,371	$ 42,971
Less: Allowance for impairment loss	(73,371)	(37,890)
	$ 3,000	$ 5,081

a. Notes receivable and trade receivables

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, 2019

	Not Past Due	Less than 30 Days	31 Days to 1 Year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate	0.11%	85.27%	0.00%	0.00%	0.00%	
Gross carrying amount	$ 2,455,927	$ 672	$ -	$ -	$ -	$ 2,456,599
Loss allowance (Lifetime ECL)	(2,744)	(573)	-	-	-	(3,317)
Amortized cost	$ 2,453,183	$ 99	$ -	$ -	$ -	$ 2,453,282

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:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 5,420	$ 5,233
Add: Net remeasurement of loss allowance	18,565	1,267
Less: Transferred to overdue receivables	(19,017)	(1,080)
Less: Amounts recovered	(1,651)	-
Balance at December 31	$ 3,317	$ 5,420

Compared to January 1, 2019 and 2018, the increase in loss allowance of $18,565 thousand and $1,267 thousand at December 31, 2019 and 2018, respectively, resulted from the changes in the gross carrying amounts of notes receivables and trade receivables, which increased by $123,993 thousand and increased by $307,476 thousand, respectively.

Refer to Note 30 for information relating to notes receivable pledged as security.

b. Overdue receivables

Overdue receivable balances that were past due but for which no allowance for impairment loss was recognized were NT$3,000 thousand and NT$5,081 thousand as of December 31, 2019 and 2018, 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 holds 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	
	2019	2018
Up to 90 days	$ -	$ -
90-365 days	-	2,081
Over 365 days	3,000	3,000
	$ 3,000	$ 5,081

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

The movements of the loss allowance of overdue receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 37,890	$ 48,900
Add: Impairment losses transferred from trade receivables	19,017	1,080
Add: Net remeasurement of loss allowance	16,464	337
Less: Net remeasurement of loss allowance	-	(12,427)
Balance at December 31	$ 73,371	$ 37,890

The Company recognized an impairment loss on overdue receivables amounting to $73,371 thousand and NT$37,890 thousand as of December 31, 2019 and 2018, 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.

11. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 2,913,109	$ 3,407,939
Finished goods	397,833	604,109
Raw materials in transit	26,801	15,127
	$ 3,337,743	$ 4,027,175

As of December 31, 2019 and 2018, the allowance for inventory write-down was NT$99,163 thousand and NT$111,219 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was NT$8,210,795 thousand and NT$7,925,662 thousand, respectively. The cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of NT$12,056 thousand and NT$108,793 thousand, respectively, which resulted from the fluctuation in the market price of the steel market.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2019	December 31 2018
Investments in subsidiaries	$ 1,508,353	$ 1,462,465
Investments in associates	59,480	58,395
Investments in joint ventures	505,660	503,562
	$ 2,073,493	$ 2,024,422

a. Investments in subsidiaries

	December 31 2019	December 31 2018
Hsin Ching International Co., Ltd.	$ 345,824	$ 344,298
Hsin Yuan Investment Co., Ltd.	436,009	390,059
Sinpao Investment Co., Ltd.	131,851	135,299
Hsin Ho Fa Metal Co., Ltd.	258,485	256,760
APEX Wind Power Equipment Co., Ltd.	335,282	336,049
Hsin Cheng Logistics Development Co., Ltd.	902	-
	$ 1,508,353	$ 1,462,465

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	**2019**	**2018**
Hsin Ching International Co., Ltd.	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.*	53.51%	51.31%
Hsin Cheng Logistics Development Co., Ltd.	100.00%	-

* 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 2019	December 31 2018
Associates that are not individually material	$ 59,480	$ 58,395

		Proportion of Ownership and Voting Rights	
		December 31	
Name of Associate	**Nature of Activities**	**2019**	**2018**
Hsin Wei Solar Co., Ltd.	Non-metallic power generation	40.00%	40.00%

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

	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Profit from continuing operations	$ 10,680	$ 3,793
Other comprehensive income	-	-
Total comprehensive income	$ 10,680	$ 3,793

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investment were calculated based on financial statements which have been audited.

c. Investments in joint ventures

	December 31	
	2019	2018
Material joint ventures	$ 505,660	$ 503,562

In order to promote upstream and downstream strategic alliance, strengthen sales and increase the added value of its products, the Company purchased 25,000 thousand shares of ordinary shares of Mason Metal Industry Co., Ltd. at a price of NT$11.4 per share, 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.

