TWSE：2031

2021 ANNUAL REPORT

HSIN KUANG STEEL CO., LTD

Taiwan Stock Exchange Market Observation Post System ▸ http://mops.twse.com.tw

Hsin Kuang Steel Annual Report is available at ▸ http://www.hkssteel.com.tw/

Printed on April 30th, 2022

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A. Letter to Shareholders

Dear Shareholders,

2021 is a good year for the steel industry. With the division of labor and cooperation of all colleagues, it has bravely set a record of the highest revenue and profit since it opened in 1965. The new crown pneumonia caused a crisis of human survival in the world at the beginning of the year. Later, due to the control of the epidemic, it turned to promote a turnaround in Europe and the United States, and the demand for steel increased greatly. In China, due to the government's full-strength economic policies to guide public works, private construction, and international trade export by leaps and bounds, The demand for steel is far greater than the supply, and the price and volume of the steel market rise accordingly, so the operating results of the company have reached a new record high.

Financial Performance

The Company's consolidated revenue for 2021 totaled NT$ 14.10 billion, which was a NT$4.25 billion and 43% increase from the NT$9.85 billion of the previous year. Operating profit was reported at NT$2.64 billion, up NT$2.17 billion or 461% from the operating profit of NT$470 million reported in the previous year. The EPS was NT$8.62, which was a NT$5.93 and 220% increase from the NT$2.69 from the previous year, representing excellent performance in revenue and profits.

In products sales, the Company's operating goal in 2021 was the sale of 456,000 metric tons of steel products and the combined sales of the year reached 470,000 metric tons. The achievement rate was 103%.

In income and expenditures, cash inflow in 2021 from business activities amounted to NT$515 million, which mainly came from the increase in accounts receivables generated in sales and the increase in inventory resulting from continuous procurement by the business units. Cash outflow for investment activities amounted to NT$1.121 billion mainly due to the purchase of properties and investment in plants and equipment. Cash inflow for financing activities amounted to NT$861 million, mainly due to the increase of short-term capital needs, and adjustment of long-term and short-term loans to meet operational needs. The ending cash and cash equivalents balance of the period was NT$964 million.

Annual Corporate Development

The 2022 business strategies include the following:

1. Review the inventory structure and adjust the product mix, and flexibly allocate with the ebb and flow of various steel industries in order to achieve reasonable profits.
2. In line with the increased construction needs of Taiwanese businessmen, cooperate with upstream and downstream manufacturers to form a strategic alliance to launch a comprehensive solution.

3. Offshore wind power underwater infrastructure equipment and technology manufacturing are in the rising stage of industrial development, continue to invest in first-class equipment, expand production bases, and serve wind farm users.
4. Deeply cultivate the solar photovoltaic system with high corrosion resistance, and serve the upstream and downstream solar manufacturers that cooperate with the government's vigorous promotion of energy policies.
5. Start the new ERP system and implement various management systems.
6. Give full play to the strength of the group and cooperate with the same industry and different industries.
7. Value chain integration, creating differentiation and creating a new blue ocean.
8. Develop new customers, new markets, emerging or growing industries.

Based on the aforementioned strategies, we shall continue to implement the following four plans:

1. Develop a new Blue Ocean: Cultivate talent, optimize the inventory structure, integrate value chains, and expand overseas markets.
2. Strengthen business management: Cultivate regional talent, adopt value-oriented strategies for profit centers, develop relationships with direct customers and those with whom we have not conducted transactions in a long time, improve the capabilities of each cutting center, and integrate supply chains.
3. Strengthen manufacturing management system: Improve production efficiency, utilization rates, improve labor safety management, improve production quality, reduce the outflow of mixed materials, improve environmental management, and implement production and management resources of joint ventures.
4. Simplify corporate procedures: Introduce tags into the production system, analyze the CRM database system, improve procedures, fully update computer systems, and introduce ERP with the aim of increasing efficiency and reducing lead times.

The total annual sales goal of 2022 is set at 500,000 metric tons of steel. Ukraine is known as a major steel producer. The Russian-Ukrainian war damaged several large steel mills, and the export of steel was frustrated. The world's steel demand exceeded supply, and steel prices rose. The European and American economies are already recovering. The demand for domestic industrial manufacturing and Taiwanese businessmen returning to build factories has not subsided. The solar photovoltaic industry continues to shine and the offshore wind power generation industry is surging. These are all industries that the government is fully promoting. We will Fully cooperate and participate in the pursuit of business opportunities. Especially among the raw materials of these industries, steel accounts for a very important weight. We are a steel logistics center, and we can give full play to our professional expertise. Combined with management capabilities and processing technology, all our colleagues are confident to achieve this year's business target of 500,000 tons this year.

Corporate Social Responsibility

The Company is dedicated to establishing comprehensive corporate governance, steady operations and profits, as well as maintaining the balance between the interests of the environment, society, and all stakeholders.

The Company upholds ideals of sustainable development, such as environmental protection, clean energy, and space reuse. Over the years, we have reduced CO2 emissions by nearly 26,108 metric tons which is equivalent to 67 times the amount of CO2 that can be absorbed by Da'an Forest Parks.

The Company is focused on promoting green manufacturing, creating an inclusive workplace, cultivating talent, establishing a responsible supply chain, and caring for the disadvantaged. The Company will remain dedicated to doing its part as a corporate citizen and pursue a sustainable future.

Honors and Awards

In 2021, the Company received the Gold Award in Manufacturing, and the Sustainable Comprehensive Product-Excellent Award at the TCSA Taiwan Corporate Sustainability Awards awarded by the Taiwan Institute for Sustainable Energy for its achievements in corporate governance, sustainable development, and information disclosure. We will continue to strive for more successes.

Future Outlook

Last year's we have created a record high in revenue and profit, and achieved fruitful operating results. This is the strength of all colleagues. After diligent work, unremitting work day and night, intelligent learning and growth, teamwork and strong ambition, and collective creation. good grades. We will continue to work hard to improve our value chain integration services and improve collaboration. The original intention is specifically in the steel logistics industry, solar power generation related components, wind power generation underwater basic pipe fittings, exchanges and cooperation with upstream and downstream, and cross-industry, and creates new enterprises. A new peak, in order to welcome the prosperous year with good flowers and good fruits.

Chairman of the Board　Alexander M.T. Su

B. Company Profile

I. Date of Establishment January 1, 1967

II. Company history

Since Mr. Alexander M.T.Su was elected Chairman in 1985, HsinKuang Steel conducted vigorous reforms and established professional management based on ideals of practicality, services, innovation, and sharing. These ideals allowed the Company to grow, prosper, and transform into a steel manufacturing firm listed on the TWSE and received recognition and praise from all sectors. The Chairman's important achievements include:

1. In April 1991, HsinKuang Steel was registered by the Industrial Development Bureau, Ministry of Economic Affairs as a central plant in the HsinKuang Steel central-satellite system.
2. In November 1992, the Company was awarded the Golden Merchants Award by the Ministry of Economic Affairs. The Chairman Mr. Ming-Te Su was summoned by President Mr. Teng-Hui Lee for praise and encouragement.
3. In May 1994, the Chairman Mr. Ming-Te Su was elected Supervisor of Taiwan Steel & Iron Industries Association.
4. In August 1994, the Company was approved for public listing by the Securities and Futures Administration Committee, Ministry of Finance.
5. In September 1994, the Company was awarded the third-term National Award of Outstanding SMEs. The Chairman Mr. Ming-Te Su was summoned by President Mr. Teng-Hui Lee for praise and encouragement.
6. In August 1995, the Chairman Mr. Ming-Te Su was elected Chairman of the National Association of Hardware of R.O.C.
7. In September 1995, the Company completed the digitalization of internal corporate procedures.
8. In December 1995, the Chairman Mr. Ming-Te Su was elected the 18th-term Model of Entrepreneurs.
9. In December 1996, the Company was approved for listing on the Taipei Exchange by the Securities and Futures Administration Committee, Ministry of Finance and the Taipei Exchange.
10. In April 1997, the Company's stocks were traded on the Taipei Exchange.
11. In July 1998, the Company's Guanyin Plant and Xinwu Plant received ISO-9002 certification at the same time.

12. In August 1998, the Chairman Mr. Ming-Te Su was elected the 1st-term Model Achievement Award.
13. In August 2000, the Company was approved for listing on the Taiwan Stock Exchange by the Securities and Futures Administration Committee, Ministry of Finance and the Taiwan Stock Exchange. The Company's stocks are listed on the Taiwan Stock Exchange in September of the same year.
14. In February 2001, the Company's Guanyin Plant established the "Stainless Steel Cutting Center".
15. In September 2001, the Company's Guanyin Plant, Xinwu Plant, and Changbin Plant received ISO-9001:2000 certification at the same time.
16. In September 2003, the Company's Kaohsiung Plant established the "Southern Steel Product Logistics Center".
17. In September 2004, the Company's Kaohsiung Plant established the "Steel Structure Components Production Center" and the "Special Steel Cutting Center".
18. In September 2008, the Company's Guanyin Plant established the "Galvanized Steel Cutting Center".
19. In November 2009, the Company invested and established the "HsinKuang Alga Engineering Co., Ltd." to achieve vertical integration in product supply.
20. The Company's subsidiary HsinKuang Alga Engineering Co., Ltd. collaborated with ALGA s.p.a. on earthquake protection technologies for bridges; and established the "Taiwan Tech Structural Mechanics Laboratory" in an academic-industrial collaboration with National Taiwan University of Science and Technology.
21. In May 2010, the "Galvanized Steel Cutting Center" at the Company's Guanyin Plant began operations.
22. In July 2010, the Company's Guanyin Plant, Xinwu Plant, Changbin Plant, and Kaohsiung Plant received ISO-9001:2008 certification at the same time.
23. In October 2010, the Company established the "Stainless Steel Polishing and Cutting Center".
24. In January 2011, the Company established the "Patterned Worker's Board (road coverage construction and bridge construction platform) Polishing and Cutting Center".
25. In 2016, the construction of the "Steel Product Warehouse and Logistics Center" began at the Company's Guanyin Plant. The center was completed and inaugurated in 2017.

26. In 2018, the Company began construction of the "Underwater Foundation Pile Straight Steel Tube Production Center" for the offshore wind power industry. The Center was completed and inaugurated in 2019.
27. In April 2019, Company's Guanyin Plant, Changbin Plant, and Kaohsiung Plant received ISO-9001 (2015 version), ISO-14001 (2015 version), and ISO-45001 (2018 version) at the same time.
28. In October 2019, the Company was awarded：

Organization	Award
Taiwan Institute for Sustainable Energy (TAISE)	TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Bronze Medal

29. In 2020, the Company created a "Production Center for Water Resource Connecting Foundation Pile" to support water resource-related infrastructures as part of the government's new infrastructure projects. Later in August, the Company contracted task "A3 - Welding and Production of Seamless Pipes" of the Zengwen-Nanhua Connecting Pipeline Turnkey Project A3 from Southern Region Water Resources Office.
30. In October 2020, the Company was awarded：

Organization	Award
Taiwan Institute for Sustainable Energy (TAISE)	TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Silver Medal

31. In October 2021, the Company was awarded：

Organization	Award
Taiwan Institute for Sustainable Energy (TAISE)	TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Gold Medal TCSA Corporate Sustainability Awards - Excellent Award

32. In November 2021, HsinKuang Steel Tian-Cheng Charity Foundation and New Taipei City Private Hui Jung Welfare and Charity Foundation held a joint awarding event for the "Elite Student Scholarship", and a total of 58 young students were awarded. Since 2019 , the company has encouraged young students to persevere and build their dreams, and has awarded more than NT$16 million in scholarships.

C. Corporate Governance Report

I. Overview

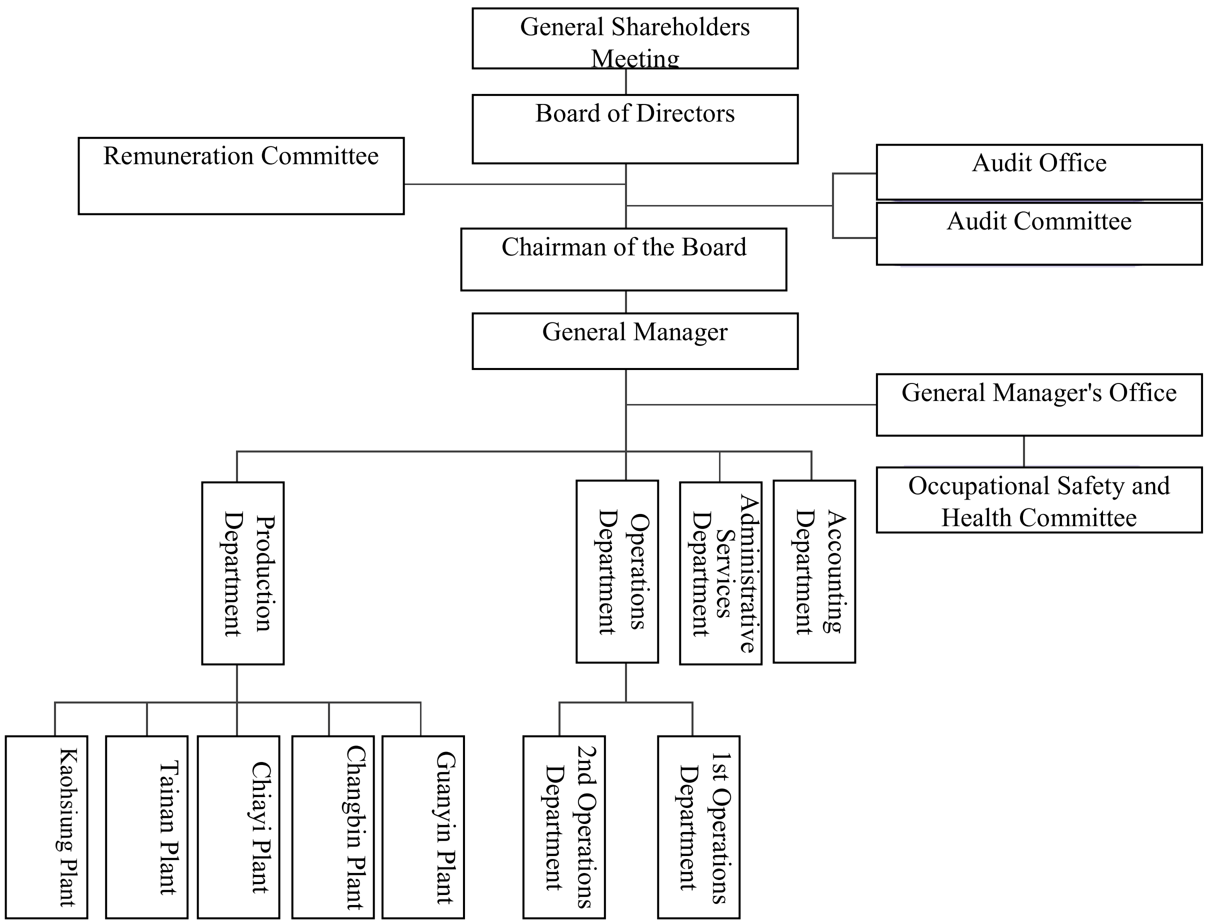
The Company upholds operational transparency and cares about shareholders' interests. We also believe that a sound and efficient Board of Directors is an underlying requirement for optimal corporate governance. Under this principle, the Audit Committee and Remuneration Committee established with the authorization of the Company's Board of Directors assist the Board of Directors in the performance of their supervisory duties. The Charters of the Committees have been approved by the Board of Directors and the Chairman of each Committee periodically reports their activities and resolutions to the Board.

Corporate Governance Awards Received in 2021

Organization	Award
Taiwan Institute for Sustainable Energy (TAISE)	TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Gold Medal TCSA Corporate Sustainability Awards - Excellent Award

II. Organization

(I) Organization Structure



(II) Organization Structure and Businesses of Main Departments

Department	Main Duties
Operations Department	1. Market development and sales for steel plates. 2. Market development and sales for special steel plates. 3. Market development and sales for steel sections. 4. Market development and sales for steel coils. 5. Market development and sales for stainless steel products. 6. Market development and sales for steel structure components. 7. Market development and sales for patterned worker's board (road coverage construction and bridge construction platform). 8. Market development and sales for solar power support. 9. Market development and sales for channel pile steel pipes. 10.Market development, leasing, and sales for industrial plants. 11.Market development and sales for export trades. 12. Source development and procurement of domestic and foreign raw materials. 13. Customer returns, complaints, and other services. 14. Payment collection and processing accounts receivable. 15. Customer credit management. 16. Other related sales and procurement operations.
Production Department	1. Storage, management, cutting, processing, and shipping of steel plates. 2. Storage, management, cutting, processing, and shipping of steel coils (including galvanized steel coils) and special steel plates. 3. Storage, management, cutting, processing, and shipping of stainless steel products. 4. Storage, management, cutting, processing, and shipping of round steel bars. 5. Storage, management, cutting, processing, and shipping of steel sections. 6. Storage, management, cutting, processing, and shipping of steel structure components. 7. Storage, management, cutting, processing, and shipping of patterned worker's board (road coverage construction and bridge construction platform). 8. Storage, management, cutting, processing, and shipping of solar power support modules. 9. Storage, management, cutting, processing, and shipping of channel pile steel pipes.

Department	Main Duties
	10.Construction management, leasing, and sale of industrial plants. 11.Transportation management and vehicle dispatch. 12.Production cost information collection and control. 13.Inventory. 14.Industrial safety and health. 15.Equipment maintenance and repairs. 16.Coordination between production and sales. 17.Other related production operations.
Administrative Services Department	1. Responsible for integrated management and planning of the company's human resources and development of relevant systems (including personnel, recruitment, appointment, promotion, attendance, assessment, salary, education and training, welfare, retirement, departure and other operations). 2. Plan and implement health examination, health management, health promotion, and occupational disease prevention. 3. Responsible for planning and management of the company's quality management system in accordance with the requirements of international quality management system ISO 9001, as well as full implementation and continuous improvement to ensure the company's quality policies and objectives. 4. Document management and general affairs. 5. Establish fair, transparent procurement procedures to improve procurement efficiency and functionality and ensure procurement quality. 6. Procurement, management, inventory, insurance, and other operations for fixed assets. 7. Any other tasks assigned by superior officers.
Accounting Department	1. Responsible for the company's financial planning and execution, securing of long-term and short-term funds, capital utilization and management, financial risk management, land use and share management, general accounting, management accounting, tax accounting and revenue checking. 2. Formulation, revision, and implementation of finance-related regulations. 3. Preparation of reports relating to corporate budgets, accounting, taxation, revenues, and business performance; and research on accounting related matters.

Department	Main Duties
	4. Responsible for the strategic planning and implementation of corporate governance (including corporate social responsibility and risk management, etc.) and important projects, and integration and follow-up analysis of business performance, project management, and business cost benefits. 5. Build internal and external stakeholders communication channels to communicate accurate corporate messages; plan and implement major ceremonies and charity events. 6. Review company contracts, establish and promote legal compliance system, and provide counseling on matters relating to any business operations. 7. Responsible for the planning, development, operation, and maintenance of the company's overall information system, including formulation of information development strategies, planning of information system architecture, evaluation, adoption, and launching of application systems, maintenance and operation of computer room host equipment, and execution of various information management procedures. 8. Dividend distribution, shareholder services, and other operations. 9. Provide shareholder information and legal declarations, announce the shareholding status of Directors and Supervisors, and other operations. 10. Any other tasks assigned by superior officers.
General Manager's Office	1. Mid to long-term business development plans. 2. Annual Business Plan adjustment and compilation. 3. Corporate business environment analysis and strategy formulation. 4. Formulation of overall operation targets. 5. Related affairs for advancing the management of objectives. 6. Maintain records and keep track of production and sales coordination meetings, personnel evaluation meetings, management meetings, management of objectives, and items assigned by the General Manager. 7. Instruct executive management and strategic committee members. 8. Instruct Occupational Safety and Health Committee to promote matters relevant to operational safety, workplace health and safety, and safety and health management, and guide relevant departments in establishment and implementation of occupational safety audit procedures and in implementation of occupational safety and health audits to ensure the effective operation and continuous improvement of various operating procedures. 9. Other project research and assigned tasks.

Department	Main Duties
Audit Office	1. Plan and implement annual audit plans and produce audit reports in accordance with the company's "Internal Auditing Standards" and relevant legal regulations. 2. Implement project audits as instructed by the Board of Directors or person authorized by the board. 3. Formulate and execute a written audit system. 4. Other related auditing operations.

III. Information of the Directors, General Manager, Vice General Manager, Assistant Vice Presidents, and the managers of various departments and branch offices

(I) Director Information

Organization of the Board of Directors

The current nine members of the Company's Board of Directors have extensive experience in company operations or expertise in the steel materials industry. The Company relies on their extensive professional knowledge, personal insight and business judgments.

