

# **Hsin Kuang Steel Company Limited**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 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, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2021 and 2020, 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, 2021. 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, 2021 are as follows:

#### Revenue Recognition

The Company mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. The Company's operating revenue for the year ended December 31, 2021 was NT\$13,418,865 thousand, a 36% growth from the previous year. Because certain significant customers whose operating models differ from other customers, and those customers with significant sales amount in the current year and showing a higher growth trend than the Company's average growth, we considered whether sales transactions with such customers actually occurred, which can significantly have an impact on the financial statements; therefore, we identified whether the occurrence of sales transaction as a key audit matter.

Refer to Notes 4 and 22 to the financial statements for the accounting policies and related disclosures on revenue recognition.

We performed the following audit procedures in respect of the aforementioned revenue:

1. We obtained an understanding and tested the design and operating effectiveness of key controls over revenue recognition.
2. We selected samples from the sales ledger of the aforementioned revenue, verified such transactions against sales contracts, shipping reports and accounts receivable collections as evidence and confirmed the existence of such transactions.

#### **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, 2021 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 16, 2022

Notice to Readers

*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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS  | 2021                 |            | 2020                 |            |
|---|----------------------|------------|----------------------|------------|
|   | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>   |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 619,800           | 3          | \$ 522,481           | 3          |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                     | 1,355,311            | 6          | 1,167,584            | 6          |
| Financial assets at amortized cost - current (Notes 4, 9 and 30)                                    | 77,074               | -          | 76,736               | -          |
| Notes receivable from related parties (Notes 4, 5, 10 and 29)                                       | 73,833               | -          | 36,699               | -          |
| Notes receivable from unrelated parties (Notes 4, 5, 10 and 30)                                     | 1,800,423            | 8          | 1,337,774            | 7          |
| Trade receivables from related parties (Notes 4, 5, 10 and 29)                                      | 225,361              | 1          | 389,947              | 2          |
| Trade receivables from unrelated parties (Notes 4, 5 and 10)  | 1,795,662            | 8          | 1,857,443            | 10         |
| Inventories (Notes 4, 5 and 11)   | 5,633,936            | 23         | 3,492,055            | 18         |
| Prepayments   | 83,505               | -          | 101,584              | -          |
| Other current assets (Notes 15 and 29)  | 51,628               | -          | 22,838               | -          |
| Total current assets  | 11,716,533           | 49         | 9,005,141            | 46         |
| <b>NON-CURRENT ASSETS</b>   |                      |            |                      |            |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)                 | 247,857              | 1          | 28,772               | -          |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30) | 3,076,389            | 13         | 2,580,780            | 13         |
| Investments accounted for using the equity method (Notes 4 and 12)                                  | 3,068,896            | 13         | 2,240,995            | 12         |
| Property, plant and equipment (Notes 4, 13, 29 and 30)  | 2,099,792            | 9          | 4,506,352            | 23         |
| Investment properties (Notes 4, 14 and 30)  | 3,742,322            | 15         | 932,625              | 5          |
| Deferred tax assets (Notes 4 and 24)  | 30,024               | -          | 56,909               | -          |
| Other non-current assets (Notes 10 and 15)  | 66,585               | -          | 59,775               | 1          |
| Total non-current assets  | 12,331,865           | 51         | 10,406,208           | 54         |
| <b>TOTAL</b>  | <b>\$ 24,048,398</b> | <b>100</b> | <b>\$ 19,411,349</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>   |                      |            |                      |            |
| <b>CURRENT LIABILITIES</b>  |                      |            |                      |            |
| Short-term borrowings (Notes 4 and 16)  | \$ 6,149,357         | 26         | \$ 5,301,362         | 27         |
| Short-term bills payable (Notes 4 and 16)   | 299,814              | 1          | 179,879              | 1          |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)                | -                    | -          | 118,652              | 1          |
| Contract liabilities - current (Note 22)  | 306,898              | 1          | 149,236              | 1          |
| Notes payable to unrelated parties (Notes 4 and 18)   | 358,853              | 2          | 373,696              | 2          |
| Notes payable to related parties (Notes 4, 18 and 29)   | 1,777                | -          | 1,030                | -          |
| Trade payables to unrelated parties (Notes 4 and 18)  | 75,257               | -          | 146,292              | 1          |
| Trade payables to related parties (Notes 4, 18 and 29)  | 18,401               | -          | 5,781                | -          |
| Other payables (Notes 19 and 29)  | 461,008              | 2          | 239,655              | 1          |
| Current tax liabilities (Notes 4 and 24)  | 464,440              | 2          | 81,027               | -          |
| Current portion of long-term borrowings and bills payable (Notes 4, 16 and 17)                      | 210,526              | 1          | 399,081              | 2          |
| Other current liabilities - other (Note 29)   | 18,896               | -          | 17,021               | -          |
| Total current liabilities   | 8,365,227            | 35         | 7,012,712            | 36         |
| <b>NON-CURRENT LIABILITIES</b>  |                      |            |                      |            |
| Long-term borrowings (Notes 4 and 16)   | 1,891,959            | 8          | 1,799,781            | 9          |
| Long-term bills payable (Notes 4 and 16)  | 2,398,755            | 10         | 2,398,937            | 12         |
| Provisions - non-current (Note 4)   | -                    | -          | 3,570                | -          |
| Deferred tax liabilities (Notes 4 and 24)   | 3,941                | -          | 15,954               | -          |
| Net defined benefit liabilities - non-current (Notes 4 and 20)                                      | 26,578               | -          | 25,695               | -          |
| Other non-current liabilities (Note 29)   | 470,637              | 2          | 483,246              | 3          |
| Total non-current liabilities   | 4,791,870            | 20         | 4,727,183            | 24         |
| Total liabilities   | 13,157,097           | 55         | 11,739,895           | 60         |
| <b>EQUITY (Notes 4 and 21)</b>  |                      |            |                      |            |
| Share capital   | 3,211,463            | 13         | 3,082,226            | 16         |
| Capital surplus   | 943,451              | 4          | 823,197              | 4          |
| Retained earnings   |                      |            |                      |            |
| Legal reserve   | 951,798              | 4          | 869,380              | 4          |
| Special reserve   | -                    | -          | 108,259              | 1          |
| Unappropriated earnings   | 4,407,114            | 18         | 2,065,739            | 11         |
| Total retained earnings   | 5,358,912            | 22         | 3,043,378            | 16         |
| Other equity  | 1,377,475            | 6          | 722,653              | 4          |
| Total equity  | 10,891,301           | 45         | 7,671,454            | 40         |
| <b>TOTAL</b>  | <b>\$ 24,048,398</b> | <b>100</b> | <b>\$ 19,411,349</b> | <b>100</b> |

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2021                |             | 2020               |             |
|---|---------------------|-------------|--------------------|-------------|
|   | Amount              | %           | Amount             | %           |
| OPERATING REVENUE (Notes 4, 22 and 29)                                    |                     |             |                    |             |
| Sales   | \$ 13,176,735       | 98          | \$ 9,738,186       | 99          |
| Other operating revenue   | <u>242,130</u>      | <u>2</u>    | <u>131,912</u>     | <u>1</u>    |
| Total operating revenue   | <u>13,418,865</u>   | <u>100</u>  | <u>9,870,098</u>   | <u>100</u>  |
| OPERATING COSTS   |                     |             |                    |             |
| Cost of goods sold (Notes 11, 23 and 29)                                  | (10,502,005)        | (79)        | (9,018,321)        | (91)        |
| Other operating costs (Note 29)   | <u>(29,933)</u>     | <u>-</u>    | <u>(22,748)</u>    | <u>-</u>    |
| Total operating costs   | <u>(10,531,938)</u> | <u>(79)</u> | <u>(9,041,069)</u> | <u>(91)</u> |
| GROSS PROFIT  | <u>2,886,927</u>    | <u>21</u>   | <u>829,029</u>     | <u>9</u>    |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>ASSOCIATES AND JOINT VENTURES     | <u>(118,704)</u>    | <u>(1)</u>  | (99,184)           | (1)         |
| REALIZED GAIN ON TRANSACTIONS WITH<br>ASSOCIATES AND JOINT VENTURES       | <u>99,295</u>       | <u>1</u>    | <u>682</u>         | <u>-</u>    |
| REALIZED GROSS PROFIT   | <u>2,867,518</u>    | <u>21</u>   | <u>730,527</u>     | <u>8</u>    |
| OPERATING EXPENSES  |                     |             |                    |             |
| Selling and marketing expenses (Note 23)                                  | (261,539)           | (2)         | (178,750)          | (2)         |
| General and administrative expenses (Notes 23<br>and 29)                  | (184,278)           | (1)         | (104,807)          | (1)         |
| Expected credit gain (Note 10)  | <u>12,898</u>       | <u>-</u>    | <u>12</u>          | <u>-</u>    |
| Total operating expenses  | <u>(432,919)</u>    | <u>(3)</u>  | <u>(283,545)</u>   | <u>(3)</u>  |
| PROFIT FROM OPERATIONS  | <u>2,434,599</u>    | <u>18</u>   | <u>446,982</u>     | <u>5</u>    |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 23 and 29)                    |                     |             |                    |             |
| Interest income   | 401                 | -           | 405                | -           |
| Other income  | 101,362             | 1           | 57,545             | -           |
| Gain from bargain purchase - acquisition of<br>subsidiary (Note 12)       | 136,024             | 1           | -                  | -           |
| Other gains and losses  | 363,536             | 3           | 293,188            | 3           |
| Finance costs   | (106,426)           | (1)         | (121,326)          | (1)         |
| Share of profit or loss of subsidiaries, associates and<br>joint ventures | <u>312,196</u>      | <u>2</u>    | <u>213,237</u>     | <u>2</u>    |
| Total non-operating income and expenses                                   | <u>807,093</u>      | <u>6</u>    | <u>443,049</u>     | <u>4</u>    |

(Continued)

# HSIN KUANG STEEL COMPANY LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2021                |            | 2020                |            |
|---|---------------------|------------|---------------------|------------|
|   | Amount              | %          | Amount              | %          |
| PROFIT BEFORE INCOME TAX  | \$ 3,241,692        | 24         | \$ 890,031          | 9          |
| INCOME TAX EXPENSE (Notes 4 and 24)   | <u>(521,419)</u>    | <u>(4)</u> | <u>(60,918)</u>     | <u>(1)</u> |
| NET PROFIT FOR THE YEAR   | <u>2,720,273</u>    | <u>20</u>  | <u>829,113</u>      | <u>8</u>   |
| OTHER COMPREHENSIVE INCOME  |                     |            |                     |            |
| Items that will not be reclassified subsequently to profit or loss:                                   |                     |            |                     |            |
| Remeasurement of defined benefit plans  | (2,308)             | -          | (225)               | -          |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income | <u>657,701</u>      | <u>5</u>   | <u>836,244</u>      | <u>9</u>   |
|   | <u>655,393</u>      | <u>5</u>   | <u>836,019</u>      | <u>9</u>   |
| Items that may be reclassified subsequently to profit or loss:  |                     |            |                     |            |
| Exchange differences on translation of the financial statements of foreign operations                 | <u>(2,879)</u>      | <u>-</u>   | <u>(5,331)</u>      | <u>-</u>   |
| Other comprehensive income for the year, net of income tax  | <u>652,514</u>      | <u>5</u>   | <u>830,688</u>      | <u>9</u>   |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 3,372,787</u> | <u>25</u>  | <u>\$ 1,659,801</u> | <u>17</u>  |
| EARNINGS PER SHARE (Note 25)  |                     |            |                     |            |
| From continuing operations  |                     |            |                     |            |
| Basic   | <u>\$ 8.62</u>      |            | <u>\$ 2.69</u>      |            |
| Diluted   | <u>\$ 8.57</u>      |            | <u>\$ 2.60</u>      |            |