Refer to Table 5 "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	
	2019	2018
Cash and cash equivalents	$ 230,287	$ 210,917
Current assets	$ 1,1209,898	$ 1,129,049
Non-current assets	312,631	314,988
Current liabilities	(504,860)	(448,207)
Non-current liabilities	(251,674)	(345,607)
Equity	$ 665,995	$ 650,223
Proportion of the Company's ownership	49%	49%

(Continued)

	December 31	
	2019	2018
Equity attributable to the Company	$ 326,338	$ 318,609
Provisions	3,570	3,570
Gain from bargain purchase	206,762	206,762
Other adjustments	(31,010)	(25,379)
Carrying amount	$ 505,660	$ 503,562

(Concluded)

	For the Year Ended December 31	
	2019	2018
Operating revenue	$ 1,814,044	$ 1,757,584
Depreciation and amortization expense	$ 7,524	$ 3,968
Interest income	$ 128	$ 122
Interest expense	$ 5,720	$ 7,008
Income tax (expense) benefit	$ (3,382)	$ 205
Net profit	$ 12,761	$ 33,606
Other comprehensive income	3,982	971
Total comprehensive income	$ 16,743	$ 34,577

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Company	$ 3,276,213

a. Assets used by the Company - 2019

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Devices Awaiting Inspection	Total
Cost							
Balance at January 1, 2019	$ 2,136,062	$ 932,997	$ 604,531	$ 134,131	$ 19,873	$ 97,843	$ 3,925,437
Additions	220	6,658	8,729	11,187	8,486	153,399	188,679
Disposals	-	(2,165)	(25,088)	(1,456)	(7,270)	-	(35,979)
Reclassified	149,968	61,850	-	-	-	(211,818)	-
Balance at December 31, 2019	$ 2,286,250	$ 999,340	$ 588,172	$ 143,862	$ 21,089	$ 39,424	$ 4,078,137
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 244,422	$ 407,930	$ 94,917	$ 12,991	$ -	$ 760,260
Depreciation expenses	-	25,472	33,301	9,467	1,793	-	70,033
Disposals	-	(2,166)	(18,956)	(980)	(6,267)	-	(28,369)
Balance at December 31, 2019	$ -	$ 267,728	$ 422,275	$ 103,404	$ 8,517	$ -	$ 801,924
Carrying amounts at December 31, 2019	$ 2,286,250	$ 731,612	$ 165,897	$ 40,458	$ 12,572	$ 39,424	$ 3,276,213

No impairment assessment was performed for the year ended December 31, 2019 as there was no indication of impairment.

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	3-8 years
Transportation equipment	
Truck and automotive	5-8 years
Stacker	5-9 years
Automotive accessories	3-5 years
Miscellaneous equipment	
Computer equipment	3-10 years
Office equipment and construction	3-10 years

The Company purchased 39,327.92 square meters of land located in Guanyin for operation use from 2005 to 2019. As of December 31, 2019, the carrying amount was NT$262,100 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 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 30

b. 2018

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Devices Awaiting Inspection	Total
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	3-5 years
Miscellaneous equipment	
Computer equipment	3-10 years
Office equipment and construction	5-10 years

14. INVESTMENT PROPERTIES

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Machinery and Equipment	Total
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
Cost				
Balance at January 1, 2019	$ 372,083	$ 596,550	$ 9,525	$ 978,158
Additions	-	-	3,000	3,000
Disposals	-	-	(1,400)	(1,400)
Balance at December 31, 2019	$ 372,083	$ 596,550	$ 11,125	$ 979,758

(Continued)