1. Director

April 30, 2022

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company (Note 3)	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Representative of Han De Investment Co., Ltd.: Alexander M.T. Su	Representative: 66-70	2020.6.11	3 years	2008.6.13	21,055,276	6.85%	24,700,276	7.69%	17,391,487	5.42%	–	–	Executive Management Course, Center for Public and Business Administration Education, National Chengchi University Chairman and General Manager of HsinKuang Steel Co., Ltd. Executive Director of Taiwan Steel & Iron Industries Association Recipient of the 2021 Representative of a Benevolent Person - Eight Virtues Award	Chairman of: Hsin Yuan Investment Co., Ltd. Hsin Ho Fa Metal Co., Ltd. APEX Wind Power Equipment Manufacturing Co. Ltd. B.V.I. Sinpao Investment Co., Ltd. Han De Investment Co., Ltd. Hui Jung Investment Co., Ltd. Hsin Ching International Co., Ltd. Hsin Cheng Logistics Development Co., Ltd. Mason Metal Industry Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Director of: Cheng Yu Investment Co., Ltd. Hsin Wei Solar Co., Ltd. Century Iron and Steel Industrial Co., Ltd. HsinKuang Steel Tian-Cheng Charity Foundation Century International Construction Ltd. Myanmar Century Steel Structure Ltd. Supervisor of: Ching Shun Hardware Co., Ltd.	Director	Johnathon Y.J. Su	Father-son	Refer to description in Note 5

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company (Note 3)	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Representative of Trickle Co., Ltd.: Trickle T.C. Chang	Representative: 86-90	2020.6.11	3 years	1985.4.28	14,662,469	4.77%	14,662,469	4.57%	5,228,283	1.63%	—	—	Primary Agricultural School (predecessor of Mu Zha Junior High School) Chairman of Trickle Co., Ltd.	Chairman of: Shin Fa Steel Mfg. Co., Ltd. Shin Shin Fa Investment Co., Ltd. Thai Shin Fa Co., Ltd. Chang Investment Ltd. HsinKuang Steel Tian-Cheng Charity Foundation Director of: Taiwan Chinsan Electronics Industrial Co., Ltd. Taiwan Steel Tower Co., Ltd. An Gang Metal Co., Ltd. Taipei City An Ho Social Welfare and Charity Foundation	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company (Note 3)	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
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Director	Republic of China	Ming-Shan Jheng	Male 61-65	2020.6.11	3 years	1990.7.8	1,812,999	0.59%	1,812,999	0.57%	1,959	—	—	—	Junior high school Director and Vice General Manager of 2nd Operations Department of HsinKuang Steel Co., Ltd.	Chairman of: Hsin Hua Steel Industry Co., Ltd. Director of: APEX Wind Power Equipment Manufacturing Co. Ltd. Han De Investment Co., Ltd. Hsin Ching International Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Envirolink Corporation Director of Yun-Shen Energies Recycling Tech. Co., Ltd.	None	None	None	None
Director	Republic of China	Fisher C.H. Yu	Male 56-60	2020.6.11	3 years	1999.4.8	186,242	0.06%	186,242	0.06%	—	—	—	—	EMBA, College of Management, National Chung Hsing University Director and Vice General Manager of Special Steels Department of HsinKuang Steel Co., Ltd.	Director of: Hui Jung Investment Co., Ltd. Hsin Ho Fa Metal Co., Ltd. Hsin Chi Optoelectronics Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation	None	None	None	None

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Director	Republic of China	Johnathon Y.J. Su	Male 31-35	2020.6.11	3 years	2017.6.15	7,704,930	2.51%	7,704,930	2.40%	155,000	0.05%	—	—	Master of Science, University of London Birkbeck Director and Assistant Vice General Manager of Operations Department of HsinKuang Steel Co., Ltd.	Chairman of Cheng Yu Investment Co., Ltd. Director of Han De Investment Co., Ltd. Director of Hui Jung Investment Co., Ltd. Director of Mason Metal Industry Co., Ltd. SunnyRich Multifunction Solar Power Co., Ltd. Director of New Taipei City Private Hui Jung Welfare and Charity Foundation	Chairman/General Manager	Alexander M.T. Su	Father-son	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company (Note 3)	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
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Director	Republic of China	Shih-yang Chen	Male 66-70	2020.6.11	3 years	2017.6.15	10,193	0.00%	10,193	0.00%	10,000	0.00%	—	—	Dept. of Accounting, Soochow University CPA, Chung Sun Certified Public Accountants Taipei Office 17th Vice Chairman, Taipei CPA Association Chairman, Tax Regulations Committee, National Federation of CPA Associations of the R.O.C. Deputy Chief Editor, Angle Review of Finance and Taxation Practices	Director of: Taiwan Chinsan Electronics Industrial Co., Ltd. Trickle Co., Ltd. Smartax Consulting Inc. Supervisor of: Pai Lung Machinery Mill Co., Ltd. Pihsiang Electric Vehicle Mfg. Co., Ltd. Pihsiang Energy Technology Co., Ltd. Pihsiang Machinery Manufacturing Co., Ltd. Pihsiang Homecare Co., Ltd.	None	None	None	None

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Directors	Republic of China	Winston Won	Male 71-75	2020.6.11	3 years	2017.6.15	—	—	—	—	—	—	—	—	EMBA, College of Management, National Taiwan University Certified Public Accountant of the Republic of China CPA and Director at Deloitte &Touche Chairman of Ofuna Technology Co., Ltd.	Chairman of: Ofuna Technology Co., Ltd. Shao Rui Development Co., Ltd. Director of: Independent Director of: Hold-Key Electric Wire & Cable Co., Ltd. Taiwan Name Plate Co., Ltd.	None	None	None	None

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Directors	Republic of China	Po-Young Chu	Male 66-70	2020.6.11	3 years	2017.6.15	—	—	—	—	—	—	—	—	Ph.D. in Business Administration, Purdue University Professor, Republic of China Professor, Department of Management Science, National Chiao Tung University Dean of Aspire Academy Research Fellow, Chinese Society for Management of Technology Founder, Executive Master of Business Administration, National Chiao Tung University Founder, Venture and Innovation Program (VIP Program), National Chiao Tung University Honorary Top 10 EMBA Teachers in Taiwan in survey conducted by Cheers Magazine	Adjunct Professor, Department of Management Science, National Chiao Tung University Chairman of: Mid Sun Light Technology Co., Ltd. Director of: Union Winner International Co., Ltd. (Cayman Islands) Independent Director of: Shin Foong Specialty And Applied Materials Co., Ltd. Polytronics Technology Corp. E Ink Holdings Inc.	None	None	None	None

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Independent Directors	Republic of China	Paul T.Y. Huang	Male 71-75	2020.6.11	3 years	2017.6.15	—	—	—	—	—	—	—	—	BA in Business Administration, National Chengchi University Honorary Consultant, Chung Hung Steel Corporation Consultant, WalsinLihwa Corporation Chairman of Chung Hung Steel Corporation Chairman of China Steel Global Trading Corporation Assistant Vice President of Commercial Division, China Steel Corporation Director, Taiwan Steel & Iron Industries Association	—	None	None	None	None

Note 1: The names and representatives of corporate shareholders shall be listed separately (those who represent corporate shareholders should indicate corporate names) and filled out in Table 1 below.
Note 2: Actual age shall be indicated in intervals, such as 41-50 years, 51-60 years.
Note 3: Any and all hiatuses should be indicated when filling in the time when individuals first served as the Company's Director or Supervisor.
Note 4: Experience related to the current position. If the individual had served in the certifying CPA firm or an affiliated enterprise in the aforementioned period, the position and job functions shall be described.
Note 5: Where the Chairman, General Manager, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).
Description: The Company appoints the same person as Chairman and General Manager to ensure that the decisions of the Board of Directors can be directly implemented. The Board of Directors currently includes 3 Independent Directors and two other Directors who do not serve concurrently as employees or managing directors. They account for more than half of all Directors.

2. Major Shareholders of Corporate Shareholders

(1). Major Shareholders of Corporate Shareholders

April 30, 2022

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Han De Investment Co., Ltd.	Alexander M.T. Su holds 25% Johnathon Y.J. Su holds 74%
Trickle Co., Ltd.	Trickle T.C. Chang holds 61.16% Ya-Chi Wei holds 15.00% Tai-Tou Chang holds 11.49%

Note 1: If Directors and Supervisors are the representatives of corporate shareholders, the names of the corporate shareholders shall be disclosed.

Note 2: Fill in the names of main shareholders of the corporate shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio. If the major shareholders are corporate shareholders, fill in Table (2) below.

(2). Major shareholders of major corporate shareholders of corporate shareholders

April 30, 2022

Name of Institution (Note 1)	Major shareholders of institution (Note 2)
None	None

Note 1: If the major shareholders in the above Table (1) are corporate shareholders, the name of the corporate shareholder shall be disclosed.

Note 2: Fill in the names of main shareholders of the institution (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio.

Disclosure of Information Regarding the Professional Qualifications of Directors and Independent Directors and the Independence of Independent Directors:

None of the directors has been in any circumstances stated in Article 30 of the Company Act (Note 1). Other status of independence is detailed below:

Criteria / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Alexander M.T. Su	Education and Professional Qualification: Executive Management Course, Center for Public and Business Administration Education, National Chengchi University Recipient of the 2021 Representative of a Benevolent Person - Eight Virtues Award Experience: Chairman and General Manager of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Executive Director of Taiwan Steel & Iron Industries Association Founder and Board Chairman of New Taipei City Private Hui Jung Welfare and Charity Foundation Director of HsinKuang Steel Tian-Cheng Charity Foundation	—	0
Trickle T.C. Chang	Education and Professional Qualification: Primary Agricultural School (predecessor of Mu Zha Junior High School) Experience: Chairman of Trickle Co., Ltd. Director of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Founder and Board Chairman of HsinKuang Steel Tian-Cheng Charity Foundation Director of Taipei City An Ho Social Welfare and Charity Foundation	—	0
Ming-Shan Jheng	Education and Professional Qualification: Junior high school Experience: Director and Vice General Manager of 2nd Operations Department of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Director of New Taipei City Private Hui Jung Welfare and Charity Foundation	—	0
Fisher C.H. Yu	Education and Professional Qualification: EMBA, College of Management, National Chung Hsing University Experience: Director and Vice General Manager of Special Steels Department of HsinKuang Steel Co., Ltd.	—	0

Criteria / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Johnathon Y.J. Su	Education and Professional Qualification: Master of Science, University of London Birkbeck Experience: Director and Assistant Vice General Manager of Operations Department of HsinKuang Steel Co., Ltd.	—	0
Shih-yang Chen	Education and Professional Qualification: BA, Accounting Department, Soochow University Certified Public Accountant of the Republic of China Professional Experience: CPA, Chung Sun Certified Public Accountants Taipei Office 17th Vice Chairman, Taipei CPA Association Chairman, Tax Regulations Committee, National Federation of CPA Associations of the R.O.C. Deputy Chief Editor, Angle Review of Finance and Taxation Practices Positions Currently Held in Non-Profit Organization: Director of HsinKuang Steel Tian-Cheng Charity Foundation	—	0
Winston Won	Education and Professional Qualification: Bachelor of Economics, Department of Economics, National Taiwan University EMBA, College of Management, National Taiwan University Certified Public Accountant of the Republic of China Professional Experience: CPA and Director at Deloitte &Touche Experience: Chief Operating Officer of Dar Harng Industry Co., Ltd. Chairman of Ofuna Technology Co., Ltd. Chairman of Ofuna Develop Technology Co., Ltd. Chairman of Shao Rui Development Co., Ltd. Supervisor of Oenix Biomed Co., Ltd. Remuneration Committee Member of HsinKuang Steel Co., Ltd. Independent Director and Chair of the Audit Committee and Remuneration Committee of HsinKuang Steel Co., Ltd. Independent Director and Audit Committee Member of Hold-Key Electric Wire & Cable Co., Ltd. Independent Director and Chair of the Audit Committee and Remuneration Committee of Taiwan Name Plate Co., Ltd. Remuneration Committee Member of Young Fast Optoelectronics Co., Ltd. Remuneration Committee Member of Max Zipper Co., Ltd.	Meet the independence requirements stated in Note 2 below.	2

Name \ Criteria	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Po-Young Chu	Education and Professional Qualification: Ph.D. in Business Administration, Purdue University Professor, Republic of China Research Fellow, Chinese Society for Management of Technology Founder, Executive Master of Business Administration, National Chiao Tung University Founder, Venture and Innovation Program (VIP Program), National Chiao Tung University Honorary Top 10 EMBA Teachers in Taiwan in survey conducted by Cheers Magazine 2012 Outstanding Teaching Award, National Yang Ming Chiao Tung University 1987 Doctoral Dissertation Award, Western Decision Sciences Institute (WDSI) Havard Business School：Program on the Case Method and Participant-Centered Learning Babson College：Teaching Entrepreneurial Thought and Action Professional Experience: Professor, Department of Management Science, National Chiao Tung University Dean of Aspire Academy Consultant of Chung-Hua Institution for Economic Research Consultant of Information and Communications Technology, Industrial Technology Research Institute Consultant of Optoelectronics, Industrial Technology Research Institute Consultant of Mechanics, Industrial Technology Research Institute – Project Involvement: A Comparative Study of the Competitive and Collaborative Strategies of Taiwan-USA IC Industries A Case Study of Tech Industry Management Co-opetition Strategies of Personal Computer Industry Hsinchu Science Park Development Trends and Strategies Industrial Technology Research Institute (ITRI) Benefit Evaluation Model and Empirical Research Feasibility of DRAM and TFT-LCD Futures in Taiwan Branding Taiwan Does Independent Directors Matter? The Evidence From Taiwan Under the Global Financial Crisis of 2008 Determinants of Intangible Assets Valuation and Its Impact on Risk and Return of Firms: Cross-Countries, Cross-Industries Comparisons Firm Scale, Intangible Assets, and Corporate Performance Open Business Model: Empirical Case Studies of Taiwanese and Foreign Firms Disruptive Innovation and Process: Comparing Taiwanese vs. Foreign Firms – Published Works Green Finance Enterprises: Creating a New Blue Ocean from IT to ET (published by Commonwealth Publishing Group in June 2012) Innovation Success (published by Linking Publishing in December 2006) A New Blue Ocean: The Success of 15 Taiwanese Firms in New Market Development (published by People's Press in April 2006)	Meet the independence requirements stated in Note 2 below.	3

Criteria / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
	Blue Ocean Strategy: Taiwan (published by Commonwealth Publishing Group in February 2006) Business Growth Strategies for Asia Pacific (published by CITIC Press in 2005) Business Growth for Asia Pacific (published by CommonWealth Magazine in September 2005) Business Growth Strategies for Asia Pacific(John Wiley&Sons Inc., 2005.4) Experience: Consultant, Philips Taiwan Limited Consultant, Cheng Shin Rubber Industry Co. Consultant, Yulon Motor Co., Ltd. Consultant, WalsinLihwa Corporation Independent Director, Advantech Co., Ltd. Independent Director, Pixart Imaging Inc. Independent director, IC Plus Corp Independent Director, Sunplus Technology Co., Ltd. Independent director, Chilisin Electronics Corp. Independent Director and Member of the Audit Committee and Remuneration Committee of HsinKuang Steel Co., Ltd. Independent Director and Chair of the Audit Committee and Remuneration Committee of Shin Foong Specialty and Applied Materials Co., Ltd. Independent Director and Member of Audit Committee and Remuneration Committee of Polytronics Technology Corp. Independent Director and Member of Audit Committee and Remuneration Committee of E Ink Holdings Inc.		
Paul T.Y. Huang	Education and Professional Qualification: BA in Business Administration, National Chengchi University Experience: Chairman of Chung Hung Steel Corporation Chairman of China Steel Global Trading Corporation Vice President of Commercial Division, China Steel Corporation Assistant Vice President of Commercial Division, China Steel Corporation Director/CEO of CSC Steel Sdn. Bhd. President of China Steel Global Trading Corporation Assistant Vice President of Commercial Division, China Steel Corporation Director, Taiwan Steel & Iron Industries Association Honorary Consultant, Chung Hung Steel Corporation Consultant, WalsinLihwa Corporation	Meet the independence requirements stated in Note 2 below.	0

Note 1: A person who is under any of the following circumstances shall not act in a management capacity for a company, and if so appointed, must be immediately discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;

3. Having committed the offense as specified in the Anti-Corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his/her rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. Having no or only limited disposing capacity; or
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.
8. Having committed the offense as specified in the Anti-Corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
9. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his/her rights and privileges;
10. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
11. Having no or only limited disposing capacity; or
12. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
2.Not serving concurrently as an independent director of more than three other public companies in total.
3. Not have been or be any of the following during the two years before being elected or during the term of office:
(1). An employee of the company or its affiliates;
(2). A director or supervisor of the company or any of its affiliates;
(3). A natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the company, or ranks the person in the top ten shareholders of the company;
(4). A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);
(5). A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act;
(6). If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company;
(7). If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution;
(8). A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; and
(9). A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee of the Company.

Diversity and Independence of the Board of Directors:

(I) Diversity of the board of directors: Describe the company's board diversity policy, objectives, and the status of implementation thereof. The diversity policy refers to matters including diversity in the composition or ratios of the board and its members in terms of the standards for election of directors, the required professional qualifications of directors, and their experience, gender, age, nationality, and culture. Furthermore, describe the company's specific objectives with regard to the above-mentioned policy, and the status of their achievement.

The members of the Company's Board of Directors are nominated via rigorous selection processes, taking into consideration not only background diversity, professional competence and experience, but also their personal reputation on ethics and leadership.

Presently, the nine members of the Company's Board of Directors come from diverse backgrounds, including professional backgrounds in industries, academia, and accounting. They are all citizens of Taiwan with experiences in managing industry-leading companies. Three out of the nine Directors are Independent Directors, constituting 33% of the Board.

According to the laws of the R.O.C., the members of the Audit Committee shall consist of all Independent Directors. The Company's Audit Committee satisfies this statutory requirement. The Audit Committee also engaged a financial expert consultant in accordance with the rules of the R.O.C. Financial Supervisory Commission. The Audit Committee annually conducts self-evaluation to assessthe Committee's performance and discuss issues that require specialattention in the future.

The Audit Committee is empowered by its Charter to conduct any review or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the company's internal auditors, Certifying CPA, and all employees of the Company. The Committee is authorized to retain and oversee legal, accounting, or other consultants to fulfill its mandate. The Audit Committee Charter is available on the Company's corporatewebsite.

(II) Independence of the board of directors: Specify the number of independent directors on the board and their ratio to the total number of directors. Describe the status of independence of the board of directors and give a statement of reasons as to whether the provisions of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act are complied with, including a description of any spousal relationship or familial relationship within the second degree of kinship that may exist between any directors, between any supervisors, or between any director(s) and supervisor(s).

There is no marital or is within the second degree of kinship relationship between or among seven of the Directors. As such, the Company's Board of Directors carries independence.

(II) Information of General Manager, Vice General Manager, Assistant Vice Presidents, and Managers of Various Departments and Branch Offices

April 30, 2022

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
General Manager	Republic of China	Alexander M.T. Su	Male	1985 years	16,435,719	5.12%	1,115,768	0.35%	—	—	Executive Management Course, Center for Public and Business Administration Education, National Chengchi University Chairman and General Manager of HsinKuang Steel Co., Ltd. Executive Director of Taiwan Steel & Iron Industries Association Representative of a Benevolent Person - Eight Virtues Award	Chairman of: — HsinKuang Steel Co., Ltd. — Hsin Yuan Investment Co., Ltd. — Hsin Ho Fa Metal Co., Ltd. — APEX Wind Power Equipment Manufacturing Co. Ltd. — B.V.I. Sinpao Investment Co., Ltd. — Han De Investment Co., Ltd. — Hui Jung Investment Co., Ltd. — Hsin Ching International Co., Ltd. — Hsin Cheng Logistics Development Co., Ltd. — Mason Metal Industry Co., Ltd. — New Taipei City Private Hui Jung Welfare and Charity Foundation Director of: — Hsin Wei Solar Co., Ltd. — Century Iron and Steel Industrial Co., Ltd. — Cheng Yu Investment Co., Ltd. — HsinKuang Steel Tian-Cheng Charity Foundation — Century International Construction Ltd. — Myanmar Century Steel Structure Ltd. Supervisor of: — Ching Shun Hardware Co., Ltd.	Assistant Vice President of Operations	Johnathon Y.J. Su	Father-son	Description in Note 3