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|  | Share Capital                      |                     | Capital Surplus   | Retained Earnings |                 |                            | Other Equity   |  | Treasury Shares | Total Equity         |
|--|------------------------------------|---------------------|-------------------|-------------------|-----------------|----------------------------|--|--|-----------------|----------------------|
|  | Number of Shares<br>(In Thousands) | Amount              |                   | Legal Reserve     | Special Reserve | Unappropriated<br>Earnings | Exchange Differences<br>on Translation of the<br>Financial Statements<br>of Foreign Operations | Unrealized Gain<br>(Loss) on Financial<br>Assets at Fair Value<br>Through Other<br>Comprehensive<br>Income |                 |                      |
| BALANCE AT JANUARY 1, 2020   | 310,688                            | \$ 3,106,877        | \$ 817,716        | \$ 858,883        | \$ 43,567       | \$ 1,565,297               | \$ (370)   | \$ (107,890)   | \$ -            | \$ 6,284,080         |
| Appropriation of 2019 earnings   |                                    |                     |                   |                   |                 |                            |  |  |                 |                      |
| Legal reserve  | -                                  | -                   | -                 | 10,497            | -               | (10,497)                   | -  | -  | -               | -                    |
| Special reserve  | -                                  | -                   | -                 | -                 | 64,692          | (64,692)                   | -  | -  | -               | -                    |
| Cash dividends distributed by the Company  | -                                  | -                   | -                 | -                 | -               | (248,550)                  | -  | -  | -               | (248,550)            |
| Changes in percentage of ownership interests in subsidiaries                                   | -                                  | -                   | -                 | -                 | -               | (18,459)                   | -  | -  | -               | (18,459)             |
| Convertible bonds converted to ordinary shares   | 1,035                              | 10,349              | 21,493            | -                 | -               | -                          | -  | -  | -               | 31,842               |
| Buy-back of ordinary shares  | -                                  | -                   | -                 | -                 | -               | -                          | -  | -  | (81,767)        | (81,767)             |
| Cancellation of treasury shares  | (3,500)                            | (35,000)            | (16,012)          | -                 | -               | (30,755)                   | -  | -  | 81,767          | -                    |
| Disposal of investments in equity instruments at fair value through other comprehensive income | -                                  | -                   | -                 | -                 | -               | 44,507                     | -  | -  | -               | 44,507               |
| Net profit for the year ended December 31, 2020  | -                                  | -                   | -                 | -                 | -               | 829,113                    | -  | -  | -               | 829,113              |
| Other comprehensive income/(loss) for the year ended December 31, 2020, net of income tax      | -                                  | -                   | -                 | -                 | -               | (225)                      | (5,331)  | 836,244  | -               | 830,688              |
| Total comprehensive income/(loss) for the year ended December 31, 2020                         | -                                  | -                   | -                 | -                 | -               | 828,888                    | (5,331)  | 836,244  | -               | 1,659,801            |
| BALANCE AT DECEMBER 31, 2020   | 308,223                            | 3,082,226           | 823,197           | 869,380           | 108,259         | 2,065,739                  | (5,701)  | 728,354  | -               | 7,671,454            |
| Appropriation of 2020 earnings   |                                    |                     |                   |                   |                 |                            |  |  |                 |                      |
| Legal reserve  | -                                  | -                   | -                 | 82,418            | -               | (82,418)                   | -  | -  | -               | -                    |
| Special reserve  | -                                  | -                   | -                 | -                 | (108,259)       | 108,259                    | -  | -  | -               | -                    |
| Cash dividends distributed by the Company  | -                                  | -                   | -                 | -                 | -               | (462,386)                  | -  | -  | -               | (462,386)            |
| Cash dividends from capital surplus  | -                                  | -                   | (154,129)         | -                 | -               | -                          | -  | -  | -               | (154,129)            |
| Changes in capital surplus in investments in associates accounted for using the equity method  | -                                  | -                   | -                 | -                 | -               | (3,361)                    | -  | -  | -               | (3,361)              |
| Changes in percentage of ownership interests in subsidiaries                                   | -                                  | -                   | 6                 | -                 | -               | (1,034)                    | -  | -  | -               | (1,028)              |
| Convertible bonds converted to ordinary shares   | 12,923                             | 129,237             | 274,377           | -                 | -               | -                          | -  | -  | -               | 403,614              |
| Disposal of investments in equity instruments at fair value through other comprehensive income | -                                  | -                   | -                 | -                 | -               | 64,350                     | -  | -  | -               | 64,350               |
| Net profit for the year ended December 31, 2021  | -                                  | -                   | -                 | -                 | -               | 2,720,273                  | -  | -  | -               | 2,720,273            |
| Other comprehensive income/(loss) for the year ended December 31, 2021, net of income tax      | -                                  | -                   | -                 | -                 | -               | (2,308)                    | (2,879)  | 657,701  | -               | 652,514              |
| Total comprehensive income/(loss) for the year ended December 31, 2021                         | -                                  | -                   | -                 | -                 | -               | 2,717,965                  | (2,879)  | 657,701  | -               | 3,372,787            |
| BALANCE AT DECEMBER 31, 2021   | <u>321,146</u>                     | <u>\$ 3,211,463</u> | <u>\$ 943,451</u> | <u>\$ 951,798</u> | <u>\$ -</u>     | <u>\$ 4,407,114</u>        | <u>\$ (8,580)</u>  | <u>\$ 1,386,055</u>  | <u>\$ -</u>     | <u>\$ 10,891,301</u> |

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   | 2021           | 2020             |
|---|----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                |                  |
| Income before income tax  | \$ 3,241,692   | \$ 890,031       |
| Adjustments for:  |                |                  |
| Depreciation expense  | 91,527         | 86,945           |
| Amortization expense  | 3,970          | 2,937            |
| Expected credit loss reversed on trade receivables  | (12,898)       | (12)             |
| Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss | (296,728)      | (212,569)        |
| Finance costs   | 106,426        | 121,326          |
| Interest income   | (401)          | (405)            |
| Dividend income   | (80,092)       | (45,793)         |
| (Gain)/loss on disposal of property, plant and equipment  | (3,830)        | 3,444            |
| Loss on disposal of investment property   | -              | 887              |
| Share of profit of subsidiaries, associates and joint ventures  | (312,196)      | (213,237)        |
| Reversal of write-downs of inventories  | -              | (99,163)         |
| Unrealized gain on transactions with associates   | 118,704        | 99,184           |
| Realized gain on transactions with associates   | (99,295)       | (682)            |
| Net loss/(gain) on foreign currency exchange  | 61,099         | (11,462)         |
| Gain on remeasurement of investments accounted for using the equity method                              | (36,000)       | -                |
| Decrease in net defined benefit liabilities   | (2,003)        | (1,633)          |
| Gain from bargain purchase - acquisition of subsidiary  | (136,024)      | -                |
| Changes in operating assets and liabilities   |                |                  |
| Financial assets mandatorily classified as at fair value through profit or loss                         | (42,886)       | (149,776)        |
| Notes receivable  | (499,784)      | (289,634)        |
| Trade receivables   | 235,552        | (884,806)        |
| Other receivables   | (28,788)       | -                |
| Inventories   | (2,141,881)    | (55,149)         |
| Prepayments   | 18,078         | 8,225            |
| Other current assets  | -              | 28,540           |
| Notes payable   | (14,096)       | 119,355          |
| Trade payables  | (58,415)       | 104,978          |
| Other payables  | 224,482        | 151,388          |
| Contract liabilities  | 157,662        | 7,326            |
| Provisions  | (3,570)        | -                |
| Advance lease payments received   | (15,360)       | -                |
| Other current liabilities   | 1,609          | (405)            |
| Cash generated from/(used in) operations  | 476,554        | (340,160)        |
| Interest received   | 401            | 405              |
| Dividends received  | 80,092         | 45,699           |
| Income tax paid   | (121,836)      | -                |
| Net cash generated from/(used in) operating activities  | <u>435,211</u> | <u>(294,056)</u> |

(Continued)

# HSIN KUANG STEEL COMPANY LIMITED

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   | 2021                     | 2020                     |
|---|--------------------------|--------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                          |
| Purchase of financial assets at fair value through other comprehensive income   | \$ -                     | \$ (109,089)             |
| Proceeds from sale of financial assets at fair value through other comprehensive income                                     | 176,441                  | 84,033                   |
| Purchase of financial assets at fair value through profit or loss   | (175,928)                | (27,853)                 |
| Proceeds from capital reduction and return of shares from financial assets at fair value through other comprehensive income | -                        | 2,985                    |
| Purchase of financial assets at amortized cost  | (338)                    | (21,052)                 |
| Proceeds from disposal of financial assets at amortized cost  | -                        | -                        |
| Acquisition of long-term equity investments accounted for using the equity method   | (410,014)                | (95,883)                 |
| Payments for property, plant and equipment  | (498,551)                | (1,236,872)              |
| Proceeds from disposal of property, plant and equipment   | 51,838                   | 2,927                    |
| Proceeds from disposal of investment properties   | -                        | 403                      |
| Payments for investment properties  | (2,289)                  | -                        |
| Increase in other non-current assets  | (1,623)                  | (3,900)                  |
| Increase in prepayments for equipment   | (68,110)                 | (75,122)                 |
| Dividends received from investees   | 88,936                   | 17,993                   |
| Decrease/(increase) in refundable deposits  | <u>21,849</u>            | <u>(950)</u>             |
| Net cash used in investing activities   | <u>(817,789)</u>         | <u>(1,462,380)</u>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |                          |
| Proceeds from short-term borrowings   | 15,472,836               | 15,803,493               |
| Repayments of short-term borrowings   | (14,684,249)             | (15,172,766)             |
| Increase/(decrease) in short-term bills payable   | 120,000                  | (290,000)                |
| Repayment of corporate bonds  | (100)                    | -                        |
| Proceeds from long-term borrowings  | 300,000                  | 992,178                  |
| Repayments of long-term borrowings  | (10,526)                 | -                        |
| Proceeds from long-term bills payable   | -                        | 500,000                  |
| Increase/(decrease) in guarantee deposits received  | 3,017                    | (15,777)                 |
| Interest paid   | (104,567)                | (114,425)                |
| Dividends paid  | (616,515)                | (248,550)                |
| Payments for buy-back of ordinary shares  | <u>-</u>                 | <u>(81,767)</u>          |
| Net cash generated from financing activities  | <u>479,896</u>           | <u>1,372,386</u>         |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | <b>97,318</b>            | <b>(384,050)</b>         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>   | <u><b>522,482</b></u>    | <u><b>906,531</b></u>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>   | <u><b>\$ 619,800</b></u> | <u><b>\$ 522,481</b></u> |

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

(Concluded)

# HSIN KUANG STEEL COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 (TPEX) 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 16, 2022.

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

- a. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                   | January 1, 2022 (Note 1)            |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                        | January 1, 2022 (Note 2)            |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3)            |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”            | January 1, 2022 (Note 4)            |

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

4) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB                             |
| IFRS 17 “Insurance Contracts”  | January 1, 2023                                      |
| Amendments to IFRS 17  | January 1, 2023                                      |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”                              | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”  | January 1, 2023                                      |
| Amendments to IAS 1 “Disclosure of Accounting Policies”  | January 1, 2023 (Note 2)                             |
| Amendments to IAS 8 “Definition of Accounting Estimates”   | January 1, 2023 (Note 3)                             |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”                  | January 1, 2023 (Note 4)                             |

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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.

### 3) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

### 4) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

5) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Company will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

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

b. Basis of preparation

The parent company only 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 and the related equity items, as appropriate, in these parent company only financial statements.



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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized immediately in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Company.

e. Foreign currencies

In preparing the parent company only 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 investment.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries in other countries) that are prepared using functional 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.

f. Inventories

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

g. Investments in subsidiaries

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

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

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

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

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss. When the Company acquires a subsidiary that does not constitute a business, the Company appropriately allocates the cost of acquisition to the Company's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

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

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

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

h. Investments in 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.

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 parent company only financial statements only to the extent that interests in the associate and the joint venture are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured 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.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for a currently undetermined future use.

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 for investment properties is recognized using the straight-line method.

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

k. Impairment of property, plant and equipment, investment properties and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and investment properties 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 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, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

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

## 1) Financial assets

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

### a) Measurement categories

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 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 and interest 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.

#### 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 held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; 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.

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. 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.

#### m. Provisions

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

#### Contingent liabilities acquired in investments in associates and joint ventures

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

#### n. Revenue recognition

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 when services are rendered.

o. Leasing

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. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### a. Estimated impairment of financial assets

The provision for impairment of trade receivables 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 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

As of December 31, 2021 and 2020, the total amount of notes receivable, trade receivables and overdue receivables were NT\$3,900,300 thousand and NT\$3,624,863 thousand, respectively, which were the net amount after deducting the allowance for impairment loss of NT\$42,511 thousand and NT\$76,676 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       |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2021              | 2020              |
| Cash on hand                          | \$ 711            | \$ 713            |
| Checking accounts and demand deposits | <u>619,089</u>    | <u>521,768</u>    |
|                                       | <u>\$ 619,800</u> | <u>\$ 522,481</u> |

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

|              | December 31  |              |
|--------------|--------------|--------------|
|              | 2021         | 2020         |
| Bank balance | 0.001%-0.13% | 0.001%-0.05% |

As of December 31, 2021 and 2020, pledged time deposits were NT\$77,074 thousand and NT\$76,736 thousand, respectively, and were classified as financial assets at amortized cost (refer to Note 9).

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2021</u>         | <u>2020</u>         |
| <u>Financial assets at FVTPL - current</u>                    |                     |                     |
| Financial assets mandatorily classified as at FVTPL           |                     |                     |
| Non-derivative financial assets                               |                     |                     |
| Domestic listed shares  | \$ 1,343,389        | \$ 1,167,129        |
| Derivative financial assets (not under hedge accounting)      |                     |                     |
| Foreign exchange forward contracts (a)                        | 11,922              | -                   |
| Convertible options (Note 17)                                 | <u>-</u>            | <u>455</u>          |
|   | <u>\$ 1,355,311</u> | <u>\$ 1,167,584</u> |
| <u>Financial assets at FVTPL - non-current</u>                |                     |                     |
| Financial assets mandatorily classified as at FVTPL           |                     |                     |
| Non-derivative financial assets                               |                     |                     |
| Domestic unlisted shares                                      | <u>\$ 247,857</u>   | <u>\$ 28,772</u>    |
| <u>Financial liabilities at FVTPL - current</u>               |                     |                     |
| Financial liabilities held for trading                        |                     |                     |
| Derivative financial liabilities (not under hedge accounting) |                     |                     |
| Foreign exchange forward contracts (a)                        | <u>\$ -</u>         | <u>\$ 118,652</u>   |

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

|                          | Currency  | Maturity Date   | Notional Amounts<br>(In Thousands) |
|--------------------------|-----------|-----------------|------------------------------------|
| <u>December 31, 2021</u> |           |                 |                                    |
| Buy                      | NT\$/US\$ | 2022.01-2023.01 | NT\$4,696,973/US\$172,400          |
| Sell                     | US\$/NT\$ | 2022.04         | NT\$58,837/US\$2,121               |
| <u>December 31, 2020</u> |           |                 |                                    |
| Buy                      | NT\$/US\$ | 2021.01-2021.11 | NT\$3,039,790/US\$107,000          |
| Sell                     | US\$/NT\$ | 2021.05         | NT\$60,378/US\$2,121               |

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|                                   | <u>December 31</u>  |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <u>2021</u>         | <u>2020</u>         |
| <u>Non-current</u>                |                     |                     |
| Investments in equity instruments | <u>\$ 3,076,389</u> | <u>\$ 2,580,780</u> |

## Investments in equity instruments at FVTOCI

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2021</u>         | <u>2020</u>         |
| <u>Non-current</u>   |                     |                     |
| Domestic investments   |                     |                     |
| Listed shares and emerging market shares                             |                     |                     |
| Ordinary shares - China Steel Corporation                            | \$ 1,636,735        | \$ 1,259,796        |
| Ordinary shares - Century Wind Power Co., Ltd.                       | 1,052,520           | 985,300             |
| Unlisted shares  |                     |                     |
| Ordinary shares - Duo Yuan Solar Corporation                         | -                   | 50,000              |
| Ordinary shares - Envirolink Corporation                             | 17,500              | 17,500              |
| 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               | 3,450               |
| Ordinary shares - Hua Mian Corporation                               | 1,500               | 1,500               |
| Ordinary shares - Yuan Jing Corporation                              | -                   | 1,215               |
| Ordinary shares -Shang Yang Technology Corporation                   | -                   | 141                 |
|  | <u>2,721,811</u>    | <u>2,329,008</u>    |
| Foreign investments  |                     |                     |
| Unlisted shares  |                     |                     |
| Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company | <u>354,578</u>      | <u>251,772</u>      |
|  | <u>\$ 3,076,389</u> | <u>\$ 2,580,780</u> |

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.