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Machinery and Equipment	Total
Accumulated depreciation and impairment				
Balance at January 1, 2019	$ -	$ 17,114	$ 2,165	$ 19,279
Depreciation expenses	-	12,290	1,031	13,321
Disposals	-	-	(50)	(50)
Balance at December 31, 2019	$ -	$ 29,404	$ 3,146	$ 32,550
Carrying amounts at December 31, 2019	$ 372,083	$ 567,146	$ 7,979	$ 947,208

(Concluded)

The investment properties were leased out for 2 to 10 years, without an option to extend. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

In addition to the fixed lease payments, the lease contracts also indicates that the lease payments should be adjusted every 2 or 3 years on the basis of the increase in Price Index.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 43,253
Year 2	45,660
Year 3	46,455
Year 4	36,886
Year 5	28,045
Year 6 onwards	703,666
	$ 903,965

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 33,664
Later than 1 year and not later than 5 years	138,208
Later than 5 years	699,438
	$ 871,310

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

Main buildings	25-55 years
Building engineering	6 years
Crane equipment	10 years

The determination of fair value was performed by independent qualified professional appraisers on December 31, 2019. Evaluation was based on different standards using cost approach, market comparison approach, and direct capitalization method and discounted cash flow 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.

	December 31	
	2019	**2018**
Fair value	$ 1,868,011	$ 1,908,943

The investment properties pledged as collateral for bank borrowings are set out in Note 30.

15. OTHER ASSETS

	December 31	
	2019	**2018**
Current		
Other receivables	$ 15,292	$ 2,114
Temporary payments	26,080	-
Others	-	187
	$ 41,372	$ 2,301
Non-current		
Prepayments for equipment	$ 14,189	$ 14,560
Refundable deposits	34,342	22,484
Overdue receivables	3,000	5,081
Others	4,499	4,487
	$ 56,030	$ 46,612

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Secured borrowings (Notes 28 and 30)		
Bank loans	$ 1,220,000	$ 1,760,000
Issuance credit payable	778,249	1,053,540
	1,998,249	2,813,540
Unsecured borrowings		
Line of credit borrowings (Note 28)	300,000	350,000
Issuance credit payable	2,390,015	3,711,865
	2,690,015	4,061,865
	$ 4,688,264	$ 6,875,405

The range of weighted average effective interest rates on bank loans was 1.05%-3.44% and 1.06%-4.06% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper (Note 28)	$ 470,000	$ 430,000
Less: Unamortized discount on bills payable	(263)	(266)
	$ 469,737	$ 429,734

Outstanding short-term bills payable were as follows:

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 50,000	$ 4	$ 49,996	1.2%	Check	$ 38,789
B bank	290,000	211	289,789	1.1%	-	-
C bank	100.000	35	99,965	1.2%	Head office	$ 17,780
C bank	30,000	13	29,987	1.2%	Head office	$ 17,780
	$ 470,000	$ 263	$ 469,737			

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			

c. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings (Notes 28 and 30)		
Syndicated bank loans - Yushan Bank (1)	$ 700,000	$ 1,400,000
Syndicated bank loans - Land Bank of Taiwan (2)	-	
Bank loans - Banking Division of Mega Bank (3)	128,947	139,474
	828,947	1,539,474
Less: Current portions	(10,526)	(610,526)
Listed as short-term borrowings	-	(800,000)
Syndicated loan fees	(10,818)	-
Long-term borrowings	$ 807,603	$ 128,948

1) 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. 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 (included in Long-term bills payable) 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 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. The weighted average effective interest rates was 1.79% per annum as of December 31, 2019.

2) 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 30) 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 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 financial statements of the Company for the year ended December 31, 2017. The weighted average effective interest rates was 1.7% per annum as of December 31, 2018. The loan was repaid in advance in January 2019.

3) 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 30) 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 were both 1.7% per annum as of December 31, 2019 and 2018.

d. Long-term bills payable

	December 31 2019
Commercial paper issued under syndicated bank loans - Yushan Bank (weighted average effective interest rates: 1348%-1,356% per annum as of December 31, 2019)	$ 1,900,000
Less: Unamortized discount	(1,469)
	$ 1,898,531

The Company issued commercial paper under syndicated bank loans - Yushan Bank within terms of 5 years. Refer to c. Long-term borrowings item 1 for more information.