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of Operations	Republic of China	Johnathon Y.J. Su	Male	2016 years	7,704,930	2.40%	155,000	0.05%	—	—	Master of Science, University of London Birkbeck Director and Assistant Vice General Manager of Operations Department of HsinKuang Steel Co., Ltd.	Chairman of Cheng Yu Investment Co., Ltd. Director of HsinKuang Steel Co., Ltd. Director of Han De Investment Co., Ltd. Director of Hui Jung Investment Co., Ltd. Director of Mason Metal Industry Co., Ltd. Director of SunnyRich Multifunction Solar Power Co., Ltd. Director of New Taipei City Private Hui Jung Welfare and Charity Foundation	General Manager	Alexander M.T. Su	Father-son	None
Vice General Manager of Administration	Republic of China	Daniel Z.L. Xu	Male	1995 years	572,660	0.18%	—	—	—	—	Bachelor's degree Administrative Vice General Manager and spokesperson of HsinKuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. Hsin Ho Fa Metal Co., Ltd.	None	None	None	None
Vice General Manager of Operations	Republic of China	Ming-Shan Jheng	Male	2006 years	1,812,999	0.56%	1,959	—	—	—	Junior high school Director and Vice General Manager of 2nd Operations Department of HsinKuang Steel Co., Ltd.	Chairman of: Hsin Hua Steel Industry Co., Ltd. Director of: HsinKuang Steel Co., Ltd. APEX Wind Power Equipment Manufacturing Co. Ltd. Han De Investment Co., Ltd. Hsin Ching International Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Envirolink Corporation Director of Yun-Shen Energies Recycling Tech. Co., Ltd.	None	None	None	None
Vice General Manager of Special Steel Operations	Republic of China	Fisher C.H. Yu	Male	2014 years	186,242	0.06%	—	—	—	—	EMBA, College of Management, National Chung Hsing University Director and Vice General Manager of Special Steels Department of HsinKuang Steel Co., Ltd.	Director of: HsinKuang Steel Co., Ltd. Hui Jung Investment Co., Ltd. Hsin Chi Optoelectronics Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Vice General Manager, 2nd Operations Department	Republic of China	Teng-Kui Kao	Male	2014 years	–	–	–	–	–	–	Junior high school Vice General Manager of Project Engineering and acting spokesperson of HsinKuang Steel Co., Ltd.	Chairman of: Hsin Yuan Hsin Industry Co., Ltd. Director of: Hsin Ho Fa Metal Co., Ltd. Supervisor of: Hsin Yuan Investment Co., Ltd.	None	None	None	None
Vice General Manager of Finance and Accounting	Republic of China	Jessica P.H. Liu	Female	2014 years	629,575	0.20%	–	–	–	–	Bachelor's degree CFO of HsinKuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. Hsin Ching International Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Supervisor of: Mason Metal Industry Co., Ltd. Hsin Chi Optoelectronics Co., Ltd. Envirolink Corporation APEX Wind Power Equipment Manufacturing Co. Ltd. Ta Chang Tsuo Industrials Co., Ltd.	None	None	None	None
Vice President of Finance	Republic of China	Lisa H.C. Chien	Female	2014 years	191,497	0.06%	–	–	–	–	Bachelor's degree Vice President of Finance of HsinKuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. Supervisor of: Hsin Ching International Co., Ltd. Hsin Wei Solar Co., Ltd.	None	None	None	None
Assistant Vice President of Accounting	Republic of China	Daisy Y.H. Chen	Female	2019 years	–	–	–	–	–	–	Bachelor's degree Director at Deloitte &Touche Assistant Vice President of Auditing of HsinKuang Steel Co., Ltd.	None	None	None	None	None
Assistant Vice President of International Trade	Republic of China	Frank C.C. Huang	Male	2014 years	53,038	0.02%	–	–	–	–	Master's degree Assistant Vice President of Auditing of HsinKuang Steel Co., Ltd. General Manager of APEX Wind Power Equipment Manufacturing Co., Ltd.	APEX Wind Power Equipment Manufacturing Co., Ltd. Director and General Manager of the Company Director of Taiwan Sheng Tsai Industrial Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of the Taipei Office	Republic of China	Kuo-San Yang	Male	2014 years	-	-	—	—	—	—	Bachelors degree Assistant Vice President of Ist Operations Department of HsinKuang Steel Co., Ltd.	Director of: Mason Metal Industry Co., Ltd.	None	None	None	None
Assistant Vice President of the Taipei Office	Republic of China	Wen-Chieh Lo	Male	2017 years	1,245,972	0.39%	—	—	—	—	Senior High School Assistant Vice President of Ist Operations Department of HsinKuang Steel Co., Ltd.	None	None	None	None	None
Assistant Vice President of Special Steel Operations	Republic of China	Sung-Ru Yang	Male	2021 years	58,344	0.02%					Master's degree Assistant Vice President of Special Steel Operations at HsinKuang Steel Co., Ltd.	None	None	None	None	None
Guanyin Plant Director	Republic of China	Ri-Shi Ye	Male	2019 years	-	-	—	—	—	—	Bachelor's degree Guanyin Plant Director, HsinKuang Steel Co., Ltd.	None	None	None	None	None
Changbin Plant Director	Republic of China	Ming-Cun Yuan	Male	2020 years	—	—	—	—	—	—	Senior High School Acting Changbin Plant Director, Hsin Kuang Steel Co., Ltd.	None	None	None	None	None
Kaohsiung Plant Director	Republic of China	Zhi-Cheng Kao	Male	2010 years	15,000	-	—	—	—	—	Senior High School Kaohsiung Plant Director, HsinKuang Steel Co., Ltd.	None	None	None	None	None

Note 1: This table should include Information of the General Manager, vice general managers, assistant vice presidents, and managers of various departments and branch offices as well as disclose information of those with equivalent positions of the General Manager, vice general managers, and assistant vice presidents regardless of job title.

Note 2: Experience related to the current position. If the individual had served in the certifying CPA firm or an affiliated enterprise in the aforementioned period, the position and job functions shall be described.

Note 3: Where the Chairman, General Manager, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

Description: The Company appoints the same person as Chairman and General Manager to ensure that the decisions of the Board of Directors can be directly implemented. The Board of Directors currently includes 3 Independent Directors and two other Directors who do not serve concurrently as employees or managing directors. They account for more than half of all Directors.

IV. Remunerations to Directors (including Independent Directors), Supervisors, General Manager, and Vice General Manager in the most recent year

(I) Remuneration Paid to Directors and Independent Directors

December 31, 2021; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration of Directors</th><th colspan="2" rowspan="2">Ratio of total compensation (A+B+C+D) to net income (Note 10)</th><th colspan="8">Remuneration Paid to Concurrent Employees</th><th colspan="2" rowspan="2">Percentage of the total sums of A, B, C, D, E, F, and G on the net profit (Note 10)</th><th rowspan="4">Remuneration received from investee companies other than subsidiaries or the parent company (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Severance pay and pension (B)</th><th colspan="2">Director's remuneration (C) (Note 3)</th><th colspan="2">Fees for conducting business (D) (Note 4)</th><th colspan="2">Salary, bonuses and allowances (E) (Note 5)</th><th colspan="2">Severance pay and pension (F)</th><th colspan="4">Employees remuneration (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 7)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th></tr>
<tr><th>Cash amount</th><th>Stock amount</th><th>Cash amount</th><th>Stock amount</th></tr>
<tr><td>Chairman of the Board</td><td>Alexander M.T. Su</td><td rowspan="11">876</td><td rowspan="11">876</td><td rowspan="11">-</td><td rowspan="11">-</td><td rowspan="11">68,261</td><td rowspan="11">71,301</td><td rowspan="11">2,986</td><td rowspan="11">3,126</td><td rowspan="11">2.65%</td><td rowspan="11">2.77%</td><td rowspan="11">10,971</td><td rowspan="11">11,131</td><td rowspan="11">-</td><td rowspan="11">-</td><td rowspan="11">10,805</td><td rowspan="11">-</td><td rowspan="11">12,745</td><td rowspan="11">-</td><td rowspan="11">3.45%</td><td rowspan="11">3.65%</td><td>None</td></tr>
<tr><td>Corporate Director</td><td>Han De Investment Co., Ltd.</td><td>None</td></tr>
<tr><td rowspan="2">Corporate Director</td><td>Trickle Co., Ltd.</td><td>None</td></tr>
<tr><td>Trickle T.C. Chang</td><td>None</td></tr>
<tr><td>Director</td><td>Ming-Shan Jheng</td><td>None</td></tr>
<tr><td>Director</td><td>Fisher C.H. Yu</td><td>None</td></tr>
<tr><td>Director</td><td>Johnathon Y.J. Su</td><td>None</td></tr>
<tr><td>Director</td><td>Shih-yang Chen</td><td>None</td></tr>
<tr><td>Independent Directors</td><td>Winston Won</td><td>None</td></tr>
<tr><td>Independent Directors</td><td>Po-Young Chu</td><td>None</td></tr>
<tr><td>Independent Directors</td><td>Paul T.Y. Huang</td><td>None</td></tr>
<tr><td colspan="23">1.Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment:
(1).According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration for the Chairman and Directors, taking into account the extent and value of thecontribution to the management of the Company and the standards of the industry within the R.O.C.
(2).The Articles of Incorporation also specifies that the Company shall appropriate no more than 3% of profits as director remuneration. The payment of the remuneration for directors shall be based on the individuals' participation in Company's operations and the value of their contributions and it shall be processed in accordance with the Company's "Directors, Supervisors, and Managers Remuneration Policy".
2.Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the company: Total remuneration paid to the directors from the Company and from all companies in the financial report in 2021 (including their employee compensation) was NT$88,048 thousand, which accounted for 3.65% of the 2021 after-tax profit.</td></tr>
</table>

*Please list related information on Directors (general Directors who are not Independent Directors) and Independent Directors separately.

Remuneration Range Table

Remuneration Range Paid to Directors of the Company	Name of Director			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the financial report (Note 9) H	The Company (Note 8)	All companies in the financial report (Note 9) I
Less than NT$2,000,000	Alexander M.T. Su, Trickle T.C. Chang	Trickle T.C. Chang	Trickle T.C. Chang	Trickle T.C. Chang
NT$2,000,000 (inclusive) to NT$5,000,000	Winston Won, Po-Young Chu, Paul T.Y. Huang, Shih-yang Chen	Alexander M.T. Su, Winston Won, Po-Young Chu, Paul T.Y. Huang, Shih-yang Chen	Winston Won, Po-Young Chu, Paul T.Y. Huang, Shih-yang Chen	Winston Won, Po-Young Chu, Paul T.Y. Huang, Shih-yang Chen
NT$5,000,000 (inclusive) to NT$10,000,000	Trickle Co., Ltd., Fisher C.H.Yu, Johnathon Y.J. Su	Trickle Co., Ltd., Fisher C.H.Yu, Johnathon Y.J. Su	Alexander M.T.Su, Trickle Co., Ltd.	Trickle Co., Ltd.
NT$10,000,000 (inclusive) to NT$15,000,000	Ming-Shan Jheng	Ming-Shan Jheng	Fisher C.H.Yu, Johnathon Y.J.Su	Alexander M.T.Su, Fisher C.H.Yu, Johnathon Y.J.Su
NT$15,000,000 (inclusive) to NT$30,000,000	Han De Investment Co., Ltd.	Han De Investment Co., Ltd.	Han De Investment Co., Ltd., Ming-shan,Jheng	Han De Investment Co., Ltd., Ming-shan,Jheng
NT$30,000,000 (inclusive) to NT$50,000,000				
NT$50,000,000 (inclusive) to NT$100,000,000				
Over NT$100,000,000				
Total	9	9	9	9

Note 1: The names of the Directors must be listed separately (for institutional shareholders, the names of institutional shareholders and representatives should be listed separately) and the various payment amounts using the summary disclosure method for general Directors and Independent Directors. This table and the General Manager and Vice General Manager Remuneration Range Table shall be filled if a Director serves concurrently as General Manager or Vice General Manager.

Note 2: Remuneration of the Director for the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 3: The amount is the proposed remuneration to directors approved by the Board of Directors for the most recent fiscal year.

Note 4: Refers to the business expenses of Directors in the past year (including transportation allowance, special allowance, stipends, dormitories, and cars). If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note.

Note 5: All pays to the director who is also employee of the Company (including the position of General Manager, Vice General Manager, other manager and staff), including salary, additional pay, pension, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 6: For directors concurrently serving as employees (including general manager, vice general managers, other managers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in the General Manager and Vice General Manager Remuneration Range Table.

Note 7: The total pay to the director from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 8: The name of each director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the director by the Company.

Note 9: The total amount of all the remuneration paid to each director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each director shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 10: Net profit after tax refers to the net profit after tax in the parent company's individual financial report in the most recent year.

Note 11:a.The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's Directors shall be stated clearly in this column (please specify "none" if there is no remuneration).

b.If a Director of the Company receives remuneration from investee companies other than subsidiaries or the parent company, the amount of remuneration received by the director from investee companies other than subsidiaries or the parent company shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "Parent Company and All Investee Companies".

c.Remuneration refer to the payment, compensation (including compensation of employees, directors and supervisors) and business expenses received by the Director serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries

＊The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(II) Remunerations to President and Vice President

December 31, 2021; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Severance pay and pension (B)</th><th colspan="2">Bonuses and allowances, etc. (C) (Note 3)</th><th colspan="4">Employee remuneration (D) (Note 4)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)</th><th rowspan="3">Remuneration received from investee companies other than subsidiaries or the parent company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th></tr>
<tr><th>Cash bonus</th><th>Stock bonus</th><th>Cash bonus</th><th>Stock bonus</th></tr>
<tr><td>General Manager</td><td>Alexander M.T. Su</td><td rowspan="7">18,030</td><td rowspan="7">18,218</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">16,219</td><td rowspan="7">-</td><td rowspan="7">19,309</td><td rowspan="7">-</td><td rowspan="7">1.26%</td><td rowspan="7">1.38%</td><td rowspan="7">None</td></tr>
<tr><td>Vice General Manager</td><td>Daniel Z.L. Xu</td></tr>
<tr><td>Vice General Manager</td><td>Ming-Shan Jheng</td></tr>
<tr><td>Vice General Manager</td><td>Jessica P.H. Liu</td></tr>
<tr><td>Vice General Manager</td><td>Fisher C.H. Yu</td></tr>
<tr><td>Vice General Manager</td><td>Teng-Kui Kao</td></tr>
<tr><td>Vice General Manager</td><td>Lisa H.C. Chien</td></tr>
</table>

Note 1: Policies, standards, and packages for payment of remuneration for managers, procedures, and its linkage to business performance and future risk exposure:
The remuneration paid to the Company's General Manager and Vice General Managers shall be proposed by the Chairman based on their roles, positions, participation in operations, value of contribution, the Company's performance in the current year, and consideration for the Company's future risks. The proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval. The remuneration paid to other managers

shall be proposed by the General Manager and the proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval.

Note 2: Lisa H.C. Chien was promoted to Vice General Manager, effective March 1, 2021. The amount did not include compensation for the period before their promotion.

Note 3: Total remuneration paid to managers from the Company in 2021 accounted for 1.26% of 2021 net profit after tax. Total remuneration paid to managers from all companies in the financial statements in 2021 accounted for 1.38% of 2021 net profit after tax.

Remuneration Range Table

Range of Remuneration Paid to General Managers and Vice General Managers	Names of General Manager or Vice General Manager	
	The Company (Note 6)	All Companies in Consolidated Statements (Note 7) E
Less than NT$2,000,000		
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Ming-shanJheng, Chao-Lang Hsu, Fisher C.H.Yu Jessica P.H. Liu, Teng-Kui Kao, Lisa H.C. Chien	Chao-Lang Hsu, Fisher C.H.Yu Jessica P.H. Liu, Teng-Kui Kao, Lisa H.C. Chien
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Alexander M.T. Su	Alexander M.T. Su, Ming-Shan Jheng
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
Over NT$100,000,000		
Total	6	6

Note 1: The names of General Managers and Vice General Managers shall be listed separately and the amounts paid shall be disclosed in a summary. This table and the Directors (including Independent Directors) Remuneration Range Table shall be filled if a Director serves concurrently as General Manager or Vice General Manager.

Note 2: Salary, additional pay, and severance pay received by the General Manager and Vice General Managers in the past year.

Note 3: Bonuses, rewards, transportation allowances, special allowances, stipends, dormitories, cars and other payments received by the General Manager and Vice General Managers in the past year. If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 4: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the general manager and vice general manager in the most recent fiscal year. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in the Names of the Managers who were Distributed Employee Remuneration and the Distribution.

Note 5: The total pay to the General Manager and Vice General Managers from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 6: The names and remuneration of General Managers and Vice General Managers paid by the Company shall be disclosed in their respective remuneration range.

Note 7: The names of General Managers and Vice General Managers paid by all companies in the consolidated statements (including the Company) shall be disclosed in their respective remuneration range.

Note 8: Net profit after tax refers to the net profit after tax in the parent company's individual financial report in the most recent year.

Note 9: a.The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's General Managers and Vice General Managers shall be stated clearly in this column (please specify "none" if there is no remuneration).

b.If a General Manager or Vice General Manager of the Company received remuneration from investees other than subsidiaries of the Company or the parent company, the remuneration received by the General Manager or Vice General Manager of the Company from investees other than subsidiaries of the Company or the parent company shall be included in E column of the Remuneration Range Table and the name of the field shall be changed to "Parent Company and All Investment Companies".

c.The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the General Managers Vice General Managers serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries.

∗The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(III) Remuneration paid to top five management personnel

Title	Name	Salary(A) (Note 2)		Severance pay and pension(B)		Bonuses and allowances, etc.(C) (Note 3)		Employee remuneration(D) (Note 4)				Total remuneration (A+B+C+D) as a percentage of net income(%) (Note 6)		Remuneration received from investee companies other than subsidiaries or the parent company (Note 7)
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Gener	Alexander	14,704	14,864	-	-	-	-	13,625	-	15,865	-	1.04%	1.13%	None
Vice	Ming-Shan													
Vice	Jessica P.H.													
Vice	Fisher C.H.													
Assist	Johnathon													

Note 1: "Top five management personnel with the highest compensation" refer to the company's managerial officers, which are recognized in accordance with the scope of application of "managerial officers" in Taiwan-Finance-Securities-III-0920001301 issued by the Former Treasury Securities and Exchange Commission on March 27, 2003. "Top five management personnel with the highest compensation" is determined by the top five highest sum of salary, severance pay and pensions, bonus and allowance, and employee's compensation (i.e., sum of A+B+C+D) paid to the company's managerial officers from all consolidated entities. If the aforementioned managerial officer is also a director, it shall be indicated in this table and Table (1-1).

Note 2: The salary, bonuses, and severance pay of top five managerial officers with the highest compensation in the most recent year.

Note 3: The various bonuses, rewards, transportation allowance, special allowance, various types of allowances, accommodation, car rental expenses provided and other compensations paid to the top five managerial officers with the highest compensation in the most recent year. If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 4: The amount of employee remuneration (stock and cash) paid to the top five managerial officers with the highest compensation as proposed and resolved by the Board in the most recent year. If amount cannot be estimated, the amount to be distributed this year is calculated according to the percentage actually distributed last year, and Table 1.3 shall be completed.

Note 5: Total remuneration paid by all companies (including the Company) in the consolidated report to the top five managerial officers with the highest compensation shall be disclosed.

Note 6: Net profit after tax refers to the net profit after tax in the parent company’s individual financial report in the most recent year.

Note 7: a.Remuneration amount received by top five managerial officers with the highest compensation from non-subsidiary affiliates or the parent company (If no remuneration is received, please indicate "None").

b.Remuneration refers to compensation, remuneration (including remuneration to employees, directors and supervisors), and rewards related to business execution expenses received by the Company's top five managerial officers with the highest compensation who serve as directors, supervisors, or managerial officers of on-subsidiary affiliates or the parent company.

＊The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(IV) Names of the Managers who Distributed Employee Remuneration and the Distribution Status

December 31, 2021; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Total as a percentage of net profit after tax(%)
Manager	General Manager	Alexander M.T. Su	-	19,692	19,692	0.72%
	Vice General Manager of Administration	Daniel Z.L. Xu				
	Vice General Manager of Operations	Ming-Shan Jheng				
	Vice General Manager of Special Steel Operations	Fisher C.H. Yu				
	Vice General Manager of Operations	Teng-Kui Kao				
	Assistant Vice President of Operations	Johnathon Y.J. Su				
	Vice General Manager of Finance and Accounting	Jessica P.H. Liu				
	Vice President of Finance	Lisa H.C. Chien				
	Assistant Vice President of Accounting	Daisy Y.H. Chen				

The amount is the employee bonus (including stock bonus and cash bonus) to the managers according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting. If the proposed profit sharing and bonus cannot be estimated, the proposed distribution amount shall be calculated based on the actual amount distributed in the previous year. The value of stock bonus of a company listed whose stock is listed on the stock exchange or traded over the counter shall be calculated by the fair value in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (the closing price of the company's stock on the balance sheet date); if the company's stocks are not listed on the stock exchange or traded over the counter, it shall be calculated by the net value of profits on the closing date of the fiscal year. Net profit after tax refers to the net profit after tax in the most recent fiscal year.

Note 1: Names and titles of individuals should be disclosed, but the disclosure can be shown in aggregate profit distribution.

Note 2: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the managers in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year. Net profit after tax refers to the net profit after tax in the most recent fiscal year; for companies that have adopted IFRSs, the net profit after tax refers to the net profit after tax in the parent company's individual financial report in the most recent year.

Note 3: The applicability of managers shall following the stipulations of the Financial Supervisory Commission's Tai-Cai-Zheng-3 No. 0920001301 Letter issued on March 27, 2003 specifying the range as follows:

(1) General Manager and those with equivalent powers
(2) Vice General Managers and those with equivalent powers
(3) Assistant Vice Presidents and those with equivalent powers
(4) Supervisor of the Finance Department
(5) Supervisor of Accounting Department
(6) Other individuals with the authority of managing company affairs and signatory rights

Note 4: If the Director, General Manager, and Vice General Managers have collected employee remuneration (including stock remuneration and cash remuneration), in addition to disclosure of the remuneration, this Table shall also be filled out.

(V) Analysis of the total remuneration paid by this Company and by all consolidated entities (including this Company) for the most recent two fiscal years to the Company's Directors, General Managers, and Vice General Managers as a percentage of net profit after tax in the Individual Financial Report:

Title	Ratio of total remuneration to net profit after tax in the Individual Financial Report %			
	2020		2021	
	The Company	All Companies in Consolidated Statements	The Company	All Companies in Consolidated Statements
Remuneration to Directors	3.81%	4.49%	3.45%	3.65%
Remunerations to General Manager and Vice General Managers	2.74%	3.11%	1.26%	1.38%

(VI) Policies, standards, and packages for payment of remuneration, procedures, and their connections to business performance and future risk exposure:

(1).Policies, standards, and packages for payment of remuneration for directors, procedures, and their connections to business performance and future risk exposure:

According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration for the Chairman and Directors, taking into account the extent and value of thecontribution to the management of the Company and the standards of the industry within the R.O.C. The Articles of Incorporation also specifies that the Company shall appropriate no more than 3% of profits as director remuneration. The payment of the remuneration for directors shall be based on the individuals' participation in Company's operations and the value of their contributions and it shall be processed in accordance with the Company's "Directors, Supervisors, and Managers Remuneration Policy".