In 2021, the Company acquired the ordinary shares of Duo Yuan Solar Corporation, which increased its shareholding to over 20% and obtained significant influence over Duo Yuan Solar Corporation. As a result, the Company applied the equity method to account for this investment. Refer to Note 12 for details.

Refer to Note 30 for information relating to financial assets at fair value through other comprehensive income pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

|                       | <u>December 31</u> |                  |
|-----------------------|--------------------|------------------|
|                       | <u>2021</u>        | <u>2020</u>      |
| <u>Current</u>        |                    |                  |
| Domestic investments  |                    |                  |
| Pledged time deposits | <u>\$ 77,074</u>   | <u>\$ 76,736</u> |

a. The ranges of interest rates for pledged time deposits were both 0.15%-0.53% per annum as of December 31, 2021 and 2020.

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

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2021</u>         | <u>2020</u>         |
| <u>Notes receivable</u>   |                     |                     |
| Operating - unrelated parties   | \$ 1,802,201        | \$ 1,339,552        |
| Operating - related parties   | 73,833              | 36,699              |
| Less: Allowance for impairment loss                                   | <u>(1,778)</u>      | <u>(1,778)</u>      |
|   | <u>\$ 1,874,256</u> | <u>\$ 1,374,473</u> |
| <u>Trade receivables</u>  |                     |                     |
| At amortized cost - unrelated parties                                 | \$ 1,797,201        | \$ 1,858,982        |
| At amortized cost - related parties                                   | 225,361             | 389,947             |
| Less: Allowance for impairment loss                                   | <u>(1,539)</u>      | <u>(1,539)</u>      |
|   | <u>\$ 2,021,023</u> | <u>\$ 2,247,390</u> |
| <u>Overdue receivables (presented under other non-current assets)</u> |                     |                     |
| Overdue receivables   | \$ 44,215           | \$ 76,359           |
| Less: Allowance for impairment loss                                   | <u>(39,194)</u>     | <u>(73,359)</u>     |
|   | <u>\$ 5,021</u>     | <u>\$ 3,000</u>     |

### 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 other publicly available financial source 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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position as well as any credit insurance and recoverable amount. 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, 2021

|                               | Not Past Due        | 1 to 30 Days Past Due | 31 Days to 1 Year Past Due | 1 to 2 Years Past Due | Over 2 Years Past Due | Total               |
|-------------------------------|---------------------|-----------------------|----------------------------|-----------------------|-----------------------|---------------------|
| Expected credit loss rate     | 0.09%               | 0.00%                 | 0.00%                      | 0.00%                 | 0.00%                 |                     |
| Gross carrying amount         | \$ 3,898,596        | \$ -                  | \$ -                       | \$ -                  | \$ -                  | \$ 3,898,596        |
| Loss allowance (Lifetime ECL) | <u>(3,317)</u>      | <u>-</u>              | <u>-</u>                   | <u>-</u>              | <u>-</u>              | <u>(3,317)</u>      |
| Amortized cost                | <u>\$ 3,895,279</u> | <u>\$ -</u>           | <u>\$ -</u>                | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ 3,895,279</u> |

December 31, 2020

|                               | Not Past Due        | 1 to 30 Days Past Due | 31 Days to 1 Year Past Due | 1 to 2 Years Past Due | Over 2 Years Past Due | Total               |
|-------------------------------|---------------------|-----------------------|----------------------------|-----------------------|-----------------------|---------------------|
| Expected credit loss rate     | 0.04%               | 0.00%                 | 2.87%                      | 0.00%                 | 0.00%                 |                     |
| Gross carrying amount         | \$ 3,619,594        | \$ -                  | \$ 5,586                   | \$ -                  | \$ -                  | \$ 3,625,180        |
| Loss allowance (Lifetime ECL) | <u>(1,576)</u>      | <u>-</u>              | <u>(1,741)</u>             | <u>-</u>              | <u>-</u>              | <u>(3,317)</u>      |
| Amortized cost                | <u>\$ 3,618,018</u> | <u>\$ -</u>           | <u>\$ 3,845</u>            | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ 3,621,863</u> |

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

|                        | <u>For the Year Ended December 31</u> |                 |
|------------------------|---------------------------------------|-----------------|
|                        | <u>2021</u>                           | <u>2020</u>     |
| Balance at January 1   | <u>\$ 3,317</u>                       | <u>\$ 3,317</u> |
| Balance at December 31 | <u>\$ 3,317</u>                       | <u>\$ 3,317</u> |

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

b. Overdue receivables

Overdue receivable balances that were past due but for which no allowance for impairment loss was recognized were NT\$5,021 thousand and NT\$3,000 thousand and as of December 31, 2021 and 2020, 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:

|               | <u>December 31</u> |                 |
|---------------|--------------------|-----------------|
|               | <u>2021</u>        | <u>2020</u>     |
| Up to 90 days | \$ -               | \$ -            |
| 90-365 days   | 2,021              | -               |
| Over 365 days | <u>3,000</u>       | <u>3,000</u>    |
|               | <u>\$ 5,021</u>    | <u>\$ 3,000</u> |

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

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

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2021</b>                           | <b>2020</b>      |
| Balance at January 1                      | \$ 73,359                             | \$ 73,371        |
| Add: Net remeasurement of loss allowance  | 1,926                                 | 405              |
| Less: Net remeasurement of loss allowance | (14,824)                              | (417)            |
| Less: Amounts written off                 | <u>(21,267)</u>                       | <u>-</u>         |
| Balance at December 31                    | <u>\$ 39,194</u>                      | <u>\$ 73,359</u> |

The Company recognized an impairment loss on overdue receivables amounting to NT\$39,194 thousand and \$73,359 thousand as of December 31, 2021 and 2020, 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

|                          | <b>December 31</b>  |                     |
|--------------------------|---------------------|---------------------|
|                          | <b>2021</b>         | <b>2020</b>         |
| Raw materials            | \$ 4,696,551        | \$ 2,802,685        |
| Finished goods           | 520,808             | 358,184             |
| Raw materials in transit | <u>416,577</u>      | <u>331,186</u>      |
|                          | <u>\$ 5,633,936</u> | <u>\$ 3,492,055</u> |

The nature of the cost of goods sold is as follows:

|                                   | <b>For the Year Ended December 31</b> |                     |
|-----------------------------------|---------------------------------------|---------------------|
|                                   | <b>2021</b>                           | <b>2020</b>         |
| Cost of inventories sold          | \$ 10,502,005                         | \$ 9,117,484        |
| Reversal of inventory write-downs | <u>-</u>                              | <u>(99,163)</u>     |
|                                   | <u>\$ 10,502,005</u>                  | <u>\$ 9,018,321</u> |

As of December 31, 2021 and 2020, the allowance for inventory write-down were both NT\$0 thousand.

Inventory write-downs were reversed as a result of the fluctuation in the market price of the steel market.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                               | <u>December 31</u>  |                     |
|-------------------------------|---------------------|---------------------|
|                               | <u>2021</u>         | <u>2020</u>         |
| Investments in subsidiaries   | \$ 2,762,103        | \$ 1,672,812        |
| Investments in associates     | 306,793             | 61,134              |
| Investments in joint ventures | <u>-</u>            | <u>507,049</u>      |
|                               | <u>\$ 3,068,896</u> | <u>\$ 2,240,995</u> |

### a. Investments in subsidiaries

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2021</u>         | <u>2020</u>         |
| Hsin Ching International Co., Ltd.         | \$ 372,738          | \$ 363,928          |
| Hsin Yuan Investment Co., Ltd.             | 602,322             | 480,594             |
| Sinpao Investment Co., Ltd.                | 125,979             | 127,040             |
| Hsin Ho Fa Metal Co., Ltd.                 | 297,464             | 280,635             |
| APEX Wind Power Equipment Co., Ltd.        | 482,663             | 419,713             |
| Hsin Cheng Logistics Development Co., Ltd. | 902                 | 902                 |
| Mason Metal Industry Co., Ltd.             | <u>880,035</u>      | <u>-</u>            |
|  | <u>\$ 2,762,103</u> | <u>\$ 1,672,812</u> |

| Name of Subsidiary                         | <u>Proportion of Ownership and<br/>Voting Rights</u> |             |
|--|--|-------------|
|  | <u>December 31</u>                                   |             |
|  | <u>2021</u>  | <u>2020</u> |
| 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.        | 66.71%   | 66.71%      |
| Hsin Cheng Logistics Development Co., Ltd. | 100.00%  | 100.00%     |
| Mason Metal Industry Co., Ltd.             | 80.00%   | 49.00%      |

As of December 31, 2020, the Company owned 49.00% of Mason Metal Industry Co., Ltd. and listed it as investments in joint ventures. In order to strengthen the Company's plan on integrating the steel cutting and logistics services in the south of Taichung, and to enhance the Company's supply services diversity, on December 15, 2021, the Company purchased 15,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. at NT\$13.19 per share, which equaled to 31.00% of equity, for a total amount of NT\$204,414 thousand. The proportion of the Company's ownership increased from 49.00% to 80.00% and obtained control of Mason Metal Industry Co., Ltd. as a result of the acquisition, and Mason Metal Industry Co., Ltd. became a subsidiary of the Company. The Company remeasured its investment in equity interest before the transaction at fair value and recognized gain on remeasurement of NT\$36,000 thousand (refer to Note 23), and bargain purchase gain of NT\$136,024 thousand.

Refer to Note 27 to the Company's consolidated financial statements for the year ended December 31, 2021 for the disclosures of the Company's acquisition of Mason Metal Industry Co., Ltd.

Refer to Note 33 for the details of the subsidiaries directly held by the Company.

b. Investments in associates

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2021</b>        | <b>2020</b>      |
| Material associates                           | \$ 218,596         | \$ -             |
| Associates that are not individually material | <u>88,197</u>      | <u>61,134</u>    |
|   | <u>\$ 306,793</u>  | <u>\$ 61,134</u> |

1) Material associate(s)

| <b>Name of Associate</b>   | <b>Nature of Business</b>                           | <b>Proportion of Ownership and Voting Rights</b> |             |
|----------------------------|---|--|-------------|
|                            |   | <b>December 31</b>                               |             |
|                            |   | <b>2021</b>                                      | <b>2020</b> |
| Duo Yuan Solar Corporation | Renewable energy private power generation equipment | 20.00%   | 16.67%      |

In 2021, the Company acquired 18,000 thousand ordinary shares of Duo Yuan Solar Corporation in cash for a total amount of \$180,000 thousand. The proportion of the Company's ownership after the acquisition was 20.00%.

Duo Yuan Corporation

|  |   |
|--|---|
|  | <b>December 31, 2021</b>                    |
| Current assets                                 | \$ 110,470                                  |
| Non-current assets                             | 1,875,239                                   |
| Current liabilities                            | (868,576)                                   |
| Non-current liabilities                        | <u>(15,757)</u>                             |
| Equity   | <u>\$ 1,101,376</u>                         |
| Proportion of the Company's ownership          | 20%   |
| Equity attributable to the Company             | <u>\$ 220,275</u>                           |
| Carrying amount                                | <u>\$ 220,275</u>                           |
|  | <b>For the Year Ended December 31, 2021</b> |
| Operating revenue                              | <u>\$ 2,473</u>                             |
| Net loss for the year                          | <u>\$ (33,581)</u>                          |
| Total comprehensive income (loss) for the year | <u>\$ (33,581)</u>                          |

2) Aggregate information of associates that are not individually material

|                            | <b>For the Year Ended December 31</b> |                 |
|----------------------------|---------------------------------------|-----------------|
|                            | <b>2021</b>                           | <b>2020</b>     |
| The Company's share of:    |                                       |                 |
| Net income                 | \$ <u>6,440</u>                       | \$ <u>5,530</u> |
| Total comprehensive income | \$ <u>6,440</u>                       | \$ <u>5,530</u> |

c. Investments in joint ventures

|                                | <b>December 31</b> |                   |
|--------------------------------|--------------------|-------------------|
|                                | <b>2021</b>        | <b>2020</b>       |
| Material joint ventures        |                    |                   |
| Mason Metal Industry Co., Ltd. | \$ <u>-</u>        | \$ <u>507,049</u> |

In order to promote upstream and downstream strategic alliance, strengthen sales and increase the added value of its products, the Company purchased 24,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. on October 6, 2017 at a price of NT\$11.55 per share (includes contingent consideration realized in 2021), resulting in a total of 49% of shareholder rights. The total purchase price was NT\$282,945 thousand. 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.

On December 15, 2021, the Company acquired additional equity interests of 31% and the proportion of the Company's ownership increased to 80.00%. The Company obtained control over Mason Metal Industry Co., Ltd. and listed it as a subsidiary. Refer to a. Investments in subsidiaries for further explanation.