17. 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 on the issue date	530,757
Interest charged at the effective interest rate	13,343
Convertible bonds 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
Balance at January 1, 2019	$ 400,337
Interest charged at the effective interest rate	9,669
Corporate bonds payable converted into ordinary shares	-
The host liability instrument at end of the year	410,006
Less: Current portions	(410,006)
Balance at December 31, 2019	$ -

Movements of the conversion option derivative instrument were as follows:

	Conversion Option Derivative Instrument
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

(Continued)

	Conversion Option Derivative Instrument
Balance at January 1, 2019	$ 8,659
Gain from the change of fair value	(1,018)
Balance at December 31, 2019	$ 7,641

(Concluded)

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2019	2018
Notes payable		
Operating - unrelated parties	$ 254,763	$ 647,007
Operating - related parties	$ 608	$ 3,156
Trade payables		
Operating - unrelated parties	$ 45,499	$ 177,687
Operating - related parties	$ 1,299	$ 1,482

19. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries and bonuses	$ 45,525	$ 106,986
Interest payable	13,357	33,945
Other accrued expenses	32,629	24,357
	$ 91,511	$ 165,288

20. 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	
	2019	**2018**
Present value of defined benefit obligation	$ 54,757	$ 54,583
Fair value of plan assets	(27,709)	(26,839)
Net defined benefit liabilities	$ 27,048	$ 27,744

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, 2018	$ 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
Service cost			
Current service cost	286	-	286
Net interest expense (income)	478	(257)	221
Recognized in profit or loss	764	(257)	507

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (898)	$ (898)
Actuarial loss - changes in demographic assumptions	1,177	-	1,177
Actuarial loss - changes in financial assumptions	1,078	-	1,078
Actuarial loss - experience adjustments	(567)	-	(567)
Recognized in other comprehensive income	1,688	(898)	790
Contributions from the employer	-	(1,993)	(1,993)
Benefits paid	(2,278)	2,278	-
Balance at December 31, 2019	$ 54,757	$ (27,709)	$ 27,048

(Concluded)

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	
	2019	**2018**
Operating costs	$ 172	$ 178
Selling and marketing expenses	$ 260	$ 274
General and administrative expenses	$ 75	$ 87

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	
	2019	**2018**
Discount rates	0.63%	0.88%
Expected rates of salary increase	1.50%	1.50%

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	
	2019	**2018**
Discount rates		
0.25% increase	$ (1,108)	$ (1,083)
0.25% decrease	$ 1,147	$ 1,120
Expected rates of salary increase		
0.25% increase	$ 1,188	$ 1,094
0.25% decrease	$ (1,085)	$ (1,062)

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	
	2019	**2018**
Expected contributions to the plans for the next year	$ 1,970	$ 5,055
The average duration of the defined benefit obligation	8.2 years	8 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	**2018**
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	310,688
Shares issued	$ 3,106,877	$ 3,106,877

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

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 733,079	$ 733,079
Treasury share transactions	7,754	7,754

(Continued)

	December 31	
	2019	2018
<u>May be used to offset a deficit only (2)</u>		
Changes in percentage of ownership interest in subsidiaries	$ -	$ 593
<u>May not be used for any purpose (3)</u>		
Employee share options	36,647	36,647
Share warrants	40,236	40,236
	$ 817,716	$ 818,309

(Concluded)

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 23-f.