(2).Policies, standards, and packages for payment of remuneration for managers, procedures, and its linkage to business performance and future risk exposure:

The remuneration paid to the Company's General Manager and Vice General Managers shall be proposed by the Chairman based on their roles, positions, participation in operations, value of contribution, the Company's performance in the current year, and consideration for the Company's future risks. The proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval. The remuneration paid to other managers shall be proposed by the General Manager and the proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval.

V. Implementation of corporate governance

(I) Operations of the Board of Directors

The Company's Board of Directors consists of nine members from diverse backgrounds in industries, academia, accounting, etc. They have a great breadth of experience as world-class business leaders or professionals. We rely on them for their diverse knowledge, personal perspectives, and solid business judgment. Three out of the nine Directors are Independent Directors, constituting one-third of the Board.

The Company advocates and acts upon the principles of operational transparency and respect for shareholder rights. According to the laws of the R.O.C., the members of the Audit Committee shall consist of all Independent Directors. The Company's Audit Committee satisfies this statutory requirement. The Audit Committee also engaged a financial expert consultant in accordance with the rules of the R.O.C. Financial Supervisory Commission. The Audit Committee annually conducts self-evaluation to assessthe Committee's performance and discuss issues that require specialattention in the future.

The Audit Committee is empowered by its Charter to conduct any review or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the company's internal auditors, Certifying CPA, and all employees of the Company. The Committee is authorized to retain and oversee legal, accounting, or other consultants to fulfill its mandate. The Audit Committee Charter is available on the Company's corporatewebsite.

In 2021, the average attendance rate of Directors in board meetings was 98.4%. The attendance rates of members of the Audit Committee and Remuneration Committee were 100% and 100%, respectively.

Chairman Alexander M.T. Su convened a total of seven (A) meetings of the Board of Directors in 2021 and the attendance was as follows:

Title	Name (Note 1)	Attendance (Voting and Non-Voting) in Person (B)	Attendance by Proxy	Attendance Rate (%) [B/A] (Note 2)	Note
Chairman of the Board	Alexander M.T. Su	7	0	100%	
Director	Representative of Han De Investment Co., Ltd.: Alexander M.T. Su	7	0	100%	
Director	Representative of Trickle Co., Ltd.: Trickle T.C. Chang	6	0	85.7%	
Director	Ming-Shan Jheng	7	0	100%	
Director	Fisher C.H. Yu	7	0	100%	
Director	Johnathon Y.J. Su	7	0	100%	

Director	Shih-yang Chen	7	0	100%	
Independent Directors	Winston Won	7	0	100%	
Independent Directors	Po-Young Chu	7	0	100%	
Independent Directors	Paul T.Y. Huang	7	0	100%	

Other details that need to be recorded in meeting minutes:

Items specified in Article 14-3 of the Securities and Exchange Act and other items that should be recorded:

I. (I).Items specified in Article 14-3 of the Securities and Exchange Act

Date of Meeting (Term and Session)	Agenda	Opinions of all Independent Directors and the Company's handling of said opinions
March 16, 2021 (4th Session of 15th Board of Directors)	Approval of the proposal for participating in cash capital increase of the investee company.	Approved by all Independent Directors
May 12, 2021 (5th Session of 15th Board of Directors)	Approval of the proposal for participating in cash capital increase of the investee company.	Approved by all Independent Directors
November 10, 2021 (9th Session of 15th Board of Directors)	Approval of the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2022. Approval of the ratification for participating in cash capital increase of the investee company. Approval of the proposal for acquiring equity of the investee company. Approval of the ratification for acquiring land in the Fulin segment of Guanyin District in Taoyuan City.	Approved by all Independent Directors
December 21, 2021 (10th Session of 15th Board of Directors)	Approval of the Company's appointment of the CPAs Sheng-Hsiung Yao and Jui-Na Chang assigned by Deloitte Taiwan to audit the Company's 2022 Financial Report. Approval of discussion on the appointment of Daisy Y.H. Chen to be the Company's Chief Accounting Officer effective January 1, 2022.	Approved by all Independent Directors
March 16, 2022 (11th Session of 15th Board of Directors)	Approved the proposal for participating in the cash capital increase of the investee company. Approval of the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". Approval of amendments to the Endorsement and Guarantee Making Procedure.	Approved by all Independent Directors

(II).Other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting opinion, qualified opinion or major suggestion that is on record or stated in a written statement: None

II. Recusals of Independent Directors due to conflicts of interests: None.

III. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.)

(I) The Company's internal chief internal auditor periodically communicates with the Audit Committee on the results of the audit reports and the chief internal auditor also formulates the Internal Audit Report in the meeting of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2021. The Company's Audit Committee and the chief internal auditor have maintained good communications.

(II) The Company's certifying CPA reports the results of the audit or examination of the financial statements of the current quarter as well as other items that require communication based on regulatory requirements in the meetings of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2021. The Company's Audit Committee and CPAs have maintained good communications.

(III) Communication between Independent Directors and internal auditors and certifying CPA are specified in the Table below:

Date of Audit Committee Meeting (Term and Session)	Communication with the chief internal auditor	Communication with the certifying CPA
March 2, 2021 (4th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2020 "Statement on Internal Control"	— Discussed the 2020 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status report
May 12, 2021 (5th Session of 2nd Audit Committee)	Reviewed internal audit reports	
August 03, 2021 (7th Session of 2nd Audit Committee)	Reviewed internal audit reports	
November 10, 2021 (8th Session of 2nd Audit Committee)	Reviewed internal audit reports	
December 21, 2021 (9th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed and approved the 2022 annual internal audit plan	— Discussed the 2021 financial statements audit plans including any issues or difficulties in audits and the responses of the management — Reviewed the experience, performance, and independence of certifying CPAs
March 03, 2022 (10th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2021 "Statement on Internal Control"	— Discussed the 2021 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status report

IV. The company listed on TWSE/TPEx shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors. Refer to the evaluation status of the Board of Directors for details.

V. An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

— Three out of the nine Directors of the Company are Independent Directors and the number of Independent Directors is one-third of the entire Board.

— The Audit Committee and Remuneration Committee established with the authorization of the Company's Board of Directors assist the Board of Directors in the performance of their supervisory duties. The two Committees consist of the three Independent Directors. The Chairman of each Committee periodically reports their activities and resolutions to the Board.

Note 1: If a Director or Supervisor is an institution, the names of institutional shareholder and its representative should be disclosed.

Note 2: (1)If a Director or Supervisor has resigned before the end of the year, the resignation date must be specified in the remarks section. The actual attendance rate (%) shall be calculated by dividing the number of the Board of Directors meetings held during the period by the number of the meetings that the Director has actually attended.

(2)If a Director or Supervisor has been reelected before the end of the year, the names of the new and old Director and Supervisors must be filled in and the resignation, new appointment, second term appointment, or reelection dates shall be specified in the remarks section. The actual attendance rate (%) shall be calculated by dividing the number of the Board meetings held during the period by the number of the meetings that the Director has actually attended.

Board of Directors evaluation status

Evaluation Cycle (Note 1)	Once every year
Evaluation Period (Note 2)	January 1, 2021 to December 31, 2021
Scope of Evaluation (Note 3)	Performance evaluation of the Board of Directors and individual Directors
Evaluation Method (Note 4)	Evaluations are conducted with the "Board of Directors Self-Evaluation Questionnaire" and "Board Member Self-Evaluation Questionnaire".
Evaluation Content (Note 5)	The 2021 evaluation items for evaluating the performance of the Company's Board of Directors included: "Participation in the operations of the Company", "improvement of the quality of the Board of Directors' decision making", "composition and structure of the Board of Directors", "election and continuing education of the Directors", "and "internal control". The evaluations results met standards which demonstrated that the overall operating status of the Company's Board of Directors was sound and met corporate governance requirements. Comment from the Chairman of the Board: "All Directors were able to act in their professional capacity, enabling the Board of Directors to adopt resolutions that are more in line with the interest of the company and all shareholders and comply with laws and regulations." The 2021 evaluation items for the self-evaluation of the members of the Board of Directors of the Company included: "Familiarity with the goals and missions of the Company", "knowledge of the duties of Directors", "degree of participation in the Company's operations", "management of internal relations and communication", "professional and continuous education of Directors", and "internal control". The results of the self-evaluation showed that the Company's Directors met requirements in standards in terms of both the efficiency and results of the evaluation indicators.

Note 1: Fill out the evaluation cycle for the evaluation of the Board of Directors. Example: Once every year.

Note 2: Fill out the evaluated period for the evaluation of the Board of Directors. Example: Evaluation of the performance of the Board of Directors shall be conducted between January 01, 2021 and December 31, 2021.

Note 3: The scope of evaluation covers the evaluation of the performance of the Board of Directors, individual Directors, and functional committees.

Note 4: Methods of evaluations include the self-evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.

Note 5: The contents of the evaluation shall include at least the following items:

(1) Board performance evaluation: The evaluation shall include at least "participation in the operations of the Company", "improvement of the quality of the Board of Directors' decision making", "composition and structure of the Board of Directors", "election and continuing education of the Directors", "and "internal control".

(2) Performance evaluation of individual Directors: The evaluation shall include at least "familiarity with the goals and missions of the Company", "knowledge of the duties of Directors", "degree of participation in the Company's operations", "management of internal relations and communication", "professional and continuous education of Directors", and "internal control".

(3) Performance evaluation of functional committees: Degree of participation in the Company's operations, knowledge of the duties of the functional committee, improvement in the quality of functional committee decisions, functional committee composition and election of members, and internal control.

(II) Operations of the Audit Committee

The Chair of the Audit Committee Winston Won, CPA convened a total of six meetings in 2021 and the attendance of the Independent Directors is specified in the Table below. In addition to the aforementioned meeting, the members of the Audit Committee, the certifying accountant, and the management conducted two communication meetings to review the results of the audit (examination) of the financial report and the Internal Control Audit Report compiled by the Company in accordance with the laws and regulations of the Republic of China. They also discussed and communicated on the applicability of certain accounting principles and the impact of newly-amended laws.

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate	Note
Convener	Winston Won	6	0	100%	
Committee Member	Po-Young Chu	6	0	100%	
Committee Member	Paul T.Y. Huang	6	0	100%	

Other details that need to be recorded in meeting minutes:

Items specified in Article 14-5 of the Securities and Exchange Act and other items that should be recorded:

I. (I).Items specified in Article 14-5 of the Securities and Exchange Act

Date of Audit Committee Meeting (Term and Session)	Agenda	Opinions of all Independent Directors and the Company's handling of said opinions
March 02, 2021 (4th Session of 2nd Audit Committee)	Approval of the Company's 2020 financial statements. Approval of the 2020 "Statement on Internal Control". Approval of the proposal for participating in cash capital increase of the investee company.	Approved by all Independent Directors
May 12, 2021 (5th Session of 2nd Audit Committee)	Approval of the proposal for participating in cash capital increase of the investee company.	Approved by all Independent Directors
August 03, 2021 (6th Session of 2nd Board of Directors)	Approval of the Company's 2021 Quarter 2 financial statements	Approved by all Independent Directors
November 10, 2021 (8th Session of 2nd Audit Committee)	Approval of the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2022. Approval of the ratification for participating in cash capital increase of the investee company. Approval of the proposal for acquiring equity of the investee company. Approval of the ratification for acquiring land in the Fulin segment of Guanyin District in Taoyuan City.	Approved by all Independent Directors

December 21, 2021 (9th Session of 2nd Audit Committee)	Approval of the Company's appointment of the CPAs Sheng-Hsiung Yao and Jui-Na Chang assigned by Deloitte Taiwan to audit the Company's 2022 Financial Report. Approval of discussion on the appointment of Daisy Y.H. Chen to be the Company's Chief Accounting Officer effective January 1, 2022.	Approved by all Independent Directors
March 03, 2022 (10th Session of 2nd Audit Committee)	Approval of the Company's 2021 financial statements. Approval of the 2021 "Statement on Internal Control". Approved the proposal for participating in the cash capital increase of the investee company. Approval of the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". Approval of amendments to the Endorsement and Guarantee Making Procedure.	Approved by all Independent Directors

(II).In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None

II. Recusals of Independent Directors due to conflicts of interests: None.

III. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.)

(I) The Company's internal chief internal auditor periodically communicates with the Audit Committee on the results of the audit reports and the chief internal auditor also formulates the Internal Audit Report in the meeting of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2021. The Company's Audit Committee and the chief internal auditor have maintained good communications.

(II) The Company's certifying CPA reports the results of the audit or examination of the financial statements of the current quarter as well as other items that require communication based on regulatory requirements in the meetings of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2021. The Company's Audit Committee and CPAs have maintained good communications.

(III) Communication between Independent Directors and internal auditors and certifying CPA are specified in the Table below

Date of Audit Committee Meeting (Term and Session)	Communication with the chief internal auditor	Communication with the certifying CPA
March 02, 2021 (4th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2020 "Statement on Internal Control"	— Discussed the 2020 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status report
May 12, 2021 (5th Session of 2nd Audit Committee)	Reviewed internal audit reports	
August 03, 2021	Reviewed internal audit reports	

(7th Session of 2nd Audit Committee)		
November 10, 2021 (8th Session of 2nd Audit Committee)	Reviewed internal audit reports	
December 21, 2021 (9th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed and approved the 2022 annual internal audit plan	— Discussed the 2021 financial statements audit plans including any issues or difficulties in audits and the responses of the management — Reviewed the experience, performance, and independence of certifying CPAs
March 03, 2022 (10th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2021 "Statement on Internal Control"	— Discussed the 2021 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status report

Results: The aforementioned items have been reviewed or approved by the Audit Committee with no objections from the Independent Directors.

(III) Differences and Reasoning for the Status of Corporate Governance and Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies:

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Has the Company established and disclosed its code of practice on corporate governance based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established corporate governance principles in accordance with the TWSE and TPEx Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies. Please refer to the description in the "Corporate Governance Report" in this Annual Report for the Company's corporate governance status(Page 52 to page 62)	None
II. Shareholding structure & shareholders' rights (I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures?	✓		The Company instructed the General Manager's Office, Administrative Services Department, Shareholder Service Agency and related departments to process shareholder questions, disputes, and litigation and processed related matters accordingly.	None
(II) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		The Company maintains knowledge of shareholding status of Directors, managers, and shareholders with shareholding ratios of 10% or greater at all times and disclose the information in accordance with regulations. The shareholding structure of the Company remains stable.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(III) Did the company establish and enforce risk control and firewall systems with its affiliate enterprises?	✓		The Company has established related regulations on internal control mechanisms in its internal control system and "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group" in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party to prevent non-arm's-length transactions.	None
(IV) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	✓		The Company has established "Procedures for Handling Material Inside Information" to regulate all company employees, managers, and Directors, as well as those who have learned of the Company's information based on positions or controlling relations to prevent any insider trading activities. The Company also conducts regular internal education, training, and announcements.	None
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversified policy?	✓		The Company's Board of Directors consists of nine members from diverse backgrounds in industries, academia, accounting, etc. They have a great breadth of experience as world-class business leaders or professionals. We rely on them for their diverse knowledge, personal perspectives, and solid business judgment. Three out of the nine Directors are Independent Directors, constituting one-third of the Board. advocates and acts upon the principles of operational transparency and respect for shareholder rights. According to the laws of the R.O.C., the members of the Audit Committee shall consist of all Independent Directors. The Company's Audit Committee satisfies this statutory requirement. The Audit Committee also engaged a financial expert consultant in accordance with the	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			rules of the R.O.C. Financial Supervisory Commission. The Audit Committee annually conducts self-evaluation to assessthe Committee's performance and discuss issues that require specialattention in the future. ımittee is empowered by its Charter to conduct any review or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the company's internal auditors, Certifying CPA, and all employees of the Company. The Committee is authorized to retain and oversee legal, accounting, or other consultants to fulfill its mandate.	
(II) In addition to the Remuneration Committee and the Audit Committee established according to law, has the Company voluntarily established other functional committees?	✓		The Audit Committee (established in 2017); The Remuneration Committee (established in 2012): All three members are Independent Directors; Executive Management and Strategy Committee (established in 2016): The Committee is composed of the management team who regularly reports the implementation status and results to the Board of Directors.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	✓		Based on the Company's ideals for corporate governance, the main duties of the Board of Directors are to supervise and evaluate the performance of the management team, appoint and dismiss managers, decide on important matters, and instruct the management team. Members of the Company's Board of Directors have extensive corporate management experience or professional experience in the industry. They maintain the highest ethical standards and adhere to the commitments made to the Company. The Company regularly convenes Board of Directors meetings every quarter. In addition to approval of various proposals, the Board also discusses with the management team on business strategies and future plans in order to create maximum value for shareholders. The Company's long-standing operating performance and awards—TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Gold Medal and TCSA Top 50 Corporate Sustainability Awards are a testament to the excellent performance of the Company's Board of Directors. The Company implemented Board performance evaluations in 2021. Through self- assessment surveys via questionnaire, performance evaluation is annually completed by the Board as a whole, by individual directors and by the Audit Committee. The Board of Directors are assessed on the	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			following five aspects: 1. Participation in the operation of the Company 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of the Directors 5. Internal control The individual directors are assessed on the following six aspects: 1. Familiarity with the goals and missions of the company 2. Awareness of the duties of a Director 3. Participation in the operation of the Company 4. Management of internal relationship and communication 5. The director's professionalism and continuing education 6. Internal control The Audit Committee is assessed on the following five aspects: 1. Participation in the operation of the Company 2. Awareness of the audit committee's duties 3. Improvement of the quality of audit committee's decisions 4. Composition and selection of audit committee members 5. Internal control	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at its first quarter meeting in 2022 for review and improvement. The average score for the overall performance of the Board of Directors is 5 out of 5. The average score for the performance of the individual directors is 4.82 out of 5. As demonstrated, the overall board's operation has been effective. The average score for the performance of the Audit Committee is 4.93 out of 5. All committee members met the evaluation criteria.	
(IV) Does the Company periodically evaluate CPA independence?	✓		The Company's Audit Committee evaluates the independence of CPAs periodically each year and reports the evaluation results to the Board of Directors. The evaluation includes the following: 1. The CPA's declaration of independence 2. The audit or non-audit services provided by the CPA to ensure that non-audit services do not affect the results of audits 3. No CPA has provided audit services for over five consecutive years 4. The Company uses an eligibility questionnaire to compile results of the independence assessment of CPAs each year	None
IV. Does the company establish exclusively (or concurrently) dedicated units or personnel to be in charge of corporate governance (including but not limited to furnishing information	✓		The Board of Directors appointed the Vice General Manager of Finance and Accounting who is also the Chief Financial Officer of the Company as the Corporate Governance Officer. The Corporate Governance Officer reports the company's legal compliance status to the Chairman of the Board directly and is also in charge of assisting in related affairs, including handling of matters relating to	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?			Board, Audit Committee, Remuneration Committee, and shareholders' meetings in compliance with law, assistance in the election and continuing education of directors; provision of information required for performance of duties by directors; and assistance in directors' compliance of law, etc.	
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers) and properly respond to corporate social responsibility issues of concern to the stakeholders?	✓		The Company instructs the General Manager's Office, Audit Office, Shareholder Service Agency, Administrative Services Department, Human Resources, Customer Service, Procurement, and other departments to communicate with stakeholders in accordance with circumstances. The Company established a spokesperson system on the Company website and contact information with various related business departments. The Company also built a designated section on its website for stakeholders to appropriately respond to important sustainability issues that stakeholders are concerned about. For details, please refer "Materiality Analysis and Stakeholder Communication" of the Company's Sustainability Report.	None
VI. Has the Company hired a professional agency to handle tasks and issues related to holding shareholder's meetings?	✓		The Company has appointed the Department of Stock Affairs at President Securities Corp. to process affairs related to shareholders meetings.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		The Company readily discloses related information on its website (http://www.hksteel.com.tw) and the Market Observation Post System (http://mops.twse.com.tw).	None
(II) Has the Company adopted other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?	✓		Other means of information disclosure adopted by the Company: 1. The Company instructed the General Manager's Office, Administrative Services Department, and related departments to collect and disclose related information in accordance with regulations. 2. The Company has established a spokesperson system and readily discloses financial and business information, corporate governance information disclosure, the proceedings of institutional investor conferences, and related information on its website (http://www.hksteel.com.tw) and the Market Observation Post System (http://mops.twse.com.tw).	None
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year? Does the Company publish and report its financial reports for the first, second and third quarters as well as its	✓		The Company publishes and reports its annual financial report within three months after the end of a fiscal year. It also publishes and reports its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline in each quarter. Please refer to the Market Observation Post System for the disclosure of the aforementioned information (http://mops.twse.com.tw)	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
operating status for each month ahead of schedule before the specified deadline?				
VIII.Is there any other important information to facilitate a better understanding of the Company's corporate governance practices(including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		The Company readily discloses related information on its website (http://www.hksteel.com.tw) and the Market Observation Post System (http://mops.twse.com.tw). (1). Implementation status of employee rights and caring for employees: The Company has always treated employees honorably and provides protection of their legal rights in accordance with the Labor Standards Act and related labor regulations. The Company has established a welfare system that provides stability for employees' lives and a sound education and training system to build good relations with employees based on mutual trust and reliance. For instance: The Company subsidizes employees' on-the-job training and provides them with cultural entertainment, subsidies for healthcare, and daily necessities for boarding employees. Please refer to the descriptions in the "5. Employees-employer relations" section of the Operational Highlights in the Annual Report.(page 122 to 126) (2). Implementation status of investor relations, supplier relations, and the rights and interest of stakeholders: The Company values the opinions of various stakeholders and uses visits, emails, telephone calls, faxes, mail (written, package, and official documents), instant messaging software, various forms of meetings	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			(coordination meetings, press conferences, conferences, seminars, and creditors' meetings), associations, video conference, regulations, and other means of active communication to appropriately respond to external demands. The Company instructed the General Manager's Office, Administrative Services Department, and related departments to process shareholder advice, questions, disputes, and other affairs. Please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report. (page 67 to 81) (3). Continuing education of Directors: Members of the Company's Board of Directors have extensive corporate management experience or professional experience in the industry. They maintain the highest ethical standards and adhere to the commitments made to the Company. The Company's Legal Compliance Division is instructed to report to the Chief Financial Officer directly and it is also responsible for assisting in related affairs including providing information necessary for Directors' operations and information for related securities regulations. Please refer to "(5). Continuing education of Directors" section of the Corporate Governance Report in the Annual Report. (page 65 to 66) (4). Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			assessments in accordance with regulations. Please refer to the descriptions in "Review of Financial Conditions, Financial Performance and Risk Management" in the Annual Report.(Page 139 to page 155) (5). Implementation status of customer policies: The Company maintains stable and good relations with customers in order to generate profits. (6). The Company has purchased liability insurance for Directors and managers.	
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved	✓		The Company's 2021 "Corporate Governance Evaluation" results were acceptable. The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at its first quarter meeting in 2022 for review and improvement.	None

(IV) Operations of the Remuneration Committee

The mission of the Remuneration Committee is to assist the Board of Directors in the execution and assessment of the Company's overall compensation and welfare policies as well as the remuneration for directors and managers.