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.

|                                       | <b>December 31,<br/>2020</b> |
|---------------------------------------|------------------------------|
| Cash and cash equivalents             | \$ <u>89,574</u>             |
| Current assets                        | \$ 1,011,641                 |
| Non-current assets                    | 310,618                      |
| Current liabilities                   | (475,441)                    |
| Non-current liabilities               | <u>(163,537)</u>             |
| Equity                                | \$ <u>683,281</u>            |
| Proportion of the Company's ownership | 49%                          |
| Equity attributable to the Company    | \$ 334,808                   |
| Provisions                            | 3,570                        |
| Gain from bargain purchase            | 206,762                      |
| Other adjustments                     | <u>(38,091)</u>              |
| Carrying amount                       | \$ <u>507,049</u>            |

|                                       | <b>January 1 to<br/>December 15,<br/>2021<br/>(Acquisition<br/>Date)</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2020</b> |
|---------------------------------------|--|---|
| Operating revenue                     | <u>\$ 1,855,203</u>  | <u>\$ 1,711,471</u>                                     |
| Depreciation and amortization expense | <u>\$ 17,504</u>   | <u>\$ 9,422</u>   |
| Interest income                       | <u>\$ 21</u>   | <u>\$ 61</u>  |
| Interest expense                      | <u>\$ 4,308</u>  | <u>\$ 3,759</u>   |
| Income tax expense                    | <u>\$ 25,660</u>   | <u>\$ 4,332</u>   |
| Net profit                            | <u>\$ 102,907</u>  | <u>\$ 19,039</u>  |
| Total comprehensive income            | <u>\$ 102,907</u>  | <u>\$ 19,039</u>  |

### 13. PROPERTY, PLANT AND EQUIPMENT

|                            | <u>December 31</u>  |                     |
|----------------------------|---------------------|---------------------|
|                            | <b>2021</b>         | <b>2020</b>         |
| Assets used by the Company | <u>\$ 2,099,792</u> | <u>\$ 4,506,352</u> |

#### Assets Used by the Company

|  | Freehold Land       | Buildings           | Equipment         | Transportation<br>Equipment | Miscellaneous<br>Equipment | Property under<br>Construction<br>and Equipment<br>Awaiting<br>Inspection | Total               |
|--|---------------------|---------------------|-------------------|-----------------------------|----------------------------|---|---------------------|
| <u>Cost</u>                                    |                     |                     |                   |                             |                            |   |                     |
| Balance at January 1, 2021                     | \$ 2,329,659        | \$ 1,061,513        | \$ 616,925        | \$ 154,190                  | \$ 36,726                  | \$ 1,164,752  | \$ 5,363,765        |
| Additions                                      | 78                  | 1,235               | 3,015             | 6,329                       | 2,952                      | 484,942   | 498,551             |
| Disposals                                      | -                   | (5,958)             | (73,195)          | (8,069)                     | -                          | -   | (87,222)            |
| Reclassified                                   | (1,227,303)         | (40,289)            | 1,317             | 22,084                      | 7,751                      | (1,570,116)   | (2,806,556)         |
| Balance at December 31, 2021                   | <u>\$ 1,102,434</u> | <u>\$ 1,016,501</u> | <u>\$ 548,062</u> | <u>\$ 174,534</u>           | <u>\$ 47,429</u>           | <u>\$ 79,578</u>  | <u>\$ 2,968,538</u> |
| <u>Accumulated depreciation and impairment</u> |                     |                     |                   |                             |                            |   |                     |
| Balance at January 1, 2021                     | \$ -                | \$ 295,839          | \$ 442,459        | \$ 107,073                  | \$ 12,042                  | \$ -  | \$ 857,413          |
| Depreciation expense                           | -                   | 28,854              | 28,708            | 12,045                      | 4,860                      | -   | 74,467              |
| Disposals                                      | -                   | (4,346)             | (30,722)          | (4,146)                     | -                          | -   | (39,214)            |
| Reclassified                                   | -                   | (15,732)            | (7,961)           | -                           | (227)                      | -   | (23,920)            |
| Balance at December 31, 2021                   | <u>\$ -</u>         | <u>\$ 304,615</u>   | <u>\$ 432,484</u> | <u>\$ 114,972</u>           | <u>\$ 16,675</u>           | <u>\$ -</u>   | <u>\$ 868,746</u>   |
| Carrying amount at December 31, 2021           | <u>\$ 1,102,434</u> | <u>\$ 711,886</u>   | <u>\$ 115,578</u> | <u>\$ 59,562</u>            | <u>\$ 30,754</u>           | <u>\$ 79,578</u>  | <u>\$ 2,099,792</u> |
| <u>Cost</u>                                    |                     |                     |                   |                             |                            |   |                     |
| Balance at January 1, 2020                     | \$ 2,286,250        | \$ 999,340          | \$ 588,172        | \$ 143,862                  | \$ 21,089                  | \$ 39,424   | \$ 4,078,137        |
| Additions                                      | 114                 | 14,902              | 45,949            | 17,666                      | 11,372                     | 1,220,159   | 1,310,162           |
| Disposals                                      | -                   | -                   | (17,196)          | (7,338)                     | -                          | -   | (24,534)            |
| Reclassified                                   | 43,295              | 47,271              | -                 | -                           | 4,265                      | (94,831)  | -                   |
| Balance at December 31, 2020                   | <u>\$ 2,329,659</u> | <u>\$ 1,061,513</u> | <u>\$ 616,925</u> | <u>\$ 154,190</u>           | <u>\$ 36,726</u>           | <u>\$ 1,164,752</u>   | <u>\$ 5,363,765</u> |
| <u>Accumulated depreciation and impairment</u> |                     |                     |                   |                             |                            |   |                     |
| Balance at January 1, 2020                     | \$ -                | \$ 267,728          | \$ 422,275        | \$ 103,404                  | \$ 8,517                   | \$ -  | \$ 801,924          |
| Depreciation expense                           | -                   | 28,111              | 32,079            | 9,937                       | 3,525                      | -   | 73,652              |
| Disposals                                      | -                   | -                   | (11,895)          | (6,268)                     | -                          | -   | (18,163)            |
| Balance at December 31, 2020                   | <u>\$ -</u>         | <u>\$ 295,839</u>   | <u>\$ 442,459</u> | <u>\$ 107,073</u>           | <u>\$ 12,042</u>           | <u>\$ -</u>   | <u>\$ 857,413</u>   |
| Carrying amount at December 31, 2020           | <u>\$ 2,329,659</u> | <u>\$ 765,674</u>   | <u>\$ 174,466</u> | <u>\$ 47,117</u>            | <u>\$ 24,684</u>           | <u>\$ 1,164,752</u>   | <u>\$ 4,506,352</u> |

No impairment assessment was performed for the years ended December 31, 2021 and 2020 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                    | 10-55 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 56,595.52 square meters of land located in Guanyin for operation use from 2005 to 2020. As of December 31, 2021, the carrying amount of the land was NT\$313,752 thousand. The law stipulates that an entity may not have ownership of land which is registered for agricultural purposes. Therefore, the Company held the land through the signing of the real estate trust agreement with an individual. As a preservation measure, the Company signed a contract with the land owner who held the land ownership certificate and registered the ownership certificate, which stated that all the rights and obligations of the land belong to the Company.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 30.

#### 14. INVESTMENT PROPERTIES

|  | <b>Investment<br/>Properties -<br/>Land</b> | <b>Investment<br/>Properties -<br/>Buildings</b> | <b>Total</b>                       |
|--|---|--|------------------------------------|
| <u>Cost</u>                                    |   |  |                                    |
| Balance at January 1, 2021                     | \$ 372,083                                  | \$ 605,648                                       | \$ 977,731                         |
| Additions                                      | 864   | 1,425  | 2,289                              |
| Reclassified                                   | <u>1,239,207</u>                            | <u>1,609,181</u>                                 | <u>2,848,388</u>                   |
| Balance at December 31, 2021                   | <u>\$ 1,612,154</u>                         | <u>\$ 2,216,254</u>                              | <u>\$ 3,828,408</u>                |
| <u>Accumulated depreciation and impairment</u> |   |  |                                    |
| Balance at January 1, 2021                     | \$ -  | \$ 45,106  | \$ 45,106                          |
| Depreciation expense                           | -   | 17,059   | 17,059                             |
| Reclassified                                   | <u>-</u>                                    | <u>23,921</u>                                    | <u>23,921</u>                      |
| Balance at December 31, 2021                   | <u>\$ -</u>                                 | <u>\$ 86,086</u>                                 | <u>\$ 86,086</u>                   |
| Carrying amount at December 31, 2021           | <u>\$ 1,612,154</u>                         | <u>\$ 2,130,168</u>                              | <u>\$ 3,742,322</u><br>(Continued) |

|  | <b>Investment<br/>Properties -<br/>Land</b> | <b>Investment<br/>Properties -<br/>Buildings</b> | <b>Total</b>                     |
|--|---|--|----------------------------------|
| <u>Cost</u>                                    |   |  |                                  |
| Balance at January 1, 2020                     | \$ 372,083                                  | \$ 607,675                                       | \$ 979,758                       |
| Disposals                                      | <u>-</u>                                    | <u>(2,027)</u>                                   | <u>(2,027)</u>                   |
| Balance at December 31, 2020                   | <u>\$ 372,083</u>                           | <u>\$ 605,648</u>                                | <u>\$ 977,731</u>                |
| <u>Accumulated depreciation and impairment</u> |   |  |                                  |
| Balance at January 1, 2020                     | \$ -  | \$ 32,550  | \$ 32,550                        |
| Depreciation expense                           | -   | 13,293   | 13,293                           |
| Disposals                                      | <u>-</u>                                    | <u>(737)</u>                                     | <u>(737)</u>                     |
| Balance at December 31, 2020                   | <u>\$ -</u>                                 | <u>\$ 45,106</u>                                 | <u>\$ 45,106</u>                 |
| Carrying amount at December 31, 2020           | <u>\$ 372,083</u>                           | <u>\$ 560,542</u>                                | <u>\$ 932,625</u><br>(Concluded) |

The investment properties were leased out for 2 to 31 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, 2021 and 2020 was as follows:

|                | <u>December 31</u>  |                   |
|----------------|---------------------|-------------------|
|                | <u>2021</u>         | <u>2020</u>       |
| Year 1         | \$ 262,494          | \$ 63,045         |
| Year 2         | 256,943             | 46,455            |
| Year 3         | 245,630             | 42,668            |
| Year 4         | 246,078             | 28,045            |
| Year 5         | 242,142             | 25,461            |
| Year 6 onwards | <u>1,529,508</u>    | <u>678,205</u>    |
|                | <u>\$ 2,782,795</u> | <u>\$ 883,879</u> |

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

|                        |             |
|------------------------|-------------|
| Main buildings         | 25-55 years |
| Building construction  | 6-15 years  |
| Leasehold improvements | 5-15 years  |



The determination of fair value was performed by independent qualified professional appraisers on December 31, 2021 and 2020. 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.

|            | <u>December 31</u>  |                     |
|------------|---------------------|---------------------|
|            | <u>2021</u>         | <u>2020</u>         |
| Fair value | <u>\$ 7,466,464</u> | <u>\$ 1,897,104</u> |

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

## 15. OTHER ASSETS

|                           | <u>December 31</u> |                  |
|---------------------------|--------------------|------------------|
|                           | <u>2021</u>        | <u>2020</u>      |
| <u>Current</u>            |                    |                  |
| Other receivables         | \$ 30,112          | \$ 1,732         |
| Tax refund receivable     | 20,906             | 20,906           |
| Temporary payments        | <u>610</u>         | <u>200</u>       |
|                           | <u>\$ 51,628</u>   | <u>\$ 22,838</u> |
| <u>Non-current</u>        |                    |                  |
| Refundable deposits       | \$ 13,443          | \$ 35,292        |
| Prepayments for equipment | 42,141             | 15,861           |
| Overdue receivables       | 5,021              | 3,000            |
| Others                    | <u>5,980</u>       | <u>5,622</u>     |
|                           | <u>\$ 66,585</u>   | <u>\$ 59,775</u> |

## 16. BORROWINGS

### a. Short-term borrowings

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2021</u>         | <u>2020</u>         |
| <u>Secured borrowings (Notes 28 and 30)</u> |                     |                     |
| Bank loans                                  | \$ -                | \$ 520,000          |
| Issuance credit payable                     | <u>918,470</u>      | <u>1,100,486</u>    |
|   | <u>918,470</u>      | <u>1,620,486</u>    |
| <u>Unsecured borrowings</u>                 |                     |                     |
| Line of credit borrowings (Note 28)         | -                   | 550,000             |
| Issuance credit payable                     | <u>5,230,887</u>    | <u>3,130,876</u>    |
|   | <u>5,230,887</u>    | <u>3,680,876</u>    |
|   | <u>\$ 6,149,357</u> | <u>\$ 5,301,362</u> |

The range of weighted average effective interest rates on bank loans was 0.58%-1.31% and 0.77%-1.69% per annum as of December 31, 2021 and 2020, respectively.

b. Short-term bills payable

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | 2021               | 2020              |
| Commercial paper (Note 28)                  | \$ 300,000         | \$ 180,000        |
| Less: Unamortized discount on bills payable | <u>(186)</u>       | <u>(121)</u>      |
|   | <u>\$ 299,814</u>  | <u>\$ 179,879</u> |

Outstanding short-term bills payable were as follows:

December 31, 2021

| <b>Promissory Institution</b> | <b>Nominal Amount</b> | <b>Discount Amount</b> | <b>Carrying Amount</b> | <b>Interest Rate</b> | <b>Collateral</b> | <b>Carrying Amount of Collateral</b> |
|-------------------------------|-----------------------|------------------------|------------------------|----------------------|-------------------|--------------------------------------|
| <u>Commercial paper</u>       |                       |                        |                        |                      |                   |                                      |
| A bank                        | \$ 100,000            | \$ 37                  | \$ 99,963              | 1.07%                | Head office       | \$ 16,894                            |
| B bank                        | 100,000               | 57                     | 99,943                 | 1.06%                | -                 | -                                    |
| C bank                        | <u>100,000</u>        | <u>92</u>              | <u>99,908</u>          | 1.05%                | -                 | -                                    |
|                               | <u>\$ 300,000</u>     | <u>\$ 186</u>          | <u>\$ 299,814</u>      |                      |                   |                                      |

December 31, 2020

| <b>Promissory Institution</b> | <b>Nominal Amount</b> | <b>Discount Amount</b> | <b>Carrying Amount</b> | <b>Interest Rate</b> | <b>Collateral</b> | <b>Carrying Amount of Collateral</b> |
|-------------------------------|-----------------------|------------------------|------------------------|----------------------|-------------------|--------------------------------------|
| <u>Commercial paper</u>       |                       |                        |                        |                      |                   |                                      |
| A bank                        | \$ 100,000            | \$ 57                  | \$ 99,943              | 1.10%                | Head office       | \$ 17,340                            |
| B bank                        | 50,000                | 32                     | 49,968                 | 1.10%                | Check             | 32,151                               |
| C bank                        | <u>30,000</u>         | <u>32</u>              | <u>29,968</u>          | 1.09%                | Check             | 28,857                               |
|                               | <u>\$ 180,000</u>     | <u>\$ 121</u>          | <u>\$ 179,879</u>      |                      |                   |                                      |

c. Long-term borrowings

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | 2021                | 2020                |
| <u>Secured borrowings (Notes 28 and 30)</u>    |                     |                     |
| Syndicated bank loans - Yushan Bank (1)        | \$ 2,000,000        | \$ 1,700,000        |
| Bank loans - Banking Division of Mega Bank (2) | <u>107,894</u>      | <u>118,421</u>      |
|  | <u>2,107,894</u>    | <u>1,818,421</u>    |
| Less: Current portions                         | (210,526)           | (10,526)            |
| Syndicated loan fees                           | <u>(5,409)</u>      | <u>(8,114)</u>      |
| Long-term borrowings                           | <u>\$ 1,891,959</u> | <u>\$ 1,799,781</u> |

- 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 (refer to Note 30). 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.