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 2018 and 2017 approved in the shareholders' meetings on June 11, 2019 and June 19, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	2017
Legal reserve	$ 97,873	$ 106,624
Special reserve	$ 43,567	$ -
Cash dividends	$ 466,032	$ 612,388
Cash dividends per share (NT$)	$ 1.5	$ 2

The appropriation of earnings for 2019 was proposed by the Company's board of directors on March 17, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 10,497
Special reserve	$ 64,692
Cash dividends	$ 248,550
Cash dividends per share (NT$)	$ 0.8

The appropriation of earnings for 2019 is subject to the resolution in the shareholders' meeting to be held on June 11, 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ -	$ 19,407
Appropriations in respect of		
Debit to other equity items	43,567	-
Reversals		
Reversal of the debit to other equity items	-	(19,407)
Balance at December 31	$ 43,567	$ -

e. Others equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 2,214	$ (1,339)
Effect of change in tax rate	-	49
Exchange differences on translating the financial statements of foreign operations	(2,584)	3,504
Balance at December 31	$ (370)	$ 2,214

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (45,782)	$ 30,159
Recognized for the year		
Unrealized loss - equity instruments	(62,108)	(75,941)
Balance at December 31	$ (107,890)	$ (45,782)

22. REVENUE

	For the Year Ended December 31	
	2019	**2018**
Revenue from contracts with customers		
Revenue from sales of goods	$ 8,335,222	$ 8,591,658
Other operating revenue		
Rental income	$ 43,012	$ 34,217
Revenue from processing	35,431	22,904
	78,443	57,121
	$ 8,413,665	$ 8,648,779

Contract Balances

	December 31	
	2019	**2018**
Trade receivables (including related parties) (Note 10)	$ 1,368,443	$ 1,268,226
Contract liabilities		
Sales of goods	$ 141,910	$ 143,030

23. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

Net Profit from Continuing Operations:

a. Other income

	For the Year Ended December 31	
	2019	**2018**
Interest income - bank deposits	$ 798	$ 1,071
Dividends		
Financial assets at FVTPL	16,877	14,859
Investments in equity instruments classified at FVTOCI	53,811	53,422
Others	3,162	6,014
	$ 74,648	$ 75,366

b. Other gains and losses

	For the Year Ended December 31	
	2019	**2018**
Net loss on disposal of property, plant and equipment	$ (518)	$ (708)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	14,832	492,516
Net foreign exchange gains (losses)	214,021	(4,204)
	$ 228,335	$ 487,604

c. Finance costs

	For the Year Ended December 31	
	2019	**2018**
Interest on bank loans	$ 152,657	$ 133,961
Interest on convertible bonds	9,669	11,952
Less: Amounts included in the cost of qualifying assets	(773)	(7,017)
	$ 161,553	$ 138,896

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	**2018**
Capitalized interest	$ 773	$ 7,017
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	**2018**
Property, plant and equipment	$ 70,033	$ 73,548
Investment properties	13,321	7,523
Long-term prepayments	1,826	1,387
	$ 85,180	$ 82,458
An analysis of depreciation by function		
Operating costs	$ 71,218	$ 62,092
Operating expenses	12,136	18,979
	$ 83,354	$ 81,071
An analysis of amortization by function		
Operating costs	$ 308	$ 561
Operating expenses	1,518	826
	$ 1,826	$ 1,387

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 187,555	$ 239,945
Post-employment benefits (Note 20)		
Defined contribution plans	5,228	4,707
Defined benefit plans	507	539
	$ 193,290	$ 245,191
An analysis of employee benefits expense by function		
Operating costs	$ 99,133	$ 100,512
Operating expenses	94,157	144,679
	$ 193,290	$ 245,191

f. 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, 2019 and 2018 which have been approved by the Company's board of directors on March 17, 2020 and March 19, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	3%	3%
Remuneration of directors and supervisors	3%	3%

Amount

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 4,199	$ 35,146
Remuneration of directors and supervisors	$ 4,199	$ 35,146

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.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 296,520	$ 180,062
Foreign exchange losses	(82,499)	(184,266)
	$ (214,021)	$ (4,204)

24. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 7,239	$ 72,720
Income tax on unappropriated earnings	18,406	49,736
Adjustments for prior years	3,171	1,297
	28,816	123,753
Deferred tax		
In respect of the current year	(17,930)	(143)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(1,097)
	(17,930)	(1,240)
Income tax expense recognized in profit or loss	$ (10,886)	$ 122,513