According to the laws of the R.O.C., the members of the Remuneration Committee are appointed by the Board of Directors. According to the Company's Remuneration Committee Charter, the Remuneration Committee shall consist of all three Independent Directors. The Committee invited the Chairman of the Board to attend all meetings but the Chairman is recused during discussions on his remuneration.

(1) Information on members of the Remuneration Committee

April 30, 2022

Identity	Qualifications / Name	Professional Qualification and Experience	Independence Status	Number of other public companies where he/she is a member of the remuneration committee
Independent Directors	Winston Won	The Company's Remuneration Committee is composed of all three independent directors. For members' professional qualification and experience, please refer to "Disclosure of Information Regarding the Professional Qualifications of Directors and Independent Directors and the Independence of Independent Directors" in this Annual Report.(Page 21 to 24)	All the Remuneration Committee members meet any of the following situations: 1.Satisfy the requirements of Article 14-6 of Securities and Exchange Act and the requirements of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter (Note) promulgated by the Financial Supervisory Commission. 2.Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any company shares. 3.Received no compensation for providing commercial, legal, financial,accounting services to the Company or to any its affiliates withinthe preceding two years.	2
Independent Directors	Po-Young Chu			3
Independent Directors	Paul T.Y. Huang			0

Note: Not have been or be any of the following during the two years before being elected or during the term of office:

(1). An employee of the company or its affiliates;

(2). A director or supervisor of the company or any of its affiliates;
(3). A natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the company, or ranks the person in the top ten shareholders of the company;
(4). A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);
(5). A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act;
(6). If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company;
(7). If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution;
(8). A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; and
(9). A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee of the Company.

(2)Operations of the Remuneration Committee

I. The Company's Remuneration Committee is comprised of three individuals who are Independent Directors.
II. Current term for the members: The current term of office is from August 7, 2020 to August 5, 2023. The Chair of the Remuneration Committee Mr. Winston Won convened a total of two regular meetings in 2021. The qualifications and attendance of members of the Remuneration Committee are specified below:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Attendance Rate %(B/A)(Note)	Note
Convener	Winston Won	2	0	100%	None
Committee Member	Po-Young Chu	2	0	100%	None
Committee Member	Paul T.Y. Huang	2	0	100%	None

Other details that need to be recorded in meeting minutes:

1. Opinions of the members of the Remuneration Committee that are not accepted or amended by the Board of Directors: None.
2. Objections or reservations by the members that have been recorded in writing during the Remuneration Committee resolution: None.

(V) Continuing education of Directors

The main methods of training for directors of the Company include:

1. At quarterly Board meetings, the management team conducts briefing on changes in business and regulations and other relevant information;
2. At semi-annual Audit Committee meetings, the finance and accounting unit and certifying CPA provide reports on regulatory updates and the company's compliance status to the committee; and
3. Directors participate in externally-provided training courses as needed.

Continuing education of Directors in 2021 is as follows:

Title	Name	Organizer	Course	Course Date	Course Duration
Chairman of the Board	Alexander M.T. Su	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan Corporate Governance Association	Board Performance Evaluation	2021.08.12	3
		Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective	2021.12.21	3
Director	Trickle T.C. Chang	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
Director	Ming-Shan Jheng	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective	2021.12.21	3
Director	Fisher C.H. Yu	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective	2021.12.21	3
Director	Johnathon Y.J. Su	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan Corporate Governance	Corporate Sustainable Governance based on a Risk	2021.12.21	3

Title	Name	Organizer	Course	Course Date	Course Duration
		Association	Perspective		
Director	Shih-yang Chen	Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan CPA Association	On Special Practical Issues of Company Registration in 2021	2021.12.21	4
		Taiwan CPA Association	Anti-Money Laundering Regulations and Practices for CPAs	2021.12.27	3
Independent Directors	Winston Won	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	A Case Study of Financial Statement Frauds	2021.09.27	3
		Taiwan Corporate Governance Association	Changes in the 5G era: Industry Upgrade, Future Business Applications, and the New Normal in a Post-Pandemic Era	2021.09.27	3
		Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective	2021.12.21	3
Independent Directors	Po-Young Chu	Taiwan Corporate Governance Association	How Companies Innovatively Break Through their Profitability in a Digital Economy Era	2021.05.06	3
		Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan Corporate Governance Association	Macro Perspective on Global Corporate Sustainability: From Vision 2050 to Action 2021	2021.11.04	3
		Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective	2021.12.21	3
Independent Directors	Paul T.Y. Huang	Taiwan Corporate Governance Association	Improving CSR and Board Operations	2021.05.12	3
		Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	2021.08.03	3
		Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective	2021.12.21	3

Note: All Directors have met the requirements for the number of hours of continuing education as specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".

(VI) Continuing Education Training of Corporate Governance Officer

Name	Date	Organizer	Course Title	the Course
Vice General Manager and Chief Financial Officer Corporate Governance Officer Jessica P.H. Liu	2021.8.3	Taiwan Corporate Governance Association	Global Economic and Industrial Outlook for the Second Half of 2021	3.0
	2021.10.27	Accounting Research and Development Foundation	Supervision of the Company's ESG Practices by Directors, Supervisors, and Executive Managers	3.0
	2021.10.28	Securities & Futures Institute	Seminar on Legal Compliance for Stock Transactions by Internal Personnel	3.0
	2021.11.03	Securities & Futures Institute	2021 Insider Trading Prevention Seminar	3.0
	2021.11.24	Accounting Research and Development Foundation	How to Effectively Fulfill the Function of a Corporate Governance Officer: On the Legal Responsibility of Managerial Officers	3.0
	2021.11.26	Taiwan Corporate Governance Association	Net Zero Emissions by 2030/2050: Sustainability Challenges and Opportunities for Global Enterprises	3.0
	2021.12.07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit Forum	6.0
	2021.12.21	Taiwan Corporate Governance Association	Corporate Sustainable Governance based on a Risk Perspective: From Corporate Governance to ESG	3.0

(VII)Performance of Corporate Social Responsibility

Steel is an important material for building a circular economy. HsinKuang Steel has established a goal to "create a beautiful new Taiwan" and uphold the four main ideals for "trust, harmony, innovation, and sharing". The Company closely follows important international trends for sustainable development such as the UN's Sustainable Development Goals and we fulfill corporate social responsibility ideals by continuously reviewing and improving related systems. HsinKuang Steel established the "HsinKuang Steel Corporate Social Responsibility Policy" and "HsinKuang Steel Corporate Social Responsibility Best Practice Principles" in 2015 to actively implement social responsibilities and sustainable development as a corporate citizen.

In addition to focusing on development of its operations in the industry, the Company maintains an ethical and harmonious corporate culture in its fair treatment of shareholders, employees and the public. The Company has adopted basic ideals for compliance with laws, conducts business in accordance with laws, and shall not take part in illegal activities. The Company values corporate governance and seeks to attain balance in the benefits of shareholders, employees, and all stakeholders. It also provides high-quality work opportunities including good pay, challenging work content, and a comfortable and secure work environment. It is the Company's responsibility to take care of the physical and mental needs of employees. The Company also participates in social welfare activities, donates life-support systems and ambulances to give back to society. In the future, the Company shall continue to fulfill corporate social responsibilities and strive to become a good corporate citizen.

The Company has established the 7 principles and objectives for the execution of corporate social responsibilities as follows in order to achieve the goal of becoming a good corporate citizen.

(1). Adhere to the principles of ethics in business management and fulfill the core value of an "ethical and harmonious" corporate culture to provide shareholders, employees, customers, suppliers, and the public with fair treatment.

(2). The Company shall abide by laws, conduct business in accordance with laws, and shall not take part in illegal activities.

(3). The Company values corporate governance and seeks to attain balance in the benefits of shareholders, employees, and all stakeholders.

(4). The Company provides high-quality work opportunities including good pay, challenging work content, and a comfortable and secure work environment to take care of the physical and mental needs of employees.

(5). The Company dedicates itself to long-term care of the community, participates in social welfare activities, and shall continue to sponsor education and cultural activities.

(6). The Company values and continues to implement environmental protection measures in response to climate change.

(7). The Company opposes corruption, rejects nepotism and strictly adheres to principles of recusal in conflicts of interest. The Company does not partake in bribery nor pursue political connections.

The Company ramps up its efforts to reduce greenhouse gas emissions, firmly believing that both the related domestic regulations and recognized international standards shall be met when advancing environmental protection, safety, and sanitation operations.

The Company also dedicates itself to advancing corporate social responsibilities and safety and sanitation management. The Company has adopted a spirit for continuous improvement to promote safety and health, strengthen resource utilization and pollution prevention, regulate environmental safety and sanitation risks, establish environmental safety and sanitation cultural values, and adopt strategies for constructing green supply chains to fulfill corporate social responsibilities.

The Company continues to dedicate itself to advancing corporate social responsibilities, energy conservation, carbon emissions reduction, resource recycling, and other environmental protection efforts. The Company has always dedicated efforts on reducing greenhouse gas emissions. For a company that has continued to expand productivity and product lines, it is a difficult task to lower carbon dioxide emissions produced in the use of electricity. However, the Company remains dedicated to the planning and execution of these efforts. At the same time, the Company also adopted energy conservation designs in newly-built plants and offices as well as continuous increase in energy efficiency in preparation for the carbon dioxide trade and corporate carbon resources management in future domestic regulations. These measures not only reduce costs but also achieve the objective of lowering CO_2 emissions that cause global warming.

The Company upholds sustainable development ideals for environmental protection, clean energy, and space reuse. In 2021, the installed capacity of rooftop solar power generation systems in HsinKuang Steel's plants reached 10,536 kw and the Company installed the largest singular commercial rooftop solar power system in Taiwan in DuPont™ "Safe Rooftop for Secure Power Generation" project. It generated 12.63 million kWh of electricity in 2021 and reduced 6,338 metric tons of CO2 emissions which is equivalent to the CO2 absorption volume of 16 Da'an Forest Parks. Over the years, we have produced 50.02 million kWh of electricity and reduced CO2 emissions by nearly 26,108 metric tons, which is equivalent to 67 times the amount of CO2 that can be absorbed by Da'an Forest Parks.
The Company's production line does not require vast amounts of water resources but in order to effectively use water resources, the Company has also adopted recycling and reuse measures to reduce water consumption in non-production operations. For instance, the Company reduced water consumption in its air-conditioning systems, installed water-conservation devices in sanitation systems, monitors water consumption in washing external walls and irrigation of plants, and decreased general water consumption.
In 2021, the Company made donations towards the Andrew Charity Association's Food Bank Project to ensure that disadvantaged families receive staples and supplies. The Company also sponsored the CMY Theater to encourage rural children's love for theater and bring them closer to the arts. The Company also donated a total of NT$4.48 million toward the adoption of veterans' survivors, year-end dinner parties for homeless and elderly people who live alone, and provision of work opportunities for people with physical and mental disabilities. Over the last 10 years, the Company has donated over NT$16.7 million (excluding the NT$20 million donated to establish the Tian-Cheng Charity Foundation and the NT$16.8 million donated to the foundation over the years). These donations are used to help disadvantaged individuals (Genesis Social Welfare Foundation Year-End Charity Banquet for the Homeless, Guanyin Kind Garden, Andrew Charity Association Food Bank Program, etc.), promote talent development (scholarships for orphans of Veterans and ChienHsin University of Science and Technology scholarships, etc.), implement community outreach (CYM Theater plays for elementary school children in remote areas, etc.), and for medical assistance (COVID-19 rapid antigen test kits and analyzers for various major hospitals, and personal protective equipment for Taoyuan City Government, etc.).

The Company and Trickle Co., Ltd. established the "HsinKuang Steel Tian-Cheng Charity Foundation" (hereinafter referred to as the "HsinKuang Steel Tian-Cheng Charity Foundation") in January 2009. The Company current Director Trickle T.C. Chang represented the Company and serves as the Chairman of the Foundation. The Foundation contributes to social development and fulfills corporate social responsibilities by providing emergency social assistance, children and youth education welfare, assistance for the disabled, elderly welfare, subsidies for low-income individuals, special medical assistance, and other social charity assistance. Since its establishment, HsinKuang Steel Tian-Cheng Charity Foundation has donated 13 vehicles (for emergency assistance, rehabilitation, and transport of disabled persons to hospitals). The Foundation recognizes the importance of emergency medical aid and it continues to donate ambulances and related equipment to county/city fire departments. It also donated rehabilitation, shower medical vehicles, doorstep service vehicles, shuttle vehicles for people with disabilities, and disaster relief vehicles for county/city governments, etc. to provide greater medical accessibility for disadvantaged groups. The

Foundation has donated more than NT$56.74 million since its establishment and the recipients included social welfare organizations and individual disadvantaged groups. Recipients of continuous donations include the aforementioned emergency medical services as well as talent development (scholarships for outstanding undergraduate and graduate students, intensive courses for the Comprehensive Assessment Program in remote junior high schools, subsidies for tuition fees for elementary and junior high school students from poor families, after-class care courses, etc.), community care (establishment of a cafeteria for the elderly in Minxiong Township in Chiayi, food donations to health professionals in May 2021 during the spread of COVID-19, donation of face masks for homeless people, etc.), assisting disadvantaged individuals (institutions for elderly people and people with disabilities), and donations to hospitals (voluntary international medical services, replacement of medical instruments, donation of doorstep service vehicles, and subsidies for poor families, etc.)

In 2021, HsinKuang Steel Tian-Cheng Charity Foundation donated NT$7.29 million to actively contribute to social development. The funds were mainly used for the cultivation of tertiary education talents, subsidies for disadvantaged children and youths, emergency social assistance, assistance for the disabled, elderly welfare, medical assistance, and other social charity assistance. The main tasks are described below:

Item	Talent Development and Promotion of Education and Culture	Implement Community Care	Assistance for the Disadvantaged	Medical Subsidies
Breakdown	43.8%	11.0%	40.9%	4.3%

The Company's Chairman Alexander M.T. Su values corporate social responsibilities and established the "New Taipei City Private Hui Jung Welfare and Charity Foundation" (hereinafter referred to as the Hui Jung Foundation) in 2003 based on his beliefs to promote the main tasks of "talent development and promotion of education and culture", "implementation of community care", "assistance for the disadvantaged", and "establishment of emergency medical equipment" in order to contribute to society and implement his personal will in caring for society. Since its establishment, Hui Jung Welfare and Charity Foundation has donated 23 vehicles (for emergency assistance, transportation for disabled persons, and transportation to hospitals). The Foundation recognizes the importance of emergency medical aid and it continues to donate ambulances and related equipment to county/city fire departments as well as large hospitals. It also donated mobile medical care vehicles for mountain regions to St. Mary's Hospital Luodong to help people living in remote areas. The Foundation donated shuttle vehicles to nursing homes, centers for peoples with intellectual disability, home for elderly people, and Genesis Social Welfare Foundation. The Foundation has donated more than NT$150.56 million since its establishment and recipients of continuous donations include the aforementioned emergency medical services as well as institutions for talent development (scholarships for outstanding undergraduate and graduate students, sports talent cultivation in junior high school and elementary school, poor students introduced by various schools and associations such as World Vision Foundation, the Mustard Seed Mission, orphans of Veterans, Ginling Girls' High School, the Action Bodhisattva Education Association, etc.), community care (associations of indigenous peoples, Association for Victims Support, and food donations to health professionals and face masks for homeless people during the spread of COVID-19 in May 2021, etc.), assisting the disadvantaged (Genesis Social Welfare Foundation, Associations for the Blind, Associations for the disabled, orphanages, Children's Hearing Foundation, special needs centers, students in special education courses, individual emergency relief, etc.), and medical subsidies (continuous donations to volunteer medical care groups such as Taiwan Root Medical Peace Corps, the TMU Camp of Taipei Medical University Hospital, and medical care subsidies for poor families, etc.)

In 2021, Hui Jung Welfare and Charity Foundation donated a total of NT$30.69 million to actively contribute to social development and the work is described below:

Item	Talent Development and Promotion of Education and Culture	Implement Community Care	Assistance for the Disadvantaged	Medical Subsidies
Breakdown	43.3%	28.5%	18.4%	9.8%

The Company fulfills social responsibilities to all stakeholders. Customers would place more trust in the Company due to its ethical and law-abiding principles as well as its sound corporate management. Investors would be more willing to commit to long-term investments due to the Company's clear core values. Employees would also identify with corporate values and form stronger synergy. The implementation of corporate social responsibilities shall create stronger competitive advantages for the Company, create higher values for shareholders, and bring prosperity for all related parties of the Company.