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 rate was both 1.79% per annum as of December 31, 2021 and 2020.

- 2) In January 2017, the Company acquired NT\$150,000 thousand of syndicated bank loans from the Banking Division of Mega Bank, secured by the Company's freehold land (refer to Note 30), which mature in January 2032. Starting from January 2018, the repayment of principal is divided into 57 installments of every 3 months, with NT\$2,632 thousand per installment. The weighted average effective interest rates was both 1.44% per annum as of December 31, 2021 and 2020.

d. Long-term bills payable

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2020</b>         |
| Commercial paper issued under syndicated bank loans - Yushan Bank | \$ 2,400,000        | \$ 2,400,000        |
| Less: Unamortized discount  | <u>(1,245)</u>      | <u>(1,063)</u>      |
|   | <u>\$ 2,398,755</u> | <u>\$ 2,398,937</u> |

The Company issued commercial paper under syndicated bank loans - Yushan Bank within terms of 5 years. The weighted average effective interest rate was 1.15%-1.21% and 1.15%-1.23% per annum as of December 31, 2021 and 2020, respectively. 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.

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.

The Company redeemed the convertible bonds based on Article 17 item 1 of the Regulation Governing the Company's Convertible Bond Issuance and Conversion and suspended trading on the TPEX on July 19, 2021.

Movements of the host liability instruments were as follows:

|  | <b>Host Liability<br/>Instruments</b> |
|--|---------------------------------------|
| Proceeds from issuance                                 | \$ 601,200                            |
| Equity component                                       | (54,892)                              |
| Conversion option derivative instrument                | <u>(15,551)</u>                       |
| The host liability instrument at date issued           | 530,757                               |
| Interest charged at an effective interest rate         | 32,609                                |
| Corporate bonds payable converted into ordinary shares | <u>(174,811)</u>                      |
| The host liability instrument at end of the year       | 388,555                               |
| Less: Current portions                                 | <u>(388,555)</u>                      |
| Balance at December 31, 2020                           | \$ _____ -                            |
| Balance at January 1, 2021                             | \$ 388,555                            |
| Interest charged at the effective interest rate        | 5,236                                 |
| Corporate bonds payable converted into ordinary shares | (393,691)                             |
| The host liability instrument at end of the year       | <u>(100)</u>                          |
| Balance at December 31, 2021                           | <u>_____ -</u>                        |

Movements of the conversion option derivative instrument were as follows:

|                                    | <b>Conversion<br/>Option<br/>Derivative<br/>Instrument</b> |
|------------------------------------|--|
| Balance at January 1, 2020         | \$ (7,641)   |
| Gain from the change of fair value | 7,301  |
| Converted into ordinary shares     | <u>795</u>   |
| Balance at December 31, 2020       | <u>\$ 455</u>  |
| Balance at January 1, 2021         | \$ 455   |
| Loss from the change of fair value | (10,377)   |
| Converted into ordinary shares     | <u>9,922</u>   |
| Balance at December 31, 2021       | <u>\$ -</u>  |

## 18. NOTES PAYABLE AND TRADE PAYABLES

|                               | <u>December 31</u> |                   |
|-------------------------------|--------------------|-------------------|
|                               | <u>2021</u>        | <u>2020</u>       |
| <u>Notes payable</u>          |                    |                   |
| Operating - unrelated parties | <u>\$ 358,853</u>  | <u>\$ 373,696</u> |
| Operating - related parties   | <u>\$ 1,777</u>    | <u>\$ 1,030</u>   |
| <u>Trade payables</u>         |                    |                   |
| Operating - unrelated parties | <u>\$ 75,257</u>   | <u>\$ 146,292</u> |
| Operating - related parties   | <u>\$ 18,401</u>   | <u>\$ 5,781</u>   |

## 19. OTHER PAYABLES

|                                   | <u>December 31</u> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <u>2021</u>        | <u>2020</u>       |
| Payables for salaries and bonuses | \$ 220,057         | \$ 105,499        |
| Interest payable                  | 6,983              | 10,113            |
| Other accrued expenses            | 45,763             | 32,922            |
| Other                             | <u>188,205</u>     | <u>91,121</u>     |
|                                   | <u>\$ 461,008</u>  | <u>\$ 239,655</u> |

## 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 Act 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:

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2021</b>        | <b>2020</b>      |
| Present value of defined benefit obligation | \$ 51,650          | \$ 53,263        |
| Fair value of plan assets                   | <u>(25,072)</u>    | <u>(27,568)</u>  |
| Net defined benefit liabilities             | <u>\$ 26,578</u>   | <u>\$ 25,695</u> |

Movements in net defined benefit liabilities were as follows:

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Balance at January 1, 2020  | <u>\$ 54,757</u>   | <u>\$ (27,709)</u>                       | <u>\$ 27,048</u>                               |
| Service cost  |  |  |  |
| Current service cost  | 227  | -  | 227  |
| Net interest expense (income)   | <u>342</u>   | <u>(179)</u>                             | <u>163</u>                                     |
| Recognized in profit or loss  | <u>569</u>   | <u>(179)</u>                             | <u>390</u>                                     |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (942)                                    | (942)  |
| Actuarial (gain) loss   |  |  |  |
| Changes in demographic assumptions                                    | 167  | -  | 167  |
| Changes in financial assumptions                                      | 1,046  | -  | 1,046  |
| Experience adjustments  | <u>(2)</u>   | <u>-</u>                                 | <u>(2)</u>                                     |
| Recognized in other comprehensive income                              | <u>1,211</u>   | <u>(942)</u>                             | <u>269</u>                                     |
| Contributions from the employer                                       | -  | (2,012)                                  | (2,012)  |
| Benefits paid   | <u>(3,274)</u>   | <u>3,274</u>                             | <u>-</u>                                       |
| Balance at December 31, 2020  | <u>53,263</u>  | <u>(27,568)</u>                          | <u>25,695</u>                                  |

(Continued)

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Service cost  |  |  |  |
| Current service cost  | \$ 182   | \$ -                                     | \$ 182   |
| Net interest expense (income)   | <u>200</u>   | <u>(107)</u>                             | <u>93</u>                                      |
| Recognized in profit or loss  | <u>382</u>   | <u>(107)</u>                             | <u>275</u>                                     |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (380)                                    | (380)  |
| Actuarial (gain) loss   |  |  |  |
| Changes in demographic assumptions                                    | 1,065  | -  | 1,065  |
| Changes in financial assumptions                                      | (492)  | -  | (492)  |
| Experience adjustments  | <u>2,693</u>   | <u>-</u>                                 | <u>2,693</u>                                   |
| Recognized in other comprehensive income                              | <u>3,266</u>   | <u>(380)</u>                             | <u>2,886</u>                                   |
| Contributions from the employer                                       |  | (2,278)                                  | (2,278)  |
| Benefits paid   | <u>(5,261)</u>   | <u>5,261</u>                             | <u>-</u>                                       |
| Balance at December 31, 2021  | <u>\$ 51,650</u>   | <u>\$ (25,072)</u>                       | <u>\$ 26,578</u><br>(Concluded)                |

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

|                                     | <b>For the Year Ended December 31</b> |               |
|-------------------------------------|---------------------------------------|---------------|
|                                     | <b>2021</b>                           | <b>2020</b>   |
| Operating costs                     | <u>\$ 17</u>                          | <u>\$ 85</u>  |
| Selling and marketing expenses      | <u>\$ 223</u>                         | <u>\$ 247</u> |
| General and administrative expenses | <u>\$ 35</u>                          | <u>\$ 58</u>  |

Through the defined benefit plan under the Labor Standards Act, 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 government 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:

|                                   | <b>December 31</b> |             |
|-----------------------------------|--------------------|-------------|
|                                   | <b>2021</b>        | <b>2020</b> |
| Discount rates                    | 0.50%              | 0.38%       |
| Expected rates of salary increase | 1.50%              | 1.50%       |

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

|                                   | <b>December 31</b> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <b>2021</b>        | <b>2020</b>       |
| Discount rates                    |                    |                   |
| 0.25% increase                    | <u>\$ (978)</u>    | <u>\$ (1,047)</u> |
| 0.25% decrease                    | <u>\$ 1,011</u>    | <u>\$ 1,083</u>   |
| Expected rates of salary increase |                    |                   |
| 0.25% increase                    | <u>\$ 984</u>      | <u>\$ 1,053</u>   |
| 0.25% decrease                    | <u>\$ (957)</u>    | <u>\$ (1,023)</u> |

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.

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2021</b>        | <b>2020</b> |
| Expected contributions to the plans for the next year  | \$ 2,385           | \$ 2,078    |
| The average duration of the defined benefit obligation | 7.6 years          | 7.9 years   |

## 21. EQUITY

### a. Share capital

#### Ordinary shares

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2020</b>         |
| Number of shares authorized (in thousands)            | <u>360,000</u>      | <u>360,000</u>      |
| Shares authorized                                     | <u>\$ 3,600,000</u> | <u>\$ 3,600,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>321,146</u>      | <u>308,223</u>      |
| Shares issued   | <u>\$ 3,211,463</u> | <u>\$ 3,082,226</u> |

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

The change in the Company's share capital is mainly due to the exercise of convertible bonds.



b. Capital surplus

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2021</u>        | <u>2020</u>       |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u> |                    |                   |
| Issuance of ordinary shares  | \$ 906,797         | \$ 749,296        |
| <u>May only be used to offset a deficit (2)</u>  |                    |                   |
| Changes in percentage of ownership interests in subsidiaries   | 6                  | -                 |
| <u>May not be used for any purpose (3)</u>   |                    |                   |
| Employee share options   | 36,648             | 36,647            |
| Share warrants   | <u>-</u>           | <u>37,254</u>     |
|  | <u>\$ 943,451</u>  | <u>\$ 823,197</u> |

- 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 effect of changes in ownership interests in subsidiaries resulting from changes in capital surplus of subsidiaries accounted for using the equity method.
- 3) Such capital surplus is used primarily for subsequent matters related to the transaction and 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 of Incorporation, 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 compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors and supervisors in Note 23-g.

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

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

The legal reserve may be used to offset deficit. 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, No. 1010047490, and No. 1030006415 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 2020 and 2019 approved in the shareholders' meetings on July 22, 2021 and June 11, 2020, respectively, were as follows:

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Legal reserve  | <u>\$ 82,418</u>                      | <u>\$ 10,497</u>  |
| Special reserve  | <u>\$ (108,259)</u>                   | <u>\$ 64,692</u>  |
| Cash dividends   | <u>\$ 462,386</u>                     | <u>\$ 248,550</u> |
| Cash dividends distributed from capital surplus                  | <u>\$ 154,129</u>                     | <u>\$ -</u>       |
| Cash dividends per share (NT\$)                                  | \$ 1.5                                | \$ 0.8            |
| Cash dividends per share distributed from capital surplus (NT\$) | \$ 0.5                                | \$ -              |

The appropriation of earnings for 2021 which was proposed by the Company's board of directors on March 16, 2022 were as follows:

|                | <b>For the Year Ended<br/>December 31,<br/>2021</b> | <b>Dividends Per<br/>Share (NT\$)</b> |
|----------------|---|---------------------------------------|
| Legal reserve  | <u>\$ 277,792</u>                                   | \$ -                                  |
| Cash dividends | <u>\$ 1,284,585</u>                                 | 4.0                                   |

The appropriation of earnings for 2021 is subject to the resolution in the shareholders' meeting to be held on June 15, 2022.

d. Special reserves

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Balance at January 1   | \$ 108,259                            | \$ 43,567         |
| Appropriations in respect of<br>debits to other equity items | <u>(108,259)</u>                      | <u>64,692</u>     |
| Balance at December 31                                       | <u>\$ -</u>                           | <u>\$ 108,259</u> |

e. Others equity items

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

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2021</b>                           | <b>2020</b>       |
| Balance at January 1  | \$ (5,701)                            | \$ (370)          |
| Exchange differences on translation of the financial statements of foreign operations | <u>(2,879)</u>                        | <u>(5,331)</u>    |
| Balance at December 31  | <u>\$ (8,580)</u>                     | <u>\$ (5,701)</u> |

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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Balance at January 1   | \$ 728,354                            | \$ (107,890)      |
| Recognized for the year<br>Unrealized gain (loss) - equity instruments | <u>657,701</u>                        | <u>836,244</u>    |
| Balance at December 31   | <u>\$ 1,386,055</u>                   | <u>\$ 728,354</u> |