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 131,560	$ 1,101,238
Income tax expense calculated at the statutory rate	$ 26,312	$ 220,248
Non-deductible expenses and non-taxable income	(30,147)	(136,718)
Tax-exempt income	(14,138)	(13,656)
Income tax on unappropriated earnings	18,406	49,736
Additional income tax under the Alternative Minimum Tax Act	7,239	-
Unrecognized loss carryforwards and deductible temporary differences	43	2,703
Effect of tax rate changes	-	(1,097)
Adjustments for prior years' tax	3,171	1,297
Income tax expense recognized in profit or loss	$ 10,886	$ 122,513

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of tax rate changes	$ -	$ 475
In respect of the current year:		
Translation of foreign operations	(647)	(876)
Remeasurement on defined benefit plan	(158)	888
Total income tax recognized in other comprehensive income	$ (805)	$ 487

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 10,995	$ -
Current tax liabilities		
Income tax payable	$ -	$ 71,573

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, 2019

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	$ 22,244	$ (2,412)	$ -	$ 19,832
FVTPL financial assets	-	6,823	-	6,823
Gains or losses on foreign currency exchange	1,707	(1,707)	-	-
Unrealized gross profit	759	(624)	-	135
Defined benefit obligation	4,393	(297)	158	4,254
Allowance for impairment loss on receivables	3,137	7,135	-	10,272
Property, plant and equipment	-	162	-	162
Exchange differences on translating the financial statements of foreign operations	-	-	93	93
	$ 32,240	$ 9,080	$ 251	$ 41,571

(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	204	-	616
Gains or losses on foreign currency exchange	-	11,585	-	11,585
Exchange differences on translating the financial statements of foreign operations	554	-	(554)	-
	$ 21,605	$ (8,850)	$ (554)	$ 12,201

(Concluded)

For the year ended December 31, 2018

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	$ 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

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

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

	December 31	
	2019	2018
Deductible temporary differences		
Unrealized profit or loss of foreign subsidiaries using equity method	$ 338	$ 295
Impairment loss on FVTOCI financial assets	27,488	27,488
	$ 27,826	$ 27,783

f. Income tax assessments

The tax returns through 2017 and income tax on unappropriated earnings through 2016 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share		
From continuing operations	$ 0.39	$ 3.17
Diluted earnings per share		
From continuing operations	$ 0.39	$ 3.06

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	
	2019	2018
Profit for the period attributable to owners of the Company	$ 120,674	$ 978,725
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	9,561
Earnings used in the computation of diluted earnings per share	$ 120,674	$ 988,286

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in the computation of basic earnings per share	310,688	309,164
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	12,860
Employees' compensation	133	1,126
Weighted average number of ordinary shares used in the computation of diluted earnings per share	310,821	323,150

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.

26. 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., by cash at a percentage different from its existing ownership percentage, decreasing its interests from 68.16% to 51.31%. In addition, in September 2019, the Company acquired additional shares of the subsidiary, increasing its interests from 51.31% to 53.51%.

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

27. 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)/Ownership equity of the Company (comprising issued capital, reserves and retained earnings).

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.

28. 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, 2019

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Time deposits with original maturities of more than 3 months	$ 55,684	$ 55,684
Notes receivable (including related parties)	1,084,839	1,084,839
Trade receivables (including related parties)	1,368,443	1,368,443
Overdue receivables	3,000	3,000
Cash and cash equivalents	906,531	906,531
Refundable deposits	34,342	34,342
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	5,506,393	5,506,393
Short-term bills payable	469,737	469,737
Notes payable, trade payables and other payables (including related parties)	393,680	393,680
Convertible bonds	410,006	410,006
Long-term bills payable	1,898,531	1,898,531

December 31, 2018

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Time deposits with original maturities 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
Refundable deposits	22,484	22,484
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

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, short-term bills payable, and long-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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 723,406	$ -	$ -	$ 723,406
Mutual funds	5,060	-	-	5,060
Derivatives	-	-	-	-
	$ 728,466	$ -	$ -	$ 728,466
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market securities	$ 1,216,531	$ -	$ -	$ 1,216,531
Domestic unlisted shares and emerging market securities	-	-	219,897	219,897
Foreign unlisted shares and emerging market securities	-	-	241,529	241,529
	$ 1,216,531	$ -	$ 461,426	$ 1,677,957
Financial liabilities at FVTPL				
Derivatives	$ -	$ 41,755	$ -	$ 41,755