The state of the company's promotion of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Did the company establish a governance framework for the promotion of sustainable development and set up an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development, with a senior management delegated by the Board of Directors to handle and report on the same to the board of directors?	✓		The Company is dedicated to establishing comprehensive corporate governance, steady operations and profits, as well as maintaining the balance between the interests of the environment, society, and all stakeholders. The Chairman instructs the General Manager's Office to implement the Company's decision-making and operations related to sustainable development. They are also responsible for coordinating all internal units to implement sustainable development policies. The Company has included the report on CSR implementation and results of the current year and work plans for the following year into the formal agenda of the Board of Directors meeting every year since 2017. In 2022, the Company will continue to cultivate and enhance aspects in relation to its business performance, supply chain management, corporate governance, corporate social responsibilities, social care, and sustainable environment, while creating a stable, harmonious, inclusive, and friendly	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			workplace. HsinKuang Steel has always acted in the interest of society, focusing particularly on support for disadvantaged individuals, talent development, community care, emergency medical assistance, and medical subsidies, among others. Regarding carbon neutrality, the Company plans to engage with third-party organizations during 2022 to discuss preparatory works on ISO14064-1 greenhouse gas inventory or ISO 14067 carbon footprint certification. Our objective is to gradually establish methods of verifying and communicating transparent information on greenhouse gas (GHG) emissions in the supply chain, thereby preparing us for the impact that relevant issues might bring to the steel industry.	
II. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality? (Note 2)	✓		To fulfill corporate social responsibilities and promote the economic, environmental, and social advancement for the purpose of achieving sustainable development, the Company has established the "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" to	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			provide guidance and manage its risks and impact on the environment, society, and corporate governance. The Company shall actively implement corporate social responsibilities while conducting corporate operations in order to match international development trends in balanced environment, social, and corporate governance development. The Company shall increase its contribution to the national economy and improve the quality of life for employees, communities, and society by fulfilling its duties as a corporate citizen and advance its competitive advantages based on corporate social values. Please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report. (page 67 to 81)	
III.Environmental issues (I) Has the Company established a proper environmental management system based on the characteristics of the industry?	✓		The Company has established an ISO-9001 quality management system. For more information, please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report. (page 67 to 81)	None
(II) Is the company committed to improving	✓		The Company has established management	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
energy efficiency and using recycled materials which have a low impact on the environment?			procedures in response to environmental requirements. For more information, please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report. (page 67 to 81)	
(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake relevant response measures?	✓		The Company has addressed the identification of potential risks in climate change based on the increase of the cost of purchased electricity, changes in rain models, and impact of extreme weather on infrastructure and assessed the possible negative impact on the cost of business operations and revenue. On the other hand, climate change has also brought forth new business opportunities. The Company has focused on investments in green energy and steel materials necessary for the installation of green energy equipment which increases revenue and improves the Company's corporate image.	None
(IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down water	✓		The Company upholds sustainable development ideals for environmental protection, clean energy, and space reuse and regularly reviews electricity consumption within the plants to strengthen the advancement of energy conservation, carbon	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
consumptions, greenhouse gas emissions, and waste production?			reduction, and greenhouse gas reduction policies. Reduce the amount of water used for air conditioning, replacement of water conservation devices, and control.	
IV.Social issues (I) Has the company formulated appropriate management policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		The Company complies with relevant labor laws and regulations, protects of the legal rights and interests of employees, and communicates with employees in the promotion of company policies and understanding employee opinions through open communication channels. The Company shall establish human resources policies that comply with internationally-recognized principles for the protection of basic labor rights. For more information, please refer to the descriptions in "5. Employees-employer relations" section of the Operational Highlights in the Annual Report. (page 122 to 126)	None
(II) Has the company established and implemented reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		The Company has established internal management regulations such as the Regulations on the Appointment and Dismissal of Employees and Distribution of Employee Remuneration and Employee Leave Application Regulations to provide standards for compliance.	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		The Company believes the employees' health to be the foundation of sustaining normal corporate operations and that it is the Company's responsibility to look after the physical and mental health of employees. The Company organizes periodic physical examinations, safety lectures, and labor safety and health training for employees at least once every two years. The Company also organizes regular or unscheduled health promotion activities including aerobics courses, the establishment of the breastfeeding room, physical and mental health seminars, and response strategies and health seminars for the prevention of new infectious diseases to satisfy employees' health requirements.	None
(IV) Does the Company offer employees effective occupational empowerment training programs?	✓		The Company believes that the growth of the Company cannot be achieved without employee development and that employees require "systematic, disciplined, and planned" learning and development. The Company dedicates itself to building a lasting and rewarding learning environment and has established the "Education and Training Management Regulations" to provide guidance. It also integrates internal and external resources to cultivate and improve employees'	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			capabilities for employees and the Company to grow together. The Company provides comprehensive learning channels and development resources in accordance with the nature and requirements of personal work, results of performance evaluation, and career development requirements. They include on-the-job training, classroom education, work guidance, internal mentor system, work rotations etc. The Company also systematically provides a series of general knowledge, professional, and management training courses for employees of different levels. The courses include lectures given by external experts, and the Company also encourages employees to give lectures to pass on important knowledge of the Company and establish effective career capabilities development training programs for technical personnel. For more information, please refer to the descriptions in "5. Employees-employer relations" section of the Operational Highlights in the Annual Report. (page 122 to 126)	
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing and	✓		The Company is not a manufacturer of final products and this evaluation item is not applicable.	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
labeling of products and services, and other related issues and does it establish relevant consumer or customer protection policies and grievance procedures?				
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights, and describe the implementation results?	✓		The Company continues to strengthen supply chain management. It requires and encourages suppliers and contractors to constantly improve in quality, costs, delivery period, environmental protection, safety and sanitation. The Company and main suppliers and contractors maintain mutually beneficial cooperation through regular exchanges between management as well as exchanges and sharing of experience in production technologies to enhance partnerships and pursue better performance and greater contributions to the society. As described above, when contractors conduct high-risk operations, they shall be required to clearly define safety protection and preventive measures required of the workers. The contractors that carry out factory construction or work at heights shall also be required to establish Occupational Health and Safety Assessment Series (OHSAS 18001) standards or related control	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			systems. Their employees shall also be required to complete comprehensive work training.	
V. Does the Company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the Company obtain third-party assurance or qualified opinion for the reports above?	✓		The Company has prepared and published reports such as the Corporate Social Responsibility Report in accordance with international standards or guidelines since 2017. The aforementioned report has received third-party assurance.	None
VI. If the Company has established sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe any difference between the principles and their implementation: The Company has established Corporate Social Responsibility Best Practice Principles, which were approved by the Board of Directors in December 2010 and subsequently revised to strengthen the fulfillment of corporate social responsibilities. The revisions were approved by the Board of Directors in January 2017 and January 2019. The Company regularly reviews the implementation status of these Principles, making improvements accordingly. There has been no difference between the principles and their implementation. In addition to focusing on the development of its operations in the industry, the Company maintains an ethical and harmonious corporate culture in its fair treatment of shareholders, employees, and the public. The Company has adopted basic ideals for compliance with laws, conducts business in accordance with laws, and shall not take part in illegal activities. The Company values corporate governance and seeks to attain balance in the benefits of shareholders, employees, and all stakeholders. We also provide high-quality work opportunities including good pay, challenging work content, and a comfortable and secure work environment. It is the Company's responsibility to take care of the physical and mental needs of employees. The Company also participates in social welfare activities, donates life-support systems and ambulances to give back to society. Please refer to descriptions in "(7) Performance of corporate social responsibility" of the Corporate Governance Report in the Annual Report. (Page 67 to page 81)				

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
VII. Other critical information conducive to understanding the promotion of sustainable development: 1. In 2021, the Company made donations towards the Andrew Charity Association's Food Bank Project to ensure that disadvantaged families receive staples and supplies. The Company also sponsored the CMY Theater to encourage rural children's love for theater and bring them closer to the arts. The Company also donated a total of NT$4.48 million toward the adoption of veterans' survivors, year-end dinner parties for homeless and elderly people who live alone, and provision of work opportunities for people with physical and mental disabilities. 2. In 2021, HsinKuang Steel Tian-Cheng Charity Foundation donated NT$7.29 million (including NT$4 million from HsinKuang Steel Co., Ltd.); 43.8% of the funds were used for talent development and promotion of education and culture, 11% were used for implementing community care, 40.9% were used for assistance for the disadvantaged, and 4.3% were used for medical subsidies in order to actively contribute to social development. 3. The Company's Chairman Alexander M.T. Su values corporate social responsibilities and established a social welfare and charity foundation who donated NT$30.69 million in 2021; 43.3% of the funds were used for talent development and promotion of education and culture, 28.5% were used for implementing community care, 18.4% Year used for assistance for the disadvantaged, and 9.8% were used for medical subsidies in order to actively contribute to social development. 4. The Company continues to dedicate itself to advancing corporate social responsibilities, energy conservation, carbon emissions reduction, resource recycling, and other environmental protection efforts. The Company upholds sustainable development ideals for environmental protection, clean energy, and space reuse and uses rooftop of factories to set up PV panels to produce energy in order to reduce energy consumption and carbon emissions and implement environmental protection measures, and has also sets up solar-powered street lights. The Company generated12.63 million kWh of electricity in 2021. We have reduced CO2 emissions by nearly 6,338 metric tons which is equivalent to the CO2 absorption volume of 16 Da'an Forest Parks. 5. Please refer to the "(6). Performance of Company corporate social responsibility" section of the Corporate Governance Report in the Annual Report. (Page 67 to page 81)				

(VII).Ethical corporate management and measures adopted

An ethical and harmonious corporate culture has always been the Company's core value. The Company has always upheld integrity in all business activities and has always maintained a fair, honest, trustworthy, and transparent code of conduct to put our words into practice.

It is the responsibility of all members of the Company to uphold the Company's core values in our corporate culture and the Company's reputation. Therefore, the Company requires each member of the Company in its Ethical Corporate Management Best Practice Principles (hereinafter referred to as the "Principles") to adhere to the following: Avoid sacrificing or conflicting with company interest for personal gains. Avoid any bribery, unfair competition, fraud, waste, and abuse of company resources. Abstain from any actions harmful to the Company, the environment, and society. Abide by all laws and regulations and respect legislative purposes. Avoid any actions that may inappropriately affect anyone's decisions, including government officials, public servants, courts, customers, suppliers, and contractors.

The Principles also require all employees, managers, and Board members to adhere to the core values of the Principles. The Company's management is required to establish a good example for ethical corporate management. The Company's manager, particularly the Chief Executive Officer, Chief Financial Officer, and Chief Information Officer of the product profit center, shall be supervised by the Board of Directors and be responsible for fully, fairly, accurately, promptly, and clearly disclosing the Company's financial and accounting information in financial statements submitted to the competent authority and disclosed to the public.

The Company shall enforce management and punishment to ensure that all employees, managers, and supervisors adhere to the Principles, Ethical Corporate Management Operating Procedures and Code of Conduct. The Company hopes that the Company's customers, suppliers, contractors, consultants, and other partners with contractual relationships understand and respect the Company's corporate culture for ethical, transparent and responsible corporate governance.

In the event that an employee discovers or has reasonable doubts of any violation of the Principles, he/she shall immediately file a report to the following individuals or through the following channels in accordance with the status of the violation: the direct supervisor, the General Manager's Office, internal audit chief, employee complaint channels, or the Supervisors. Upon discovering or receiving a complaint about the involvement of any personnel in unethical conduct, the Company shall ascertain the relevant facts without delay; if it is verified that there is indeed a violation of applicable laws and regulations or the Company's ethical corporate management policies, the Company shall immediately require the violator to cease the conduct and shall punish the individual accordingly. where necessary, the Company shall file for damage claims through legal proceedings to protect the reputation and interests of the Company. For unethical conduct that have occurred, the Company shall instruct related units to review the internal control system and operating procedures and provide improvement measures in order to prevent the same conduct from reoccurring. The Company shall instruct units to report the unethical conduct, the processing methods, and follow up review and improvement measures to the Board of Directors.

If any of the Company's personnel discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct is of an illegal nature, the Company shall immediately notify judicial agencies and prosecutors of related facts. If the unethical conduct involves public offices or public servants, the government's agencies against corruption shall be notified.

Implementation of ethical corporate management, deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", and reasons for deviation:

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and stated its policies and practices in its Memorandum or external correspondence to maintain business integrity? Are the Board of Directors and the managers committed in fulfilling this commitment?	✓		An ethical and harmonious corporate culture has always been the Company's most important core value. The Company has always upheld integrity in all business activities and has established the "Ethical Corporate Management Operating Procedures and Code of Conduct" as guidance to strictly require each employee to adhere to the ethical policies. The Company also provides detailed explanation of the Company's ethical corporate management policies and the Board of Directors and management's active implementation of these policies.	None
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct	✓		In Article 7 of the "Ethical Corporate Management Operating Procedures and Code of Conduct", the Company established related policies and guidelines with regard to different legal compliance requirements under the processing procedures for collecting unlawful interests in order to implement ethical management. All employees of the Company, including subsidiaries and affiliated enterprises, shall be required to understand regulations related to their businesses and make correct business and ethical judgments. The Company's internal auditing department also plays an important role in ensuring	None

Evaluation Item		Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
		Yes	No	Summary	
	based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies?			ethical management and legal compliance in order to ensure the accuracy, reliability, and promptness in financing, management, and business information and to establish policies, guidelines, procedures, and regulations related to employee conduct. The internal auditing department shall conduct various audits in the annual audit plan approved by the Board of Directors and submit the results of the audit and follow-up improvement plans to the Board and management to implement the effects of the audit.	
(III)	Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implemented the policies, and reviewed the aforementioned policies on a regular basis?	✓		The "Ethical Corporate Management Operating Procedures and Code of Conduct" are the core guidance in the Company's implementation of the above values and ideals. The Company requires all employees, including members of subsidiaries and affiliated enterprises to shoulder the responsibilities of maintaining high-level ethical standards, the Company's reputation, and compliance with regulations in accordance with the Code of Conduct, which is announced on the Company's internal website for employees to reference at any time. In addition, the Company also promotes the Company's core values and compliance policies to employees through education and training courses, posters, educational short films, and other diverse methods. With respect to any suspected violation of ethical conduct, the Company has always maintained the attitude of not punishing the innocent and not permitting the guilty to go unpunished. The Company treats all verified cases with the utmost seriousness and imposes severe punishments on violator	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
			such as termination of employment or business relations as well as appropriate legal actions. The Company has included the principles of ethical corporate management as part of employees' performance appraisal and the Company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of dishonest conduct. If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the person in accordance with applicable laws and regulations or internal human resources guidelines.	
II. Full Implementation of Ethical Management Principles (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		The Company takes practical actions based on the "Ethical Corporate Management Operating Procedures and Code of Conduct" to assist the Company's customers, suppliers, business partners, and other individuals with whom the Company has business relations, including consultants or other individuals who are authorized to conduct business activities on behalf of the Company, to identify with and implement the Company's ethical management policies and corporate culture. The Company requests all suppliers or contractors to submit written commitments to respect and comply with the Company's ethical management policies and corporate culture. The Company also regularly invites them for education on the Company's ethical management policies in order to understand whether there has been any unethical conduct. In the event that a transaction or cooperation counterparty is found to be unethical, the Company shall terminate business relations immediately and blacklist the counterparty in order to	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
			implement the Company's ethical management policies.	
(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		To carry out supervision responsibilities for its ethical management policies, the Company's Board of Directors has established various organization and management procedures such as the Remuneration Committee, internal audits, etc. In addition, the Company has charged the General Manager's Office and internal auditing department to periodically report related implementation status to the Board of directors. Under the supervision of the Board of Directors, the Company's managers, particularly the General Manager, Chief Financial Officer, and Spokesperson shall ensure that the financial and accounting information the Company submits to the competent authority of securities or disclosed to external parties is complete, fair, prepared, prompt, and easy to understand.	None
(III) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?	✓		New employees hired by the Company are asked to sign the "Commitment to Ethical Conduct" in accordance with requirements. In addition, all employees are required to actively inform the Company of any conflicts of interest or suspected conflicts of interest in accordance with the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct".	None
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the	✓		The Company has always valued the accuracy and integrity of its financial report procedures and controls and it has established related internal control systems for operating procedures with potentially higher risks for unethical conduct. The internal auditing unit also carries out various	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?			audits in accordance with the annual audit plan established on the results of risk analyses. It reports the results of audits and follow-up improvement plans to the Board of Directors and the management to implement the effects of the audits. The Company also conducts annual self-assessment procedures on internal controls of the Company. The Company's departments and subsidiaries shall inspect the design of the internal control system and the effectiveness of its implementation.	
(V) Does the Company periodically provide internal and external training programs on integrity management?	✓		The Company places great value on legal compliance education and training. The Company not only allows employees to gain knowledge on latest or closely related regulations through regulation promotion and training courses, but also further strengthens employees' firm commitment to compliance with ethical business policies. The Company also regularly invites its suppliers or contractors to educate them on the ethical business policies of the Company to ensure that they fully understand the necessity of the Company's implementation of ethical business policies.	None
III. Operation of whistle-blowing system in the Company (I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in	✓		The Company established guidelines in the "Ethical Corporate Management Operating Procedures and Code of Conduct" to provide employees with channels to report any inappropriate financial or legal conduct. If an employee suspects that unethical conduct	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
place, and assign an appropriate person to communicate with the accused?			has occurred, he/she is responsible for reporting to the direct supervisor or the highest ranking officer in the Administrative Services Department, making a report through existing employee reporting channels, or notifying Supervisors directly. The Company shall establish independent internal report mailbox and dedicated line on the Company website and internal website and assign personnel to take charge of processing reports. The Company shall keep the identity of the whistle-blower and the content confidential.	
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		As specified in the internal regulations, the Company maintains the confidentiality of received reports and subsequent investigations and processes reports rigorously.	None
(III) Did the company adopt measures for protecting the whistleblower against improper treatment or retaliation?	✓		The Company strictly prohibits any form of retaliation against whistleblowers who provided reports in good faith or individuals who assist in investigations.	None
IV. Enhancing information disclosure Has the Company disclosed its Ethical Corporate	✓		The Company places related regulations and education material for ethical corporate management policies on the Company's internal website for employees to read at any	None

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Implementation Status</td><td rowspan="2">Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td>Management Best Practice Principles and progress onto its website and M.O.P.S.?</td><td></td><td></td><td>time. The Company places its Annual Reports and discloses related information on ethical corporate management policies on the Company's external website (http://www.hksteel.com.tw) (the Annual Reports are also placed on the M.O.P.S. (http://mops.twse.com.tw)).</td><td></td></tr>
<tr><td colspan="5">V. If the company has established Ethical Corporate Management Best Practice Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe the difference between the principles and implementation status:
The Company has established the "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct". All employees, managers, Board members, and subsidiaries shall follow the provisions in the Principles and related regulations. Regarding the implementation of the Company's ethical corporate management policies, please refer to "(7) Ethical Corporate Management and Measures Adopted" of the Corporate Governance Report. (Page 82)</td></tr>
<tr><td colspan="5">VI. Other critical information conducive to understanding the operation of the company's integrity management: (e.g., review/revision of the company's integrity corporate management principles)
1. The Company shall disclose the its ethical management policies in internal regulations, Annual Reports, company website, or other materials and declare the policies at appropriate times in product launch events, investor conferences, and other external activities so that the Company's suppliers, customers or other related institutions and personnel are fully aware of the Company's principles and rules with respect to ethical corporate management.
2. When carrying out business activities, the Company shall explain its ethical management policies and related regulations to counterparties and clearly refuse to directly or indirectly offer, promise to offer, request or accept any improper benefits, including kickbacks, commissions, facilitation payments, or offer or accept improper benefits in any other form.
3. When the Company signs contracts with other entities, it shall fully understand the status of the counterparty's ethical management and include provisions requiring compliance to its ethical management policies and unconditional termination or cancellation of the contract at any time in the event of unethical conduct by the other party.
4. The Company shall periodically organize training and awareness programs for Directors, managers, employees, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.
5. The Company shall apply the policies of ethical corporate management when creating its</td></tr>
</table>

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system. 6. The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage Directors, managers, and employees to make suggestions, based on which the adopted Ethical Corporate Management Best Practice Principles will be reviewed and improved with a view to achieving better effectiveness of ethical management. Please refer to the descriptions in "(7) Ethical corporate management and measures adopted" in the Corporate Governance Report in the Annual Report. (Page 82)				

(VIII)Corporate governance principles, related guidelines, and the means of accessing this information:

The Company has established the "Corporate Governance Code of Conduct", "Rules of Procedure for Shareholders' Meetings", "Rules of Procedure for the Board of Directors' Meetings", "Regulations Governing the Election of Directors", "Code of Ethics for Managerial Officers and Supervisors Ranked Level 1 and Above", "Ethical Corporate Management Best Practice Principles", and "Corporate Social Responsibility Best Practice Principles" which have been published in the Corporate Governance section on the Company's website (http://www.hksteel.com.tw) and the M.O.P.S. (http://mops.twse.com.tw) for investors.

(IX).**Status of implementation of internal control system**

1.Statement on Internal Control

HsinKuang Steel Co., Ltd.

Statement on Internal Control

Stock Code: 2031

Date: March 16, 2022

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2021.

I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and the managers, and that the Company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.

II. Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has already adopted the aforementioned internal control system judgment items to assess the effectiveness of the internal control system design and implementation.

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This statement shall be an integral part of the Annual Report and prospectus of the Company and will be made public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles

	20, 32, 171, and 174 of the Securities and Exchange Act.
VII.	This statement was approved by the Board on March 16, 2022 in the presence of 9 Directors, who concurred unanimously.

HsinKuang Steel Co., Ltd.

Chairman of the Board:	Alexander M.T. Su	Signature and Seal
General Manager:	Alexander M.T. Su	Signature and Seal

2.According to requirements of the Securities and Futures Bureau of the Financial Supervisory Commission, if the company engages an accountant to examine its internal control system, it shall disclose the CPA examination report: None.

(X). Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None.

(XI). Important resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report:

1.Key Resolutions of the Shareholders Meeting and Implementation

The Company's 2021 general shareholders meeting was held at the Company's Guanyin Plant Conference Office in the Guanyin Industrial Park, Guanyin District, Taoyuan City on July 22, 2021. The resolutions passed by attending shareholders and their status of implementation are as follows:

(1).Ratification of the 2020 business report and final financial statements.

Implementation status: Ratification of the 2020 business report and final financial statements. The annual consolidated revenue was approximately NT$9852.31 million and the net profit after tax was approximately NT$845.73 million. The EPS was NT$2.69.

(2).Approval of 2020 Earnings Distribution Proposal.

Implementation status: Approval of the distribution of NT$2 in cash dividends to common shares. August 16, 2021 was established as the ex-dividend date and the cash dividends were issued on September 9, 2021 at NT$1.91973251 per share.

2.Important Resolutions of the Board of Directors

The important resolutions adopted in the Board of Directors' meetings in 2021 up to the date of Annual Report are summarized below:

(1). 4th meeting of the 15th Board of Directors held on March 16, 2021:

1. Approved the distribution of remuneration to Directors, Supervisors, and employees for 2020;
2. Approved the 2020 business report and final financial statements;
3. Approved the 2020 Earnings Distribution Proposal;
4. Approval of the distribution proposal of cash paid from capital reserves;
5. Approved the Company's 2020 “Internal Control Effectiveness Evaluation” and “Statement on Internal Control”;
6. Proposal to discuss the results of the 3rd meeting of the 4th Remuneration Committee;
7. Approved the calling of the 2021 general shareholders’ meeting;
8. Approved the proposal for participating in the cash capital increase of the investee company;
9. Approved the amendment to the Company’s “Rules of Procedure for the Board of Directors' Meetings";
10. Approved the capital increase baseline date for the conversion of the convertible bonds to common shares in the fourth quarter of 2020.

(2). 5th meeting of the 15th Board of Directors held on May 12, 2021:
  1. Approved Quarter 1 financial statements for 2021.
  2. Approved the capital increase baseline date for the conversion of the convertible bonds to common shares in the first quarter of 2021.
  3. Approved the proposal for participating in the cash capital increase of the investee company.

(3). 6th meeting of the 15th Board of Directors held on June 22, 2021:
  1. Approved the change of date for the 2021 Shareholders' Meeting.
  2. Approved the Company's appointment of the first Chief Governance Officer.
  3. Approved the Company's lease of Kaohsiung Benzhou Second Plant (No. 50).
  4. Approved the capital increase baseline date for the conversion of the convertible bonds to common shares in the second quarter of 2021.

(4). 7th meeting of the 15th Board of Directors held on July 22, 2021:
  1. Approved the 2020 Earnings Distribution and relevant proposals.
  2. Approved the capital increase baseline date for the conversion of the convertible bonds to common shares in the third quarter of 2021.

(5). 8th meeting of the 15th Board of Directors held on August 3, 2021:
  1. Approved Quarter 2 financial statements for 2021.
  2. Reviewed the discussion on changes to the distribution of Independent Directors' remuneration for 2020.
  3. Reviewed the discussion on the distribution of remuneration of employees and Directors for 2020.