**22. REVENUE**

|                                       | <b>For the Year Ended December 31</b> |                     |
|---------------------------------------|---------------------------------------|---------------------|
|                                       | <b>2021</b>                           | <b>2020</b>         |
| Revenue from contracts with customers |                                       |                     |
| Revenue from sales of goods           | \$ 13,176,735                         | \$ 9,738,186        |
| Revenue from processing               | 110,712                               | 83,541              |
| Rental income                         | <u>131,418</u>                        | <u>48,371</u>       |
|                                       | <u>\$ 13,418,865</u>                  | <u>\$ 9,870,098</u> |

**Contract Balances**

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2020</b>         |
| Trade receivables (including related parties) (Note 10) | <u>\$ 2,021,023</u> | <u>\$ 2,247,390</u> |
| Contract liabilities - current                          |                     |                     |
| Sales of goods  | <u>\$ 306,898</u>   | <u>\$ 149,236</u>   |

## 23. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other income

|                            | <b>For the Year Ended December 31</b> |                  |
|----------------------------|---------------------------------------|------------------|
|                            | <b>2021</b>                           | <b>2020</b>      |
| Dividends                  |                                       |                  |
| Financial assets at FVTPL  | \$ 35,595                             | \$ 20,034        |
| Financial assets at FVTOCI | 44,497                                | 25,759           |
| Others                     | <u>21,270</u>                         | <u>11,752</u>    |
|                            | <u>\$ 101,362</u>                     | <u>\$ 57,545</u> |

### b. Other gains and losses

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Gain on remeasurement of investments accounted for using the equity method | \$ 36,000                             | \$ -              |
| Net gain (loss) on disposal of property, plant and equipment               | 3,830                                 | (4,331)           |
| Fair value changes of financial assets and financial liabilities           |                                       |                   |
| Financial assets/liabilities mandatorily classified as at FVTPL            | 296,728                               | 212,569           |
| Net foreign exchange gains   | <u>26,978</u>                         | <u>84,950</u>     |
|  | <u>\$ 363,536</u>                     | <u>\$ 293,188</u> |

### c. Finance costs

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2021</b>                           | <b>2020</b>       |
| Interest on bank loans                                  | \$ 127,543                            | \$ 131,353        |
| Interest on convertible bonds                           | 5,236                                 | 9,597             |
| Less: Amounts included in the cost of qualifying assets | <u>(26,353)</u>                       | <u>(19,624)</u>   |
|   | <u>\$ 106,426</u>                     | <u>\$ 121,326</u> |

Information about capitalized interest was as follows:

|                      | <b>For the Year Ended December 31</b> |             |
|----------------------|---------------------------------------|-------------|
|                      | <b>2021</b>                           | <b>2020</b> |
| Capitalized interest | \$ 26,353                             | \$ 19,624   |
| Capitalization rate  | 2.5%                                  | 2.5%        |

d. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                         |
|---|---------------------------------------|-------------------------|
|   | <b>2021</b>                           | <b>2020</b>             |
| Property, plant and equipment               | \$ 74,467                             | \$ 73,652               |
| Investment properties                       | 17,059                                | 13,293                  |
| Long-term prepayments                       | <u>3,971</u>                          | <u>2,937</u>            |
|   | <b><u>\$ 95,497</u></b>               | <b><u>\$ 89,882</u></b> |
| <br>An analysis of depreciation by function |                                       |                         |
| Operating costs                             | \$ 75,491                             | \$ 73,390               |
| Operating expenses                          | <u>16,036</u>                         | <u>13,555</u>           |
|   | <b><u>\$ 91,527</u></b>               | <b><u>\$ 86,945</u></b> |
| <br>An analysis of amortization by function |                                       |                         |
| Operating costs                             | \$ 1,165                              | \$ 738                  |
| Operating expenses                          | <u>2,805</u>                          | <u>2,199</u>            |
|   | <b><u>\$ 3,970</u></b>                | <b><u>\$ 2,937</u></b>  |

e. Operating expenses directly related to investment properties

|   | <b>For the Year Ended December 31</b> |                         |
|---|---------------------------------------|-------------------------|
|   | <b>2021</b>                           | <b>2020</b>             |
| Direct operating expenses of investment properties generating rental income     | \$ 29,933                             | \$ 22,529               |
| Direct operating expenses of investment properties not generating rental income | <u>-</u>                              | <u>-</u>                |
|   | <b><u>\$ 29,933</u></b>               | <b><u>\$ 22,529</u></b> |

f. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                          |
|--|---------------------------------------|--------------------------|
|  | <b>2021</b>                           | <b>2020</b>              |
| Short-term employee benefits                             | \$ 398,783                            | \$ 243,760               |
| Post-employment benefits (Note 20)                       |                                       |                          |
| Defined contribution plans                               | 5,899                                 | 5,183                    |
| Defined benefit plans                                    | <u>275</u>                            | <u>390</u>               |
|  | <b><u>\$ 404,957</u></b>              | <b><u>\$ 249,333</u></b> |
| <br>An analysis of employee benefits expense by function |                                       |                          |
| Operating costs  | \$ 127,942                            | \$ 99,262                |
| Operating expenses                                       | <u>277,015</u>                        | <u>150,071</u>           |
|  | <b><u>\$ 404,957</u></b>              | <b><u>\$ 249,333</u></b> |

g. Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees 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, compensation of employees and remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March 16, 2022 and March 16, 2021, respectively, were as follows:

Accrual rate

|   | <u>For the Year Ended December 31</u> |             |
|---|---------------------------------------|-------------|
|   | <u>2021</u>                           | <u>2020</u> |
| Compensation of employees                 | 3%                                    | 3%          |
| Remuneration of directors and supervisors | 2%                                    | 3%          |

Amount

|   | <u>For the Year Ended December 31</u> |                  |
|---|---------------------------------------|------------------|
|   | <u>2021</u>                           | <u>2020</u>      |
|   | <u>Cash</u>                           | <u>Cash</u>      |
| Compensation of employees                 | <u>\$ 102,392</u>                     | <u>\$ 28,405</u> |
| Remuneration of directors and supervisors | <u>\$ 68,261</u>                      | <u>\$ 28,405</u> |

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.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2020.

Information on compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors for 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

|                         | <u>For the Year Ended December 31</u> |                  |
|-------------------------|---------------------------------------|------------------|
|                         | <u>2021</u>                           | <u>2020</u>      |
| Foreign exchange gains  | \$ 158,358                            | \$ 148,244       |
| Foreign exchange losses | <u>(131,380)</u>                      | <u>(63,294)</u>  |
|                         | <u>\$ 26,978</u>                      | <u>\$ 84,950</u> |

## 24. INCOME TAXES

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

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2021</b>                           | <b>2020</b>      |
| Current tax                                     |                                       |                  |
| In respect of the current year                  | \$485,677                             | \$ 81,025        |
| Income tax on unappropriated earnings           | 19,382                                | -                |
| Adjustments for prior years                     | <u>191</u>                            | <u>(9,911)</u>   |
|   | <u>505,250</u>                        | <u>71,114</u>    |
| Deferred tax                                    |                                       |                  |
| In respect of the current year                  | <u>16,169</u>                         | <u>(10,196)</u>  |
| Income tax expense recognized in profit or loss | <u>\$521,419</u>                      | <u>\$ 60,918</u> |

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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Profit before tax  | <u>\$ 3,241,692</u>                   | <u>\$ 890,031</u> |
| Income tax expense calculated at the statutory rate                  | \$ 648,338                            | \$ 178,006        |
| Non-deductible expenses and non-taxable income                       | (129,967)                             | (97,647)          |
| Tax-exempt income  | (16,018)                              | (9,159)           |
| Income tax on unappropriated earnings                                | 19,382                                | -                 |
| Unrecognized loss carryforwards and deductible temporary differences | (507)                                 | (371)             |
| Adjustments for prior years' tax                                     | <u>191</u>                            | <u>(9,911)</u>    |
| Income tax expense recognized in profit or loss                      | <u>\$ 521,419</u>                     | <u>\$ 60,918</u>  |

### b. Income tax recognized in other comprehensive income

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2021</b>                           | <b>2020</b>       |
| <u>Deferred tax</u>                                       |                                       |                   |
| In respect of the current year:                           |                                       |                   |
| Translation of foreign operations                         | \$ (720)                              | \$ (1,333)        |
| Remeasurement on defined benefit plans                    | <u>(577)</u>                          | <u>(56)</u>       |
| Total income tax recognized in other comprehensive income | <u>\$ (1,297)</u>                     | <u>\$ (1,389)</u> |

c. Current tax assets and liabilities

|                         | <u>December 31</u> |                  |
|-------------------------|--------------------|------------------|
|                         | <u>2021</u>        | <u>2020</u>      |
| Current tax assets      |                    |                  |
| Tax refund receivable   | <u>\$ 20,906</u>   | <u>\$ 20,906</u> |
| Current tax liabilities |                    |                  |
| Income tax payable      | <u>\$464,440</u>   | <u>\$ 81,027</u> |

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, 2021

|   | <b>Opening<br/>Balance</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>Balance</b> |
|---|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u>  |                            |   |   |                            |
| Temporary differences   |                            |   |   |                            |
| FVTPL financial assets  | \$ 23,730                  | \$ (23,730)                                 | \$ -  | \$ -                       |
| Unrealized gross profit   | 19,835                     | 3,881                                       | -   | 23,716                     |
| Defined benefit obligation  | 3,986                      | (401)                                       | 577   | 4,162                      |
| Allowance for impairment loss on<br>receivables   | 7,932                      | (7,932)                                     | -   | -                          |
| Exchange differences on<br>translation of the financial<br>statements of foreign operations | <u>1,426</u>               | <u>-</u>                                    | <u>720</u>  | <u>2,146</u>               |
|   | <u>\$ 56,909</u>           | <u>\$ (28,182)</u>                          | <u>\$ 1,297</u>   | <u>\$ 30,024</u>           |
| <u>Deferred tax liabilities</u>   |                            |   |   |                            |
| Temporary differences   |                            |   |   |                            |
| FVTPL financial assets  | \$ -                       | \$ 2,385                                    | \$ -  | \$ 2,385                   |
| Convertible bonds   | 2,076                      | (2,076)                                     | -   | -                          |
| Gains or losses on foreign<br>currency exchange   | <u>13,878</u>              | <u>(12,322)</u>                             | <u>-</u>  | <u>1,556</u>               |
|   | <u>\$ 15,954</u>           | <u>\$ (12,013)</u>                          | <u>\$ -</u>   | <u>\$ 3,941</u>            |



For the year ended December 31, 2020

|   | Opening<br>Balance | Recognized<br>in Profit or<br>Loss | Recognized<br>in Other<br>Compre-<br>hensive<br>Income | Closing<br>Balance |
|---|--------------------|------------------------------------|--|--------------------|
| <u>Deferred tax assets</u>  |                    |                                    |  |                    |
| Temporary differences   |                    |                                    |  |                    |
| Reversal of write-downs of inventories  | \$ 19,832          | \$ (19,832)                        | \$ -   | \$ -               |
| FVTPL financial assets  | 6,823              | 16,907                             | -  | 23,730             |
| Unrealized gross profit   | 135                | 19,700                             | -  | 19,835             |
| Defined benefit obligation  | 4,254              | (324)                              | 56   | 3,986              |
| Allowance for impairment loss on receivables  | 10,272             | (2,340)                            | -  | 7,932              |
| Property, plant and equipment   | 162                | (162)                              | -  | -                  |
| Exchange differences on translation of the financial statements of foreign operations | <u>93</u>          | <u>-</u>                           | <u>1,333</u>   | <u>1,426</u>       |
|   | <u>\$ 41,571</u>   | <u>\$ 13,949</u>                   | <u>\$ 1,389</u>  | <u>\$ 56,909</u>   |

Deferred tax liabilities

|  |                  |                 |             |                  |
|--|------------------|-----------------|-------------|------------------|
| Temporary differences                        |                  |                 |             |                  |
| Convertible bonds                            | \$ 616           | \$ 1,460        | \$ -        | \$ 2,076         |
| Gains or losses on foreign currency exchange | <u>11,585</u>    | <u>2,293</u>    | <u>-</u>    | <u>13,878</u>    |
|  | <u>\$ 12,201</u> | <u>\$ 3,753</u> | <u>\$ -</u> | <u>\$ 15,954</u> |

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets:

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | 2021               | 2020              |
| Deductible temporary differences                                      |                    |                   |
| Unrealized profit or loss of foreign subsidiaries using equity method | \$ (2,698)         | \$ (161)          |
| Impairment loss on FVTOCI financial assets                            | <u>137,439</u>     | <u>137,439</u>    |
|   | <u>\$ 134,741</u>  | <u>\$ 137,278</u> |

- f. Income tax assessments

The income tax returns through 2019 and income tax returns on unappropriated earnings through 2018 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

|                            | <u>For the Year Ended December 31</u> |                |
|----------------------------|---------------------------------------|----------------|
|                            | <u>2021</u>                           | <u>2020</u>    |
| Basic earnings per share   |                                       |                |
| From continuing operations | <u>\$ 8.62</u>                        | <u>\$ 2.69</u> |
| Diluted earnings per share |                                       |                |
| From continuing operations | <u>\$ 8.57</u>                        | <u>\$ 2.60</u> |

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

|  | <u>For the Year Ended December 31</u> |                   |
|--|---------------------------------------|-------------------|
|  | <u>2021</u>                           | <u>2020</u>       |
| Earnings used in the computation of basic earnings per share   | \$ 2,720,273                          | \$ 829,113        |
| Effect of potentially dilutive ordinary shares:                |                                       |                   |
| Interest on convertible bonds (after tax)                      | <u>-</u>                              | <u>7,678</u>      |
| Earnings used in the computation of diluted earnings per share | <u>\$ 2,720,273</u>                   | <u>\$ 836,791</u> |

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

|  | <u>For the Year Ended December 31</u> |                |
|--|---------------------------------------|----------------|
|  | <u>2021</u>                           | <u>2020</u>    |
| Weighted average number of ordinary shares in the computation of basic earnings per share        | 315,674                               | 308,274        |
| Effect of potentially dilutive ordinary shares:  |                                       |                |
| Convertible bonds  | -                                     | 12,927         |
| Compensation of employees  | <u>1,759</u>                          | <u>720</u>     |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>317,433</u>                        | <u>321,921</u> |

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are 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.