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

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

	Financial Assets at FVTOCI Equity Instruments For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 518,401	$ 442,497
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(60,854)	(45,839)
Purchases	12,000	129,450
Shares return of investments	(8,121)	(2,222)
Transfers out of Level 3	-	(5,485)
Balance at December 31	$ 461,426	$ 518,401

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 Group 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	
	2019	**2018**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 728,466	$ 889,644
Financial assets at amortized cost (1)	3,452,839	3,700,216
Financial assets at FVTOCI	1,677,957	1,978,339
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	41,755	8,659
Financial liabilities at amortized cost (2)	8,678,347	9,439,570

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

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term and long-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	
	2019	**2018**
Assets		
USD	$ 18,434	$ 152,745
JPY	579	567
EUR	965	1,253
Liabilities		
USD	1,967,435	3,217,176

Sensitivity analysis

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	
	2019	2018
Profit or loss	$ 19,492 (i)	$ 30,630 (i)

	JPY Impact	
	For the Year Ended December 31	
	2019	2018
Profit or loss	$ 6 (ii)	$ 6 (ii)

	EUR Impact	
	For the Year Ended December 31	
	2019	2018
Profit or loss	$ 10 (iii)	$ 13 (iii)

i. This was mainly attributable to the exposure on outstanding USD letters of credit, trade payables, bank deposits and other account payable 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	
	2019	**2018**
Cash flow interest rate risk		
Financial assets	$ 779,433	$ 922,708
Financial liabilities	7,874,661	8,027,681

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, 2019 and 2018 would have decreased/increased by NT$71,956 thousand and NT$59,631 thousand, respectively, 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 years ended December 31, 2019 and 2018 would have increased/decreased by NT$7,282 thousand and NT$7,868 thousand, respectively, 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, 2019 and 2018 would have increased/decreased by NT$12,216 thousand and NT$14,449 thousand, respectively, 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 2019 and 2018.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 100% and 95% of the total trade receivables as of December 31, 2019 and 2018, 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, 2019 and 2018, the Company had available unutilized short-term bank loan facilities of NT$3,350,020 thousand and NT$6,158,192 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, 2019

	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		$ 223,447	$ 134,267	$ 30,844	$ 4,138	$ 7
Variable interest rate liabilities	2.05	1,004,719	3,672,411	2,379,401	699,708	118,421
		$ 1,228,166	$ 3,806,678	$ 2,410,245	$ 703,846	$ 118,428

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

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, 2019

	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		$ 1,396,039	$ 1,174,711	$ 76,130	$ 30,080	$ 3,000
Variable interest rate assets	0.10	726,773	48,133	4,527	-	-
		$ 2,122,812	$ 1,222,844	$ 80,657	$ 30,080	$ 3,000

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

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	
	2019	2018
Bank loan facilities expiring in 2019 which may be extended upon mutual agreement:		
Amount used	$ 9,056,833	$ 7,927,682
Amount unused	6,884,277	9,458,188
	$ 15,941,110	$ 17,385,870

29. 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 Hua Steel Industry Co., Ltd.	Sub-subsidiary
Mason Metal Industry Co., Ltd.	Joint venture
Hsin Kuang Steel Tian-Cheng Charity Foundation	The Foundation's Chairman is the same person as the representative of a corporate director of the Company

b. Operating revenue

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Sale of goods	Subsidiaries		
	APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 6,276	$ 15,926
	Hsin Ching International Co., Ltd.	90	838
	Hsin Ho Fa Metal Co., Ltd.	-	4,192
	Sub-subsidiaries		
	Hsin Hua Steel Industry Co., Ltd.	36,691	-
	Joint ventures		
	Mason Metal Industry Co., Ltd.	104,907	119,534
		$ 147,964	$ 140,490
Rental income	Subsidiaries		
	Hsin Ching International Co., Ltd.	$ 22,046	$ 23,969
	APEX Wind Power Equipment Manufacturing Company., Ltd.	8,405	-
	Sub-subsidiaries		
	Hsin Hua Steel Industry Co., Ltd.	2,478	-
		$ 32,929	$ 23,969