(6). 9th meeting of the 15th Board of Directors held on November 10, 2021:
  1. Approved Quarter 3 financial statements for 2021.
  2. Approved internal audit plans for 2022.
  3. Approved the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2022.
  4. Approved the proposal for participating in the cash capital increase of the investee company [Century Huaxin Wind Energy Co., Ltd.].
  5. Approved the proposal for acquiring equity of the investee company [Mason Metal Industry Co., Ltd.].
  6. Approved the ratification for acquiring land No. 202 in the Fulin segment of Guanyin District in Taoyuan City.

(7). 10th meeting of the 15th Board of Directors held on December 21, 2021:
  1. Approved the 2022 appropriation of NT$4 million for donation to the HsinKuang Steel Tian-Cheng Charity Foundation for use in charitable social welfare projects that meet the purpose of establishment of the Foundation.
  2. Approved the business plan for 2022.
  3. Presented the following agendas for resolution: Appointment of CPAs and resolution of their remuneration, and independence evaluation of

CPAs is as described.

4. Submitted the following proposal for discussion: Appointment of a new Chief Accounting Officer for the Company.

(8). 11th meeting of the 15th Board of Directors held on March 16, 2022:

1. Approved the distribution of remuneration to Directors and employees for 2021.
2. Approved the 2021 business report and financial statements.
3. Approved the Company's 2021 earnings distribution proposal.
4. Approved the 2021 "Internal Control Effectiveness Evaluation" and "Statement on Internal Control."
5. Approval the proposal to discuss the results of the 6th meeting of the 4th Remuneration Committee.
6. Approved the amendments of the Articles of Incorporation.
7. Approved the amendment of "MRM002 Procedures for the Acquisition or Disposal of Assets."
8. Approved the amendment of "MRM001 Endorsement and Guarantee Making Procedure."
9. Approved the amendment of "MRM003 Rules of Procedure for Shareholders' Meetings."
10. Approved the amendments of "MRM016 Corporate Governance Best Practice Principles."
11. Approved the proposal for participating in the cash capital increase of Century Huaxin Wind Energy Co., Ltd.
12. Approved the proposal for participating in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd.
13. Approved the proposal for acquiring the equity of Evergreen Aviation Technologies Corp. through IPO subscription.
14. Approved the proposed agenda of the 2022 general shareholders' meeting.

(XII). Dissenting or qualified opinion of Directors or the Audit Committee against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None

(XIII). Summary of the resignation and dismissal of professional managerial officers related to the financial report including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer and Chief Internal Auditor, in the past year and up to the date of report: None

VI. Information on fees to CPAs

The Company's CPA audit fees are approved by the Audit Committee and submitted to the Board of Directors for approval

Unit: NT$1,000

Name of Accounting Firm	CPA	Audit period	Audit Fee	Non-Audit Fees (Note)	Total	Note
Deloitte & Touche	Sheng-Hsiung Yao	2021.1.1~2021.12.31	4,380	731	5,111	
	Jui-Na Chang					

Note: Non-audit fees include corporate social responsibilities assurance fees (NT$400 thousand) and business registration fees (NT$331 thousand).

VII. Information on change of CPAs: None.

VIII. The Company's Chairman, General Manager, financial responsible person, or accounting affairs manager who has served in a certified public accountant firm or its affiliates within the last year: None.

IX. Share transfer and equity pledge changes by Directors, managers and shareholders holding more than 10% equity in the past year and up to the printing of this report

1. Share Equity Change Status for Directors, Managers and Major Shareholders

Title (Note 1)	Name	2021		Current year as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman of the Board	Alexander M.T. Su	(95,000)	—	(230,000)	—
Director	Han De Investment Co., Ltd.	1,600,000	—	—	—
Director	Trickle Co., Ltd.	—	—	—	—
Director	Ming-Shan Jheng	—	—	—	—
Director	Fisher C.H. Yu	—	—	—	—
Director	Johnathon Y.J. Su	—	—	—	—
Director	Shih-Yang Chen	—	—	—	—

Title (Note 1)	Name	2021		Current year as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Independent Directors	Winston Won	—	—	—	—
Independent Directors	Po-Young Chu	—	—	—	—
Independent Directors	Paul T.Y. Huang	—	—	—	—

Note 1: Shareholders with over 10% of the Company's total share shall be classified as major shareholders and listed separately.

Note 2: Information regarding the transfer of shares or shares pledged to the counterparty being the related party shall be filled in the following Table.

2. Information on transfer of shares: There has been no transfer of shares with counterparties who are related parties.
3. Information on pledged shares: There have been no shares pledged to counterparties who are related parties.
4. Overview of investee companies: Please refer to the descriptions in the "Special Record Items" in the Annual Report.(Page 156 to page 161)

X. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree) Please refer to the description in "Fundraising Conditions" in the Annual Report.(Page 99)

XI. The shareholding of the Company, Directors, managers and enterprises directly or indirectly controlled by the Company in the invested company and the consolidated shareholding ratio

Unit: Shares; ％

Investee Company (Note)	Investment by the Company		Investments of Directors, Supervisors, Managers and Directly or Indirectly Controlled Businesses		Comprehensive Investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Hsin Yuan Investment Co., Ltd.	50,000,000	100%	—	—	50,000,000	100%
Sinpao Investment	USD 4,173,498	99.82%	—	—	USD 4,173,498	99.82%
Hsin Ho Fa Metal Co., Ltd.	21,827,049	83.37%	—	—	21,827,049	83.37%

APEX Wind Power Equipment Manufacturing Co., Ltd.	44,030,600	66.71%	2,459,440	3.73%	46,490,040	70.44%
Hsin Wei Solar Co., Ltd.	9,800,000	49%	—	—	9,800,000	49%
Hsin Ching International Co., Ltd.	15,000,000	60%	—	—	15,000,000	60%
Mason Metal Industry Co., Ltd.	40,000,000	80%	500,000	1%	40,500,000	81%
Hsin Cheng Logistics	20,000	100%	—	—	20,000	100%
Hsin Hua Steel	—	—	6,000,000	100%	6,000,000	100%

Note: Long-term investment calculated by the equity method.

D. Fundraising Conditions

I. Capital and Shares

(I) Source of Capital

As of April 30, 2022

Year and Month	Issuing Price	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount (NT$)	Number of shares	Amount (NT$)	Source of Capital	Subscriptions paid with property other than cash	Date of approval and document number
April 2022	10	360,000,000	3,600,000,000	321,146,341	3,211,463,410	Corporate bonds turned common shares of NT$ 184,526,020	None	Implemented in accordance with the official document Jin-Guan-Zheng-Fa No. 1060038847 dated October 19, 2017.

(II) Capital and shares

As of April 30, 2022

Type of Shares	Authorized capital					Number of shares convertible from convertible bonds
	Current issued shares			Un-issued shares	Total	
	Listed	Unlisted	Total			
Registered common shares	321,146,341	—	321,146,341	38,853,659	360,000,000	-

(III) Shareholders structure

As of April 30, 2022

Shareholders structure / Quantity	Government-run Agencies	Financial Institutions	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
Number of Shareholders	—	—	265	55,720	157	56,142
No. of shares held	—	—	94,549,051	193,977,279	32,620,011	321,146,341
Shareholding percentage	—	—	29.44%	60.40%	10.16%	100.00%

(IV) Shareholding Distribution Status

Face value: NT$10 per share April 30, 2022

Shareholding Classification	Number of Shareholders	No. of shares held	Shareholding percentage
1 to 999	27,349	1,489,205	0.46%
1,000 to 5,000	23,460	45,543,003	14.18%
5,001 to 10,000	2,935	23,660,406	7.37%
10,001 to 15,000	756	9,741,104	3.03%
15,001 to 20,000	505	9,473,281	2.95%
20,001 to 30,000	401	10,390,545	3.24%
30,001 to 40,000	210	7,474,607	2.33%
40,001 to 50,000	129	6,084,966	1.90%
50,001 to 100,000	200	14,360,105	4.47%
100,001 to 200,000	83	12,186,112	3.80%
200,001 to 400,000	47	13,082,541	4.07%
400,001 to 600,000	18	9,157,026	2.85%
600,001 to 800,000	9	6,508,082	2.03%
800,001 to 1,000,000	9	7,958,481	2.48%
1,000,001 and above	31	144,036,877	44.85%
Total	56,142	321,146,341	100.00%

(V) List of Main Shareholders

1. List of Main Shareholders

April 30, 2022

Shares / Name of major shareholder	No. of shares held	Shareholding percentage
Han De Investment Co., Ltd.	24,700,276	7.69%
Alexander M.T. Su	16,275,719	5.07%
Trickle Co., Ltd.	14,662,469	4.57%
Cheng Yu Investment Co., Ltd.	10,165,603	3.17%
Hui Jung Investment Co., Ltd.	10,160,916	3.16%
Johnathon Y.J. Su	7,704,930	2.40%
Pictet Bank's investment account under the trust of HSBC	6,800,000	2.12%
Kuang-Fu Huang	6,360,000	1.98%
Alexander M.T. Su's dedicated trust account in First Commercial Bank	6,000,000	1.87%
Trickle T.C. Chang	5,228,283	1.63%

2. Information Disclosing the Relationship between any of the Top Ten Shareholders

April 30, 2022

Name (Note 1)	Personal shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Titles, names, and relationships applicable to the top 10 shareholders with relationships specified by SFAS No. 6, spouse and kinship within the second degree. (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Han De Investment Co., Ltd. Representative: Alexander M.T.Su	24,700,276	7.69%	17,391,487	5.42%	—	—	Alexander M.T. Su	The Chairman	
Alexander M.T.Su	16,275,719	5.07%	1,115,768	0.35%	—	—	Johnathon Y.J. Su Han De Investment Co., Ltd.	Father-son Representative	
Trickle Co., Ltd. Representative: Trickle T.C.Chang	14,662,469	4.57%	5,228,283	1.63%	—	—	Trickle T.C. Chang	Representative of Corporate Director	
Cheng Yu Investment Co., Ltd. Representative: Johnathon Y.J. Su	10,165,603	3.17%	7,859,930	2.45%	—	—	Johnathon Y.J. Su	The Chairman	
Hui Jung Investment Co., Ltd. Representative: Alexander M.T.Su	10,160,916	3.16%	17,391,487	5.42%	—	—	Alexander M.T. Su	The Chairman	
Johnathon Y.J. Su	7,704,930	2.40%	155,000	0.05%	—	—	Alexander M.T. Su Cheng Yu Investment Co., Ltd.	Father-son Representative	
Pictet Bank's investment account under the trust of HSBC	6,800,000	2.12%	—	—	—	—	—	—	
Kuang-Fu Huang	6,360,000	1.98%	—	—	—	—	—	—	
Alexander M.T.Su's dedicated trust account in First Commercial Bank	6,000,000	1.87%	17,391,487	5.42%	—	—	Alexander M.T. Su	The Chairman	
Trickle T.C.Chang	5,228,283	1.63%	14,662,469	4.57%	—	—	Trickle Co., Ltd.	Corporate Director	

Note 1: The names of the top ten shareholders shall be disclosed and the names and representatives of corporate shareholders shall be listed separately.
Note 2: The calculation of the shareholding ratio refers to the ratio of shares held by the individual, the spouse, underage children, or through nominee arrangements.
Note 3: Relationships between the shareholders described above, including institutions and natural persons, shall be disclosed according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

3. Market price per share, net worth, earnings, dividends, and the related information for the last 2 years

Item \ Year		2020 (Distributed in 2021)	2021 (Distributed in 2022)	Current year up to March 31, 2022 (Note 5)
Market price per share (Note 1)	High	43.60	94.60	68.90
	Low	17.10	32.80	51.70
	Average	28.98	57.27	59.17
Net Value Per Share	Before distribution	26.28	34.50	—
	After distribution	24.28	30.43	—
Earnings per share	Weighted Average Shares	308,273,775	315,673,891	—
	Diluted Earnings Per Share	2.60	8.57	—
Dividend per share	Cash dividends	2.00	4.00	—
	Accumulated Unpaid Dividend	—	—	—
Investment Return Analysis	PE ratio(Note 2)	11.15	6.68	—
	Price-dividend ratio(Note 3)	14.49	14.32	—
	Cash dividend yield(Note 4)	6.90%	6.98%	—

Note 1: Source of information is the TWSE website.
Note 2: Price to earnings ratio = average closing price per share for the year / earnings per share.
Note 3: Price-dividend ratio = average closing price per share for the year/cash dividends per share.
Note 4: Cash dividend yield = cash dividends per share / average closing price per share for the year.
Note 5: Auditor-reviewed financial information for the first quarter of 2021 was unavailable as of the publication date of annual report; the other fields shall include information from the current year up to the publication date of the Annual Report.

(VI) Dividend Policy and Implementation Status

1. Company Dividend Policy

The Company has adopted a balanced dividend policy to protect shareholder interest and the goal of sustainable development.

The Company shall not distribute dividends or profit-sharing in the absence of retained earnings in the current year. The Company has distributed cash dividends to shareholders every year since 2000. The Company will continue to follow a consistent and sustainable dividend policy. Capital budget planning for the next year will be based on actual profits and financial, sales, and management performance in the current year, and the most appropriate cash dividend distribution proposal will be determined accordingly. On March 16, 2022, the Board of Directors of the Company proposed that the 2021 earnings be distributed as cash dividend at NT$4.0 per share as shown in the table below. The Company will proceed to carry out the proposal after it is approved at the general shareholders meeting on June 15, 2022.

2. Dividend Distribution to be Proposed to the Shareholders Meeting

	Amount Distributed Per Share (NT$)	Source
Cash dividends	NT$ 4.00	Undistributed earnings

(VII) The effects of the stock dividends on the Company's business performances, earnings per share, and shareholder ROI: Not applicable

(VIII) Employee Bonus and Director and Supervisor Remuneration

(1) According to the Company's Articles of Incorporation, if the Company has profit for the year, 3% or less shall be set aside as remuneration for Directors and Supervisors and no less than 3% shall be set aside as remuneration to employees.

(2) Distribution of remuneration to Directors, Supervisors, and employees for 2021:

1. The Company's 2021 Earnings Distribution Statement was approved in the 11th meeting of the Company's 15th Board of Directors on March 16, 2022. After the Statement is passed in the general shareholders meeting on June 15, 2022, and approved by the governing authorities, the Board of Directors shall establish a (cash) dividend distribution date to implement the Statement.
2. Distribution of earnings in the current year as employee remuneration and Director/Supervisor remuneration:

Unit: NT$

Item	2021
Director's remuneration	68,261,019
Employees Remuneration (distributed in cash)	102,391,529

Note: 1. The amount of the aforementioned remuneration for Directors and employee cash bonus is consistent with the resolution by the Board of Directors on March 16, 2022. The aforementioned employee cash bonus will be distributed after resolution in the 2022 general shareholders meeting.

2. The amount previously recognized is consistent with the resolution by the Board of Directors.

3. The ratio of proposed employee stock bonus allocation compared to the individual financial report net profit after tax for the quarter and the total employee bonuses: Not applicable.

(3) Use of 2020 earnings for distribution of employee remuneration and Director/Supervisor remuneration:

Unit: NT$

Item	Amount resolved by Board of Directors	Actual amount distributed(Note)
Director's remuneration	28,405,257	28,405,257
Employees Remuneration (distributed in cash)	28,405,257	28,405,257

Note: The amount of the aforementioned remuneration for Directors and employee cash bonus is consistent with the resolution by the Board of Directors on March 16, 2021. The aforementioned employee cash bonus will be distributed after resolution in the 2021 general shareholders meeting. The amount previously recognized is consistent with the resolution by the Board of Directors.

(IX) Buyback of Treasury Stock: None

II. Corporate bond issuance status:

(I) Corporate bond issuance status

<table>
<tr><td colspan="2">Corporate bond type
(Note 2)</td><td>Fifth issuance of unsecured convertible corporate bond
(Note 5)</td></tr>
<tr><td colspan="2">Issuance (processing) date</td><td>November 09, 2017</td></tr>
<tr><td colspan="2">Face value</td><td>NT$ 100,000</td></tr>
<tr><td colspan="2">Place of issue and trading
(Note 3)</td><td>Republic of China</td></tr>
<tr><td colspan="2">Issuing Price</td><td>NT$100.2 (issued at 100.2% of face value)</td></tr>
<tr><td colspan="2">Total face value of bonds issued</td><td>NT$ 600,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>0%</td></tr>
<tr><td colspan="2">Term</td><td>5 years
Maturity date: November 09, 2022</td></tr>
<tr><td colspan="2">Guarantor</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Trust Department, Hua Nan Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>Taishin Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certifying lawyer</td><td>Yi-Cheng Peng, Handsome Attorneys-at-Law</td></tr>
<tr><td colspan="2">Certifying CPA</td><td>Deloitte &Touche
CPAs Chao-Ling Chen, Chiang-Pao Liu</td></tr>
<tr><td colspan="2">Method of repayment</td><td>The principal is repaid in lump sum by wire transfer or check, except where the bonds are converted into the Company's common shares in accordance with Article 10 of the Regulations on the Issuance and Conversion of Corporate Bonds for the Company's fifth issuance of unsecured corporate bonds or called prematurely by the Company in accordance with Article 17 of the same regulations.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$ 0
（Close on July, 2021）</td></tr>
<tr><td colspan="2">Terms and conditions for redemption or early repayment</td><td>From the day after convertible corporate bonds have been issued for 3 months (February 10, 2018) to forty days before the bonds reach maturity date (September 30, 2022), if the Company's common share closes at more than 30% (inclusive) higher than the convertible price at the time for thirty consecutive business days, and the outstanding balance of the convertible corporate bond is below 10% of the total issue, the Company may buy back the bonds at par value and proceed according to Article 17 of the Regulations on the Issuance and Conversion of Corporate Bonds for the Company's fifth issuance of unsecured corporate bonds.</td></tr>
<tr><td colspan="2">Restrictions(Note 4)</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating institution, rating date, and outcome of corporate bond rating</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report</td><td>NT$ 600,000,000
（Close on July, 2021）</td></tr>
<tr><td>Issuance and conversion (exchange or subscription)</td><td>Please refer to the Regulations pertaining to issuance and conversion.</td></tr>
</table>

	method	
Issuance and conversion, exchange or subscription methods, and the condition of issuance that may dilute share equity and affect the rights of existing shareholders		Please refer to the Regulations pertaining to issuance and conversion.
Name of custodian for the exchanged asset		None

Note 1: The disclosure includes public and private offerings of corporate bonds that are still in progress. Public offering of corporate bonds refers to those approved (authorized) by the FSC; private placement of corporate bonds refers to those approved/authorized by the Board of Directors.

Note 2: Please use additional rows as needed.

Note 3: To be filled if bonds are issued by foreign companies.

Note 4: If cash dividend distribution or overseas investments are restricted, or if a certain percentage of assets is required to be maintained, etc.

Note 5: Private placement shall be specified clearly.

Note 6: For convertible bonds, exchangeable bonds, shelf registration of corporate bonds, and corporate bonds with warrants, first disclose information as laid out in the form and then disclosed additional details pertaining to each security.

(II) Convertible bond data

Corporate bond type (Note 1)		Fifth issuance of domestic unsecured convertible corporate bond		
Item \ Year		2020	2021	Current year up to April 30, 2022 (Note 4)
Market price of convertible corporate bonds (Note 2)	High	137.45	284.00	-
	Low	101.50	117.50	-
	Average	119.45	174.16	-
Conversion price		NT$ 31.50 （Close on July, 2021）		
Issue (processing) date and conversion price at issuance		Issuance date: November 09, 2017 Conversion price at issuance: NT$ 36.00		
Methods of fulfilling conversion obligations (Note 3)		Issuance of new shares		

Note 1: Please use additional rows as needed.
Note 2: If offshore corporate bonds are traded at multiple locations, list each trading location separately.
Note 3: Number of shares delivered or new shares issued.
Note 4: Information for the current year up to the publication date of the annual report.

(III) Information on exchangeable corporate bonds: None.
(IV) Information for shelf registration: None.
(V) Information on corporate bonds with warrant: None.

III. Issuance of preferred stocks: None
IV. Issuance of global depositary receipts (GDR): None
V. Exercise of employee stock option plan (ESOP): None
VI. Employees' Restricted Stocks: None
VII. Mergers (including mergers, acquisitions, and demergers): None

(I) Mergers, acquisitions or issuance of new shares due to acquisition of shares of other companies that have been completed in the past year and up to the date of report:
1. Evaluative opinions submitted by the lead underwriter for mergers, acquisitions or issuance of new shares for the acquisition of shares of other companies in the most recent quarter: None
2. If the implementation status in the most recent quarter fails to reach expected objectives in terms of progress or performance, the impact to shareholder equities and improvement plans shall be described in detail: None

(II) Resolutions adopted by the Board of Directors in the past year and up to the date of report approving a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies: None

VIII. Capital Utilization Plan and Its Implementation:

The Financial Supervisory Commission has authorized the Company's 5th issuance of domestic unsecured convertible corporate bonds to raise a total of NT$601.2 million according to the official document Jin-Guan-Zheng-Fa No.1060038847 dated October 19, 2017. The offering was completed on November 7, 2017. The funds raised in this round were used to complete land compaction on building sites, expand plants, and purchase machinery and equipment. Use of capital has been fully completed.

E. Business Overview

I. Business Activities

(I) Scope of Business

The Company’s consolidated business operations include: (1).Leveling of steel coils, cutting and stamping of various steel sections, alloy steel, and special steels. (2).Wholesale and retail of various steel and iron plates, iron tubes, hardware, and machinery equipment. (3).Processing and manufacture of steel frames, steel tubes, and steel hardware. (4).Contracting vendors to build public housing and commercial buildings for sale and lease. (5).Import and export of aforementioned products and agency for quotation and tenders. (6).Investment in various production businesses, securities investment companies, banks, and insurance companies. (7).Wholesale and retail of various metal construction materials. (8).Production, purchasing, and sales of various metal products (vibration isolation systems for buildings and vibration isolation dampers for bridges). (9)Real estate rental and leasing. (10).Business dealings not prohibited or restricted by law, except those subject to special approval.