Since all outstanding convertible bonds issued by the Company were converted to ordinary shares for the year ended December 31, 2021, they are anti-dilutive and excluded from the computation of diluted earnings per share.

## 26. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - NO IMPACT ON CONTROL

In 2020, the Company acquired additional shares of its subsidiary, APEX Wind Power Equipment Co., Ltd., increasing its interests from 53.51% to 66.71%.

The above transactions were accounted for as equity transactions, since there was no impact on the Company's 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).

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, 2021

|  | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> |
|--|----------------------------|-------------------|
| <u>Financial assets</u>  |                            |                   |
| Financial assets measured at amortized cost:                                 |                            |                   |
| Pledged time deposits  | \$ 77,074                  | \$ 77,074         |
| Notes receivable (including related parties)                                 | 1,874,256                  | 1,874,256         |
| Trade receivables (including related parties)                                | 2,021,023                  | 2,021,023         |
| Overdue receivables  | 5,021                      | 5,021             |
| Cash and cash equivalents  | 619,800                    | 619,800           |
| Refundable deposits  | 25,316                     | 25,316            |
| <u>Financial liabilities</u>   |                            |                   |
| Financial liabilities measured at amortized cost:                            |                            |                   |
| Bank borrowings  | 8,251,842                  | 8,251,842         |
| Short-term bills payable   | 299,814                    | 299,814           |
| Notes payable, trade payables and other payables (including related parties) | 915,296                    | 915,296           |
| Long-term bills payable  | 2,398,755                  | 2,398,755         |

December 31, 2020

|   | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> |
|---|----------------------------|-------------------|
| <u>Financial assets</u>                       |                            |                   |
| Financial assets measured at amortized cost:  |                            |                   |
| Pledged time deposits                         | \$ 76,736                  | \$ 76,736         |
| Notes receivable (including related parties)  | 1,374,473                  | 1,374,473         |
| Trade receivables (including related parties) | 2,247,390                  | 2,247,390         |
| Overdue receivables                           | 3,000                      | 3,000             |
| Cash and cash equivalents                     | 522,481                    | 522,481           |
| Refundable deposits                           | 35,292                     | 35,292            |

Financial liabilities

|  |           |           |
|--|-----------|-----------|
| Financial liabilities measured at amortized cost:                            |           |           |
| Bank borrowings  | 7,111,669 | 7,111,669 |
| Short-term bills payable   | 179,879   | 179,879   |
| Notes payable, trade payables and other payables (including related parties) | 766,454   | 766,454   |
| Convertible bonds  | 388,555   | 388,555   |
| Long-term bills payable  | 2,398,937 | 2,398,937 |

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, pledged time deposits, refundable deposits, short-term bank 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, 2021

|   | Level 1             | Level 2          | Level 3           | Total               |
|---|---------------------|------------------|-------------------|---------------------|
| Financial assets at FVTPL                         |                     |                  |                   |                     |
| Domestic listed shares and emerging market shares | \$ 1,343,389        | \$ -             | \$ -              | \$ 1,343,389        |
| Domestic unlisted shares                          | -                   | -                | 247,857           | 247,857             |
| Derivatives                                       | <u>-</u>            | <u>11,922</u>    | <u>-</u>          | <u>11,922</u>       |
|   | <u>\$ 1,343,389</u> | <u>\$ 11,922</u> | <u>\$ 247,857</u> | <u>\$ 1,603,168</u> |
| Financial assets at FVTOCI                        |                     |                  |                   |                     |
| Investments in equity instruments                 |                     |                  |                   |                     |
| Domestic listed shares and emerging market shares | \$ 2,689,255        | \$ -             | \$ -              | \$ 2,689,255        |
| Domestic unlisted shares                          | -                   | -                | 32,556            | 32,556              |
| Foreign unlisted shares                           | <u>-</u>            | <u>-</u>         | <u>354,578</u>    | <u>354,578</u>      |
|   | <u>\$ 2,689,255</u> | <u>\$ -</u>      | <u>\$ 387,134</u> | <u>\$ 3,076,389</u> |

December 31, 2020

|   | Level 1             | Level 2        | Level 3           | Total               |
|---|---------------------|----------------|-------------------|---------------------|
| Financial assets at FVTPL                         |                     |                |                   |                     |
| Domestic listed shares and emerging market shares | \$ 1,167,129        | \$ -           | \$ -              | \$ 1,167,129        |
| Domestic unlisted shares                          | -                   | -              | 28,772            | 28,772              |
| Conversion options                                | <u>-</u>            | <u>455</u>     | <u>-</u>          | <u>455</u>          |
|   | <u>\$ 1,167,129</u> | <u>\$ 455</u>  | <u>\$ 28,772</u>  | <u>\$ 1,196,356</u> |
| Financial assets at FVTOCI                        |                     |                |                   |                     |
| Investments in equity instruments                 |                     |                |                   |                     |
| Domestic listed shares and emerging market shares | \$ 2,245,096        | \$ -           | \$ -              | \$ 2,245,096        |
| Domestic unlisted shares                          | -                   | -              | 83,912            | 83,912              |
| Foreign unlisted shares                           | <u>-</u>            | <u>-</u>       | <u>251,772</u>    | <u>251,772</u>      |
|   | <u>\$ 2,245,096</u> | <u>\$ -</u>    | <u>\$ 335,684</u> | <u>\$ 2,580,780</u> |
| Financial liabilities at FVTPL                    |                     |                |                   |                     |
| Derivatives                                       | <u>-</u>            | <u>118,652</u> | <u>-</u>          | <u>118,652</u>      |

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 assets

For the year ended December 31, 2021

| <b>Financial Assets</b>  | <b>At FVTPL<br/>Equity<br/>Instruments</b> | <b>At FVTOCI<br/>Equity<br/>Instruments</b> | <b>Total</b>      |
|--|--|---|-------------------|
| Balance at January 1   | \$ 28,772                                  | \$ 335,684                                  | \$ 364,456        |
| Recognized in profit or loss (included in gain (loss) on financial assets at FVTOCI) | 43,157                                     | 102,806                                     | 145,963           |
| Purchases  | 175,928                                    | -   | 175,928           |
| Sales  | -  | (1,356)                                     | (1,356)           |
| Transfers out of Level 3 (Note 8)  | -  | (50,000)                                    | (50,000)          |
| Balance at December 31   | <u>\$ 247,857</u>                          | <u>\$ 387,134</u>                           | <u>\$ 634,991</u> |

For the year ended December 31, 2020

| <b>Financial Asset</b>  | <b>At FVTPL<br/>Equity<br/>Instruments</b> | <b>At FVTOCI<br/>Equity<br/>Instruments</b> | <b>Total</b>      |
|---|--|---|-------------------|
| Balance at January 1  | \$ -                                       | \$ 461,426                                  | \$ 461,426        |
| Recognized in profit or loss (included in other gains and losses)   | 919  | -   | 919               |
| Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI) | -  | 10,243                                      | 10,243            |
| Purchases   | 27,853                                     | 109,089                                     | 136,942           |
| Sales   | -  | (30,433)                                    | (30,433)          |
| Shares return of investments  | -  | (2,985)                                     | (2,985)           |
| Transfers out of Level 3  | -  | (211,656)                                   | (211,656)         |
| Balance at December 31  | <u>\$ 28,772</u>                           | <u>\$ 335,684</u>                           | <u>\$ 364,456</u> |

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

| <b>Financial Instruments</b>                                   | <b>Valuation Techniques and Inputs</b>  |
|--|---|
| 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 Company 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

|   | <u>December 31</u> |              |
|---|--------------------|--------------|
|   | <u>2021</u>        | <u>2020</u>  |
| <u>Financial assets</u>                         |                    |              |
| Financial assets at FVTPL                       |                    |              |
| Mandatorily classified as at FVTPL              | \$ 1,603,168       | \$ 1,196,356 |
| Financial assets at amortized cost (1)          | 4,622,490          | 4,259,372    |
| Financial assets at FVTOCI - equity instruments | 3,076,389          | 2,580,780    |
| <u>Financial liabilities</u>                    |                    |              |
| Financial liabilities at FVTPL                  |                    |              |
| Held for trading                                | -                  | 118,652      |
| Financial liabilities at amortized cost (2)     | 11,865,707         | 10,845,494   |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, overdue receivables, refundable deposits and pledged time deposits.

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 payable.

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 payable, trade payables, other payables, bonds payable 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 year are set out in Note 32.

Sensitivity analysis

The Company was mainly exposed to USD 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 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.

|                | <b>USD Impact</b>                     |               |
|----------------|---------------------------------------|---------------|
|                | <b>For the Year Ended December 31</b> |               |
|                | <b>2021</b>                           | <b>2020</b>   |
| Profit or loss | \$ 30,386 (i)                         | \$ 25,687 (i) |
|                | <b>EUR Impact</b>                     |               |
|                | <b>For the Year Ended December 31</b> |               |
|                | <b>2021</b>                           | <b>2020</b>   |
| Profit or loss | \$ (69) (ii)                          | \$ 17 (ii)    |

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

ii. This was mainly attributable to the exposure on outstanding EUR letters of credit, bank deposits and other payables, 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:

|                              | <u>December 31</u> |             |
|------------------------------|--------------------|-------------|
|                              | <b>2021</b>        | <b>2020</b> |
| Cash flow interest rate risk |                    |             |
| Financial assets             | \$ 248,576         | \$ 285,139  |
| Financial liabilities        | 10,950,411         | 9,690,485   |

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 years ended December 31, 2021 and 2020 would have decreased/increased by NT\$94,905 thousand and NT\$84,021 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, 2021 and 2020 would have increased/decreased by NT\$15,973 thousand and NT\$11,960 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 years ended December 31, 2021 and 2020 would have increased/decreased by NT\$30,601 thousand and NT\$27,961 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

The Company's sensitivity to investments in equity securities 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. At the end of the year, the Company's maximum exposure to credit risk, which may 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.

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 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 2021 and 2020.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 98% and 98% of the total trade receivables as of December 31, 2021 and 2020, 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, the Company relies on bank borrowings as a significant source of liquidity, and management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2021 and 2020, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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, 2021 and 2020, the Company had available unutilized short-term bank loan facilities of NT\$2,623,820 thousand and NT\$2,011,370 thousand, respectively.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon 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 includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

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, 2021

|                                    | <b>On Demand<br/>or Less Than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>    | <b>5+ Years</b>  |
|------------------------------------|---|---------------------|-------------------------------|---------------------|------------------|
| Non-interest bearing               | \$ 392,171                                    | \$ 189,764          | \$ 333,401                    | \$ 19,009           | \$ -             |
| Variable interest rate liabilities | <u>1,521,966</u>                              | <u>3,295,531</u>    | <u>4,240,956</u>              | <u>1,800,000</u>    | <u>91,959</u>    |
|                                    | <u>\$ 1,914,137</u>                           | <u>\$ 3,485,295</u> | <u>\$ 4,574,357</u>           | <u>\$ 1,819,009</u> | <u>\$ 91,959</u> |

December 31, 2020

|                                    | <b>On Demand<br/>or Less Than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>    | <b>5+ Years</b>  |
|------------------------------------|---|---------------------|-------------------------------|---------------------|------------------|
| Non-interest bearing               | \$ 218,730                                    | \$ 255,123          | \$ 253,543                    | \$ 55,066           | \$ -             |
| Variable interest rate liabilities | <u>1,625,583</u>                              | <u>3,637,417</u>    | <u>2,627,704</u>              | <u>1,700,000</u>    | <u>99,781</u>    |
|                                    | <u>\$ 1,844,313</u>                           | <u>\$ 3,892,540</u> | <u>\$ 2,881,247</u>           | <u>\$ 1,755,066</u> | <u>\$ 99,781</u> |

The following table details the Company's expected maturities 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, 2021

|  | <b>On Demand<br/>or Less Than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|--|---|---------------------|-------------------------------|------------------|-----------------|
| <u>Non-derivative financial assets</u> |   |                     |                               |                  |                 |
| Non-interest bearing                   | \$ 2,194,712                                  | \$ 1,693,022        | \$ 423,290                    | \$ 80,734        | \$ 3,000        |
| Variable interest rate assets          | <u>174,539</u>                                | <u>61,185</u>       | <u>12,852</u>                 | <u>-</u>         | <u>-</u>        |
|  | <u>\$ 2,369,251</u>                           | <u>\$ 1,754,207</u> | <u>\$ 436,142</u>             | <u>\$ 80,734</u> | <u>\$ 3,000</u> |

December 31, 2020

|  | <b>On Demand<br/>or Less Than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|--|---|---------------------|-------------------------------|------------------|-----------------|
| <u>Non-derivative financial assets</u> |   |                     |                               |                  |                 |
| Non-interest bearing                   | \$ 1,954,366                                  | \$ 1,773,135        | \$ 225,605                    | \$ 22,452        | \$ 3,000        |
| Variable interest rate assets          | <u>227,435</u>                                | <u>53,161</u>       | <u>4,543</u>                  | <u>-</u>         | <u>-</u>        |
|  | <u>\$ 2,181,801</u>                           | <u>\$ 1,826,296</u> | <u>\$ 230,148</u>             | <u>\$ 22,452</u> | <u>\$ 3,000</u> |

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

|   | <u>December 31</u>   |                      |
|---|----------------------|----------------------|
|   | <u>2021</u>          | <u>2020</u>          |
| Secured bank loan facilities which may be extended by mutual agreement: |                      |                      |
| Amount used   | \$ 12,410,483        | \$ 7,014,942         |
| Amount unused   | <u>4,304,927</u>     | <u>8,045,718</u>     |
|   | <u>\$ 16,715,410</u> | <u>\$ 15,060,660</u> |