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.

c. Purchases of goods and operating costs

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 2,347	$ -
Joint ventures		
Mason Metal Industry Co., Ltd.	9,800	7,742
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	8,987	-
	$ 21,134	$ 7,742

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

d. Other revenue

Related Party Category/Name	For the Year Ended December 31 2019	2018
Joint ventures		
Mason Metal Industry Co., Ltd.	$ 1,200	$ 1,200

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

Related Party Category/Name	December 31 2019	2018
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 2,286	$ 16,722
Hsin Ho Fa Metal Co., Ltd.	-	391
Hsin Ching International Co., Ltd.	95	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	38,525	-
Joint ventures		
Mason Metal Industry Co., Ltd.	58,312	79,147
	$ 99,218	$ 96,260

The outstanding trade receivables from related parties are unsecured. As of December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from the related parties.

f. Payables to related parties

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ -	$ 22
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	3,999	-
Joint ventures		
Mason Metal Industry Co., Ltd.	608	2,505
	$ 4,607	$ 2,527

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

g. Disposals of property, plant and equipment

	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
Related Party Category/Name	**2019**	**2018**	**2019**	**2018**
Subsidiaries				
Hsin Ho Fa Metal Co., Ltd.	$ 2,000	$ -	$ 219	$ -
APEX Wind Power Equipment Manufacturing Company., Ltd.	290	-	24	-
Sub-subsidiaries				
Hsin Hua Steel Industry Co., Ltd.	1,400	-	51	-
	$ 3,690	$ -	$ 294	$ -

h. Loans to related parties

Related Party Category/Name	December 31 2019	December 31 2018
Subsidiaries		
Hsin Ho Fa Metal Co., Ltd.	$ -	$ -

Interest income

Related Party Category/Name	For the Year Ended December 31 2019	2018
Subsidiaries		
Hsin Ho Fa Metal Co., Ltd.	$ 77	$ -

The Company provided several of its key management personnel with unsecured short-term loans at rates comparable to market interest rates.

i. Endorsements and guarantees

Related Party Category/Name	December 31 2019	2018
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.		
Amount endorsed	$ -	$ 7,400
Amount utilized	-	(7,400)
	$ -	$ -

j. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Donations	Hsin Kuang Steel Tian-Cheng Charity Foundation	$ 2,000	$ -

k. 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 2019	2018
Short-term employee benefits	$ 22,118	$ 57,593

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

30. 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	
	2019	**2018**
Notes receivable	$ 205,173	$ 347,618
Pledged deposits (classified as financial assets at amortized cost)	55,684	116,677
Investments in equity instruments at FVTOCI	227,050	230,375
Freehold land	859,185	552,590
Buildings, net	514,207	317,803
Investment properties - land	350,861	350,861
Investment properties - buildings	550,161	562,077
	$ 2,762,321	$ 2,478,001

31. 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, 2019 and 2018 were as follows:

Significant Commitments

a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	December 31	
	2019	**2018**
NTD	$ 402,526	$ 258,033
USD	18,890	24,711
JPY	-	13,912
EUR	834	-

b. Unrecognized commitments were as follows:

	December 31	
	2019	**2018**
Acquisition of property, plant and equipment	$ 86,920	$ 35,755

32. 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, 2019

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 608	29.98	(USD:NTD)	$ 18,434
EUR	28	33.59	(EUR:NTD)	965
JPY	2,090	0.276	(JPY:NTD)	579
Non-monetary items				
USD	4,174	29.98	(USD:NTD)	131,851
				$ 151,829
Financial liabilities				
Monetary items				
USD	65,625	29.98	(USD:NTD)	$ 1,967,435

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				$ 282,188
Monetary items				
USD	104,743	30.715	(USD:NTD)	$ 3,217,176

33. 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 (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 (Table 4)

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 5)

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)

34. SEGMENT INFORMATION

The segment information for 2019 and 2018 is disclosed in the Company's consolidated financial statements.