## 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:

| <u>Related Party</u>                                   | <u>Relationship with the Company</u>   |
|--|--|
| 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. | Subsidiary   |
| Hsin Hua Steel Industry Co., Ltd.                      | Sub-subsiidiary  |
| Mason Metal Industry Co., Ltd.                         | Subsidiary (originally a joint venture; became a subsidiary on December 15, 2021 due to increase in ownership) |
| Hsin Kuang Steel Tian-Cheng Charity Foundation         | The Foundation's Chairman is the representative of a corporate director of the Company                         |

b. Operating revenue

| Line Item     | Related Party Category/Name                            | <u>For the Year Ended December 31</u> |                   |
|---------------|--|---------------------------------------|-------------------|
|               |  | 2021                                  | 2020              |
| Sale of goods | <u>Subsidiaries</u>                                    |                                       |                   |
|               | APEX Wind Power Equipment Manufacturing Company., Ltd. | \$ 2,629                              | \$ 526            |
|               | Hsin Ching International Co., Ltd.                     | -                                     | 16                |
|               | Mason Metal Industry Co., Ltd.                         | 8,980                                 | -                 |
|               | <u>Sub-subsiidiaries</u>                               |                                       |                   |
|               | Hsin Hua Steel Industry Co., Ltd.                      | 232,916                               | 412,576           |
|               | <u>Joint ventures</u>                                  |                                       |                   |
|               | Mason Metal Industry Co., Ltd.                         | <u>154,368</u>                        | <u>111,773</u>    |
|               |  | <u>\$ 398,893</u>                     | <u>\$ 524,891</u> |

c. Purchases of goods

| Related Party Category/Name                            | For the Year Ended December 31 |                  |
|--|--------------------------------|------------------|
|  | 2021                           | 2020             |
| <u>Subsidiaries</u>                                    |                                |                  |
| Hsin Ho Fa Metal Co., Ltd.                             | \$ -                           | \$ 50,151        |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | 19,155                         | 6,487            |
| Mason Metal Industry Co., Ltd.                         | 5,580                          | -                |
| <u>Sub-subsidiaries</u>                                |                                |                  |
| Hsin Hua Steel Industry Co., Ltd.                      | 410                            | 11,492           |
| <u>Joint ventures</u>                                  |                                |                  |
| Mason Metal Industry Co., Ltd.                         | <u>29,515</u>                  | <u>1,607</u>     |
|  | <u>\$ 54,660</u>               | <u>\$ 69,737</u> |

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

d. Processing cost

| Related Party Category/Name                            | For the Year Ended December 31 |                  |
|--|--------------------------------|------------------|
|  | 2021                           | 2020             |
| <u>Subsidiaries</u>                                    |                                |                  |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | \$ -                           | \$ 19,709        |
| Mason Metal Industry Co., Ltd.                         | 538                            | -                |
| <u>Sub-subsidiaries</u>                                |                                |                  |
| Hsin Hua Steel Industry Co., Ltd.                      | 4,664                          | 22,864           |
| <u>Joint ventures</u>                                  |                                |                  |
| Mason Metal Industry Co., Ltd.                         | <u>3,311</u>                   | <u>5,265</u>     |
|  | <u>\$ 8,513</u>                | <u>\$ 47,838</u> |

e. Logistics management expense

| Related Party Category/Name | For the Year Ended December 31 |             |
|-----------------------------|--------------------------------|-------------|
|                             | 2021                           | 2020        |
| <u>Subsidiaries</u>         |                                |             |
| Hsin Ho Fa Metal Co., Ltd.  | <u>\$ 19,701</u>               | <u>\$ -</u> |

f. Other revenue

| <b>Related Party Category/Name</b>                     | <b>For the Year Ended December 31</b> |                 |
|--|---------------------------------------|-----------------|
|  | <b>2021</b>                           | <b>2020</b>     |
| <u>Subsidiaries</u>                                    |                                       |                 |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | \$ 5,343                              | \$ 4,037        |
| Hsin Ho Fa Metal Co., Ltd.                             | 147                                   | -               |
| <u>Sub-subsidiaries</u>                                |                                       |                 |
| Hsin Hua Steel Industry Co., Ltd.                      | -                                     | 199             |
| <u>Joint ventures</u>                                  |                                       |                 |
| Mason Metal Industry Co., Ltd.                         | <u>1,200</u>                          | <u>1,200</u>    |
|  | <u>\$ 6,690</u>                       | <u>\$ 5,436</u> |

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

| <b>Related Party Category/Name</b>                     | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2021</b>        | <b>2020</b>       |
| <u>Subsidiaries</u>                                    |                    |                   |
| Hsin Ho Fa Metal Co., Ltd.                             | \$ 34              | \$ 2,027          |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | 718                | 382               |
| Hsin Ching International Co., Ltd.                     | 14,651             | -                 |
| Mason Metal Industry Co., Ltd.                         | 84,731             | -                 |
| <u>Sub-subsidiaries</u>                                |                    |                   |
| Hsin Hua Steel Industry Co., Ltd.                      | 213,874            | 373,370           |
| <u>Joint ventures</u>                                  |                    |                   |
| Mason Metal Industry Co., Ltd.                         | <u>-</u>           | <u>50,867</u>     |
|  | <u>\$ 314,008</u>  | <u>\$ 426,646</u> |

The outstanding trade receivables from related parties are unsecured. As of December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from the related parties.

h. Payables to related parties

| Related Party Category/Name                            | December 31      |                  |
|--|------------------|------------------|
|  | 2021             | 2020             |
| <u>Subsidiaries</u>                                    |                  |                  |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | \$ 6,096         | \$ 4,299         |
| Hsin Ho Fa Metal Co., Ltd.                             | 4,851            | -                |
| Mason Metal Industry Co., Ltd.                         | 12,798           | -                |
| <u>Sub-subsidiaries</u>                                |                  |                  |
| Hsin Hua Steel Industry Co., Ltd.                      | 1,381            | 6,940            |
| <u>Joint ventures</u>                                  |                  |                  |
| Mason Metal Industry Co., Ltd.                         | -                | 598              |
|  | <u>\$ 25,126</u> | <u>\$ 11,837</u> |

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

i. Lease arrangements

Future lease payments receivable are as follows:

| Related Party Category/Name                            | December 31       |                   |
|--|-------------------|-------------------|
|  | 2021              | 2020              |
| <u>Subsidiaries</u>                                    |                   |                   |
| Hsin Ching International Co., Ltd.                     | \$ 777,457        | \$ 801,256        |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | 27,652            | 39,419            |
| Mason Metal Industry Co., Ltd.                         | 76,870            | -                 |
| <u>Sub-subsidiaries</u>                                |                   |                   |
| Hsin Hua Steel Industry Co., Ltd.                      | <u>16,479</u>     | <u>25,672</u>     |
|  | <u>\$ 898,458</u> | <u>\$ 866,347</u> |



Lease income was as follows:

| <b>Related Party Category/Name</b>                     | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2021</b>                           | <b>2020</b>      |
| <u>Subsidiaries</u>                                    |                                       |                  |
| Hsin Ching International Co., Ltd.                     | \$ 22,666                             | \$ 22,261        |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | 11,206                                | 11,206           |
| Mason Metal Industry Co., Ltd.                         | 1,426                                 | -                |
| <u>Sub-subsidiaries</u>                                |                                       |                  |
| Hsin Hua Steel Industry Co., Ltd.                      | 8,756                                 | 6,773            |
| <u>Joint ventures</u>                                  |                                       |                  |
| Mason Metal Industry Co., Ltd.                         | <u>2,645</u>                          | <u>-</u>         |
|  | <u>\$ 46,699</u>                      | <u>\$ 40,240</u> |

In 2018, the Company entered into a contractual agreement to rent out its logistic center to its subsidiary, Hsin Ching International Co., Ltd. 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. In June 2020, the Company signed a supplemental agreement and under the supplemental agreement, the guarantee deposit will be used for future rental of buildings. As of December 31, 2021 and 2020, the amount of unearned rental revenue was NT\$467,254 thousand and NT\$482,614 thousand, respectively.

j. Guarantee deposits

| <b>Related Party Category/Name</b> | <b>December 31</b> |             |
|------------------------------------|--------------------|-------------|
|                                    | <b>2021</b>        | <b>2020</b> |
| <u>Subsidiaries</u>                |                    |             |
| Mason Metal Industry Co., Ltd.     | <u>\$ 2,641</u>    | <u>\$ -</u> |

k. Disposals of property, plant and equipment

| Related Party Category/Name                            | Proceeds           |                 | Gain (Loss) on Disposal |              |
|--|--------------------|-----------------|-------------------------|--------------|
|  | For the Year Ended |                 | For the Year Ended      |              |
|  | 2021               | 2020            | 2021                    | 2020         |
| <u>Subsidiaries</u>                                    |                    |                 |                         |              |
| Hsin Ho Fa Metal Co., Ltd.                             | \$ -               | \$ 1,931        | \$ -                    | \$ 81        |
| APEX Wind Power Equipment Manufacturing Company., Ltd. | 46,370             | -               | 6,678                   | -            |
| <u>Sub-subsidiaries</u>                                |                    |                 |                         |              |
| Hsin Hua Steel Industry Co., Ltd.                      | 3,600              | -               | 345                     | -            |
|  | <u>\$ 49,970</u>   | <u>\$ 1,931</u> | <u>\$ 7,023</u>         | <u>\$ 81</u> |

l. Endorsements and guarantees

| Related Party Category/Name                            | December 31 |                   |
|--|-------------|-------------------|
|  | 2021        | 2020              |
| <u>Subsidiaries</u>                                    |             |                   |
| APEX Wind Power Equipment Manufacturing Company., Ltd. |             |                   |
| Amount endorsed  | \$ 150,000  | \$ 150,000        |
| Amount due   | (150,000)   | -                 |
|  | <u>\$ -</u> | <u>\$ 150,000</u> |

m. Other transactions with related parties

| Line Item | Related Party Category/Name                    | For the Year Ended December 31 |                 |
|-----------|--|--------------------------------|-----------------|
|           |  | 2021                           | 2020            |
| Donations | Hsin Kuang Steel Tian-Cheng Charity Foundation | <u>\$ 4,000</u>                | <u>\$ 2,000</u> |

n. 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 |                  |
|------------------------------|--------------------------------|------------------|
|                              | 2021                           | 2020             |
| Short-term employee benefits | <u>\$ 130,432</u>              | <u>\$ 58,880</u> |

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 and lease guarantee deposits:

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2021</u>         | <u>2020</u>         |
| Notes receivable   | \$ 287,842          | \$ 220,696          |
| Pledged time deposits (classified as financial assets at amortized cost) | 77,074              | 76,736              |
| Investments in equity instruments at FVTOCI                              | -                   | 235,125             |
| Freehold land  | 845,336             | 859,185             |
| Buildings, net   | 453,670             | 496,453             |
| Investment properties - land   | 362,359             | 350,861             |
| Investment properties - buildings  | <u>2,034,917</u>    | <u>538,245</u>      |
|  | <u>\$ 4,061,198</u> | <u>\$ 2,777,301</u> |

### 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, 2021 and 2020 were as follows:

#### Significant Commitments

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

|     | <u>December 31</u> |             |
|-----|--------------------|-------------|
|     | <u>2021</u>        | <u>2020</u> |
| NTD | \$ 426,416         | \$ 490,051  |
| USD | 23,364             | 25,526      |
| JPY | -                  | 24,300      |

- b. Unrecognized commitments were as follows:

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2021</u>        | <u>2020</u>       |
| Acquisition of property, plant and equipment | <u>\$ 31,808</u>   | <u>\$ 352,939</u> |

### 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, 2021

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | \$ 2,586                    | 27.68 (USD:NTD)      | \$ 71,588                  |
| EUR                          | 223                         | 31.54 (EUR:NTD)      | 7,034                      |
| JPY                          | 1,890                       | 0.24 (JPY:NTD)       | 455                        |
| Non-monetary items           |                             |                      |                            |
| USD                          | 4,174                       | 27.68 (USD:NTD)      | <u>125,979</u>             |
|                              |                             |                      | <u>\$ 205,056</u>          |
| <u>Financial liabilities</u> |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | 111,107                     | 27.68 (USD:NTD)      | <u>\$ 3,075,447</u>        |

December 31, 2020

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | \$ 2,373                    | 28.48 (USD:NTD)      | \$ 67,621                  |
| EUR                          | 71                          | 35.02 (EUR:NTD)      | 2,488                      |
| JPY                          | 1,543                       | 0.276 (JPY:NTD)      | 426                        |
| Non-monetary items           |                             |                      |                            |
| USD                          | 4,174                       | 28.48 (USD:NTD)      | <u>127,040</u>             |
|                              |                             |                      | <u>\$ 197,575</u>          |
| <u>Financial liabilities</u> |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | 94,110                      | 28.48 (USD:NTD)      | \$ 2,680,265               |
| EUR                          | 119                         | 35.02 (EUR:NTD)      | <u>4,177</u>               |
|                              |                             |                      | <u>\$ 2,684,442</u>        |

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

| Foreign<br>Currency | For the Year Ended December 31 |   |                 |   |
|---------------------|--------------------------------|---|-----------------|---|
|                     | 2021                           |   | 2020            |   |
|                     | Exchange Rate                  | Net Foreign<br>Exchange Gains<br>(Losses) | Exchange Rate   | Net Foreign<br>Exchange Gains<br>(Losses) |
| USD                 | 28.07 (USD:NTD)                | \$ 26,530                                 | 29.22 (USD:NTD) | \$ 83,986                                 |

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (N/A)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 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 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 5)

c. 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)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

#### **34. SEGMENT INFORMATION**

The segment information for the years ended December 31, 2021 and 2020 is disclosed in the Company's consolidated financial statements.