(II) Revenue breakdown

Of the Company's consolidated business operation in 2021, the percentage of revenue from main products out of the total sales revenue were as follows: 37.37% from steel plates, 4.47% from special steel plates, 26.48% from hot-rolled and galvanized steel plates, 13.33% from stainless steel, 13.93% from steel sections, and 4.42% from processing and others. The ratios for domestic sales and exports are 99.97% and 0.03%.

(III) Industry Overview

According to the "2021 Taiwan Steel & Iron" published by the Taiwan Steel & Iron Industries Association, the government’s plans for strengthening offshore wind power, forward-looking infrastructure projects, domestic production of domestic military vessels, and construction of social residences will promote investments in public construction and increase demand for steel materials. With regard to supply, as the domestic market has long been saturated, steel manufacturers have mainly focused on refining equipment and upgrading production lines, with very few cases of expansion.

Current products and services:

A.Current products and materials for sales and purchase: Steel plates, special steels, patterned and hot-rolled steel plates, stainless steel, steel sections, galvanized steel plates, weather resistant, anti-oxidation, and anti-corrosion building materials, and steel structure components (including vibration isolation systems for buildings and vibration isolation dampers for bridges).

B.Cutting, processing, and product manufacturing of completed products:

(A). Cutting steel plates, special steels, galvanized steel plates, and patterned and hot-rolled steel plates to designated lengths.

(B). Processing steel plates, special steel plates, galvanized steel plates, and patterned and hot-rolled steel plates into special shapes and sizes.

(C). Cutting, processing, polishing, and precision processing of stainless steel materials into special shapes and sizes.

(D). Production and processing of patterned worker's boards.

(E). Production and processing of steel structure components, box-columns, steel section columns, and span columns (including vibration isolation systems for buildings and shock-absorbent dampers for bridges).

(F). Cropping, cutting, stamping, and other processing procedures and molding modules of weather resistant, anti-oxidation, and anti-corrosion building materials.

(G). Manufacturing and processing of underwater steel pipe piles and steel pipe piles for water resource channels.

(H). Agency service for importing steel materials of special specifications and material.

(IV) Overview of Technology and R&D

(1).New products under development

A. Joint subcontracting in one-stop material supply and cutting services.

B. Collaborations with solar energy plant EPC enterprises to provide one-stop weather resistant bracket molding modules.

C. Steel pipe piles for wind power-related industries, submarine network deployment channels, and submarine boardwalks (in compliance with international standards).

D. Steel piles for water resource channels and distribution channels of science and technology plants.

(2).Production management

A. Management consulting courses: Improve onsite management standards and assist in the establishment of management concepts.

B. Implement and execute ISO9001, 45001, 14001, 3834, EN1090, 5S, and the TPM management system.

C. Increase opportunities for training and internships to shorten the amount of time required for new recruits to operate on the production line.

D. Strengthen manufacturing management system: Improve production efficiency, utilization rates, improve labor safety management, improve production quality, reduce the outflow of mixed materials, improve environmental management, production management, and resource utilization.

(V) Long- and Short-Term Business Development Plans

(1). Short-Term Business Plan

A. Adopt a collaborative strategy and supply chain cooperation strategy while expanding production capabilities, expanding the market, and maintaining the market share in steel cutting and logistics through more investments.

B. With existing cutting technologies, develop new customers and new markets or growing industries to maintain HsinKuang Steel's market share in the global steel materials industry.

C. Establish a brand image and create differentiation through value chain integration.

(2). Long-Term Business Development Plans

A. Provide satisfactory pre-sales and after-sales services with the Company’s exceedingly stable foundations that include over 2,000 long-term domestic and foreign customers, intensive partnerships with upstream domestic and foreign steel mills, integrated domestic logistics networks, availability of storage space and land in the plants, sophisticated cutting equipment, automated transportation equipment and fleets, and young talents that are full of potential.

B. In response to the demands for underwater foundation piles for offshore wind power and the solar photovoltaic green energy supply chain, the Company has been improving its cutting and manufacturing technologies, strengthening its services for the photovoltaic green energy industry value chain, and developing offshore wind farm maintenance projects to satisfy the needs of world-class wind farm developers while extending the scope of services and length of service periods.

C. Further develop innovative business models to increase the contribution of business applications related to reasonably profitable business transformation models uncovered from customer-satisfactory value chains. Provide more integrated services that include integrated strategies for steel products, further enhancement of cutting technologies, and optimal strategic plans to provide customers with better value.

II. Market, Production, and Sales

(I). Production & Marketing Profile

The consolidated company's operating revenue in 2021 was NT$14,103billion while the operating net profit was NT$2,637 billion. Compared to 2020, operating revenue increase by 43.14%, while operating profit increased by 461%. 2021 was a volatile year, with the COVID-19 epidemic spreading across the world, impacting the economy, transportation, and travel. At the beginning of the third quarter, prices for coking coal and iron ore started to rise, and continue to rise to this day. Therefore, the price of steel also rose in the second half of the year. The domestic construction industry was also driven by the return of Taiwanese businesses, resulting in the increase in demand for steel. The Company has weathered the fluctuations in the market and has achieved outstanding results in terms of revenue and profit through the efforts of our robust management team and CEOs of each profit center. In 2021, the Company was able to produce and sell 456,000 metric tons of steel products out of its annual goal of 468,000 metric tons, resulting in an achievement rate of 103%.

In order to establish long-term advantages, the Company has implemented the following business strategy guidelines in 2021 to achieve the optimal results: Procurement: strengthen supplier relationships and management and make acquisitions when prices are low; Business operation: Adopt complex management styles and sell multiple types of steel; Public and private construction: Adopt concerted cooperation and accept new purchase orders. Strategic integration and mid- to long-term plans: Implement supply chain integration, work with joint ventures and world-class steel plants, supply and manufacture steel parts for underwater foundations for offshore wind power projects, develop solar photovoltaic materials, and expand overseas investments; Customer relations management: Focus on the value curve and develop new customers. The Company has always relied on its expertise in steel material services as it continues to integrate corporate resources, enhance the overall core capabilities, and implement more efficient digitized corporate operating procedures in order to provide customers with the most comprehensive one-stop services. As a result, the Company ensures its outstanding performance in the intensely competitive industry through the management and operation of corporate resources, diverse and comprehensive customer services, and fast logistics distribution and sales services.

(II). Market Analysis

1. Sales of main products and services and available regions :

The Company's main products and services include the cutting, processing, and sales of various steel plates and steel sections. It mainly supplies the domestic market, with sales channels nationwide and over 2000 customers.

The ratios of the Company's domestic sales in each region in 2021 are 60% for the Northern Region, 18% for the Central Region, and 22% for the Southern Region. Domestic sales accounted for 99.97% of sales while exports accounted for 0.03% of sales.

2. Market share and future supply and demand status:

(1). Market Share:

The Company plays a key role in connecting upstream and downstream industries in the secondary processing and cutting process between the steel refinery products and the terminal industrial products in the steel industry. The Company has established the professional "Steel Materials Logistics Center", "Building Steel Cutting Center", "Steel Structure Components Production Center", and an island-wide distribution network to integrate related upstream and downstream industries, fully exerting the functions of the HsinKuang Steel and its network of affiliate operations for the benefit of the Company's production and marketing plans.

To increase market competitiveness and become the material supply center with the most comprehensive cutting equipment in Taiwan, the Company has over the years purchased fully-automated cutting equipment with high cutting quality and efficiency. The Company shall also increase its market share through the "Steel Materials Logistics Center" marketing strategy and its island-wide distribution network.

Through strategic alliances and vertical industry integration, the Company took part in public construction tenders and major private construction projects to advance the sale of steel materials and cutting services to supply materials for joint subcontracting projects. The Company's way of providing customers with comprehensive services and achieving win-win outcomes through various functions and activities in the value chain has become a competitive advantage difficult for competitors to imitate and surpass.

According to statistics compiled by the CommonWealth Magazine in 2022 of the top 2,000 manufacturers, the Company's consolidated revenue of NT$14.103 billion placed it on the No. 264 spot and No. 16 spot in metal resources industries. The Company is the only medium and thick steel plate cutting center qualified and registered by the Industrial Development Bureau, Ministry of Economic Affairs. The Company is equipped with a full range of equipment and provides excellent quality and fast delivery. It is the top supplier in terms of the scale of cutting operations and provides comprehensive transportation services. These factors have won the Company recognition and trust in the industry.

(2). Future market supply and demand:

Demand for steel materials soars as the government continues to push solar power, offshore wind power, and forward-looking infrastructure while implementing major public construction projects and policies to expand the domestic market, and overseas Taiwanese businesses return operations to the island, thereby increasing private investments and the number of plants and office buildings, contributing to the prosperity of the steel industry. The Company plays a key role in connecting the upstream and downstream enterprises in the steel industry as it fulfills the functions of the "Steel Product Logistics Center", "Building Steel Cutting Center", and "Steel Structure Components Production Center", which grows each year with the growth of the industry.

A.Steel Plates

Large-scale domestic public construction projects include: Industrial and commercial integrated complexes, financial-center skyscrapers, military community renewal projects, the Sixth Power Transmission and Construction Project, MRT systems for metropolitan areas, the Danjiang Bridge Project, and the Taoyuan Airport Terminal 3 "Apron, Taxiway and Apron Facility Project." According to the "Demand Forecast of Steel Products in Taiwan from 2021 to 2022" compiled by Taiwan Steel & Iron Industries Association, in the short term, the machinery and equipment industry and the exportation of machine tools are expected to grow positively, thanks to the booming construction industry in Taiwan and the successive lifting of COVID-19 restrictions in major countries, which will drive the growth of export orders. In the long term, the government's focus on forward-looking infrastructure, offshore wind power, domestic production of domestic military vessels, and other national programs will drive extended demand, implementation of urban renewal projects, and increase the construction area and production volume in building license applications. The utilization rate and production activities of the shipbuilding industry are expected to resume slowly, and steel structure, pipe manufacturing, and machinery industries will benefit from favorable circumstances such as the return of Taiwanese businesses. The average rate of growth in the demand for steel plates between 2021 and 2022 is projected to be 2.03%. The demand in 2022 is estimated to be 1.534 million tons, a demand growth rate of 0.97%. The steel plates that the Company purchased from China Steel account for approximately 15% of China Steel’s thick steel plate sales. The Company is also a cutting center for medium to thick steel plates registered with the Industrial Development Bureau, Ministry of Economic Affairs. The Company's comprehensive cutting capabilities, professional cutting technologies, and the island-wide distribution network of its logistics center can provide customers with convenient one-stop service and sustain the continued growth of this business.

B.Special Steel Plates

Special steel is widely used and the main material for many key components. It has relatively high-quality requirements, and its projected annual growth rate for 2022 domestic sales is approximately 2.5%. The special steel plates cut by the Company are mainly medium-carbon steel plates and alloy steel plates used for molds. The Company's new equipment ensures accuracy and stable quality, while its extensive island-wide sales channels ensure stable growth each year.

C.Hot-Rolled/Cold-Rolled Steel Plates

According to the "Demand Forecast of Steel Products in Taiwan from 2021 to 2022" compiled by Taiwan Steel & Iron Industries Association, in the long term, the competition in the main downstream industries for hot-rolled steel plates such as cold-rolled and galvanized steel plates will compress the momentum of post-pandemic growth. In addition, limited growth in automobiles, motorcycles, and hand tools is expected. The average growth rate of the demand for hot-rolled steel products from 2021 to 2022 is projected to be 5.45%, and the demand in 2022 is projected to be 4.249 million tons with a growth rate of 4.50%. Regarding cold-rolled steel products, due to the high self-sufficiency rate and the mature application of downstream industries, cold-rolled steel products will, in general, still be oversupplied in the long run, and base period will be increased after the demand of main downstream industries is released, resulting in slow growth. The average growth rate of the demand for cold-rolled steel products from 2021 to 2022 is projected to be 6.75%. The demand in 2022 is expected to be 1.370 million tons with a growth rate of 3.89%. The Company's Northern Region Steel Coil Cutting Center and the Central Region Steel Coil Cutting Center have eight sets of steel coil leveling and automated cutting machines. The cut hot-rolled steel plates can be used for computer cases, buildings, auto and motorcycle parts, fuse box components, machinery, hardware components, etc. The Company is able to supply the market with 80,000 to 120,000 metric tons of products each year. The supply can be increased in accordance with growing market demand.

According to the "Demand Forecast of Steel Products in Taiwan from 2020 to 2021" compiled by Taiwan Steel & Iron Industries Association, in the long term, the government is committed to supporting the return of overseas Taiwanese businesses and demand for 3C industry-related plants as innovative infrastructure projects and new domestic construction projects are being implemented, which is conducive to maintaining the vigorous construction of office buildings and manufacturing facilities. Meanwhile, the government is promoting renewable energy policies; thus, the installation of solar panel mounting brackets and government-funded air-conditioners for schools as well as real estate demand in Taiwan are expected to drive the growth of demand for home appliances. Some manufacturers also benefited from order transfers as a result of the trade war between the United States and China trade. Therefore, the demand for hot-rolled galvanized steel products is projected to grow by an average of 3.85% from 2021 to 2022. The Association predicted that the national demand for hot-rolled galvanized steel products in 2022 will be 1.643 million metric tons with a demand growth rate of 2.80%.

According to the "Demand Forecast of Steel Products in Taiwan from 2021 to 2022" compiled by Taiwan Steel & Iron Industries Association, the demand for galvanized steel products will grow by an average of 5.55% per year from 2021 to 2022 because the pandemic situation in Europe and United States is unlikely to ease completely in the short term, which will continue to drive demands for working from home, remote work, and remote teaching. In addition, domestic servers benefited from order transfer, leading to a rise in demand for panels, electronic and optical products, which drove the need of downstream industries to stock up. The Association predicted that the national demand for galvanized steel products in 2022 will be 98,000 metric tons with a demand growth rate of 4.60%.

The Company is able to supply the market with approximately 50,000 to 60,000 metric tons of hot-rolled galvanized and galvanized steel products each year and the supply can be increased in accordance with growing market demand.

D.Stainless Steel

According to the "Demand Forecast of Steel Products in Taiwan from 2021 to 2022" compiled by Taiwan Steel & Iron Industries Association, the demand for hot-rolled stainless steel products is expected to grow by an average of 3.31% per year from 2021 to 2022, as the base period for comparison is increased due to a slow recovery of demand for petrochemicals and coal products, pipe production, and machinery industry. The Association predicted that the demand for hot-rolled stainless steel products in 2022 will be 1.460 million metric tons with a demand growth rate of 2.48%.

According to the "Demand Forecast of Steel Products in Taiwan from 2021 to 2022" compiled by Taiwan Steel & Iron Industries Association, the growth of cold-rolled stainless steel products is recovering due to the demand of domestic construction industries, petrochemicals and coal processing and metal utensils industries, and stainless steel pipe production. Foreign order transfers also increased the demand for stainless steel cutting. In addition, the gradual easing of the pandemic and abundance of capital drive an increase in new construction projects and stimulate domestic demands. Hence, the demand for cold-rolled stainless steel products is projected to grow by an average of 2.97% from 2021 to 2022. The Association predicted that the demand for cold-rolled stainless steel products in 2022 will be 603,000 metric tons with a demand growth rate of 1.94%.

The Company's Stainless Steel Cutting Center was established in the first quarter of 2001, introducing the latest computer statistics-controlled fully-automated plasma cutting equipment available in Taiwan. In 2004, the Company also purchased more cutting equipment to provide diverse, high quality, and high precision cutting services, creating high value-added profits. The additional stainless steel leveling and cutting machine purchased in 2005 is now in operation. It can provide downstream customers with stainless steel plates in more diverse sizes and help to develop the Company’s stainless steel profit center. The stainless steel production and cutting base, additional stainless steel leveling and cutting machine, and the latest shearing machine from Italy that the Company acquired in 2007 have been operating since early 2008. They provide downstream customers with stainless steel plates cut with higher precision, helping to further the Company's stainless steel profit center. The stainless steel polishing plant was established in 2010. It can provide downstream customers with even more stainless steel plates cut with higher precision, helping to further the Company's stainless steel profit center.

E.Steel Section

The Company's Steel Sections Department mainly supplies imported round steel bars in larger sizes, which are mainly processed into machinery components, screws, nuts, hand-operated tools, magnetic components for speakers, etc. According to the "Demand Forecast of Steel Products in Taiwan from 2021 to 2022" compiled by Taiwan Steel & Iron Industries Association, overseas Taiwanese businesses are returning to invest in Taiwan and the learning curve continues for the production of offshore wind power underwater foundations. These trends will promote an expansion of the domestic demand for various types of steel. Therefore, the demand for steel sections will grow by an average of 6.55% per year from 2021 to 2022. The Association predicted that domestic demand for steel sections in 2022 will be 1,209,000 metric tons with a demand growth rate of 5.30%.

F.Comprehensive Analysis

As the impact of COVID-19 fades and the global economy is back on track, the government has been promoting solar power, offshore wind power, forward-looking infrastructure, domestic production of domestic military vessels, and expansion of the domestic market while encouraging overseas Taiwanese businesses to return operations to Taiwan. There is also an increase in private investments in new industrial plants, offices, and buildings. As a result, demand for steel materials is on the rise. The steel and iron industry has shifted its focus to developing higher quality products with higher added-value. The surface consumption volume in 2022 is projected to reach 26,529 thousand metric tons, achieving a growth rate of 3.0%. China's rapid economic development led to extensive improvements in all kinds of hardware construction, turning China into one of the world’s biggest consumer for steel and spurred overall demand in the steel industry. As a result, the steel industry will have several years of rapid development in its future. The Company believes that only through equipment innovation, diversified products, increase in product quality, and implementation of corporate resource operations can we survive and prosper in the fiercely competitive market. Therefore, we shall continue to leverage our "Building Steel Cutting Center", "Steel Product Logistics Center", and "Steel Structure Components Production Center" to continue operations and sustain growth in the industry.

(3). Favorable and unfavorable factors in the Company’s operating goals and development:

The Company's main operating policy for 2022 is to adjust product portfolios by focusing on these operational strategies: advocating flexible adaptation to the growth and decline of various steel industries, seeking reasonable profits, supporting the increased construction demand associated with the return of overseas Taiwanese businesses, cooperating with upstream and downstream alliances, introducing total solutions for the development of high corrosion resistant photovoltaic support bracket for solar panels, and expanding production bases for offshore wind power underwater foundations, among others. The Company's operating target for 2022 is 500,000 metric tons of steel products. Analysis of the favorable and unfavorable factors for the Company's long-term growth and strategy are as follows:

A.Favorable factors:

a. Since the steel industry is the basis of national infrastructure and a key industry for economic development, it is closely tied to other industries, serving as the basis of industries like transportation, machinery, shipbuilding, construction, electrical engineering, etc. The steel industry is therefore known as the mother of all industries. Long-term economic developments, a strong capital foundation, and the Taiwanese government’s recent campaigns to support solar power, offshore wind power, forward-looking infrastructure, and expansion of domestic markets while encouraging overseas Taiwanese businesses to return their operations to Taiwan, facilitating a stable and optimistic future for the domestic steel market. Offshore wind power offers opportunities for transformation and upgrades for domestic end-use industries. As a result, the domestic steel industry and other end-use industries are reporting increased domestic capital expenditures, which is immensely beneficial to the steel cutting industry.

b. The Company's full range of cutting equipment and state-of-the-art steel structure component production line, products, and inventory provide more comprehensive services than other firms in the industry and can satisfy the different needs of different customers. The Company also has comprehensive and high-performance distribution services in the form of its "Building Steel Cutting Center", "Steel Product Logistics Center", "Stainless Steel Polishing and Cutting Center", "Surface Galvanized Steel Product Cutting Center", and "Steel Structure Components Production Center".

   To meet demands from the supply chain of offshore wind power equipment, the Company established the "Elbow Production Center for Foundations and Underwater Foundations".

   To meet demands from the supply chain of solar power infrastructures, the Company established the "Building Steel Cutting Center".

c. The BOT model adopted by public construction projects will increase the demand for steel, particularly for industrial and commercial complexes, financial-center skyscrapers, renewal projects for military communities, the Sixth Power Transmission and Construction Project, MRT systems for metropolitan areas, the Danjiang Bridge Project, and the Taoyuan International Airport Terminal 3 "Apron, Taxiway, and Apron Facility

Project". By establishing a network of affiliates with HsinKuang Steel at the center and strategic partnerships, the Company is able to advance joint subcontracting in large-scale public and private construction projects, provide professional cutting services and production services for steel structure components, and open up more business opportunities.

d. The expansion in the production and export of steel products has been met by strong demands from Southeast Asia, where rapid economic development is translating into higher demand for steel products. Over the long term, these developments will make Taiwan the supply center for steel products in the Asia Pacific.

B.Unfavorable factors:

a. SteelInternational trade conflicts regarding iron prices and market demand have not cease, merely suspended due to the pandemic. As the oversupply of steel on the international market has yet to change, disputes may arise once again as economic and trade activities around the world gradually start to recover and are expected to continue impacting Taiwan's domestic demand for steel products. After the pandemic ends, governments and corporations around the world shall expect a decline in both steel price and production volume. As a result, the steel industry faces more intense competition in vertical supply, with new challenges to overcome in business operations and strategies.

b. Insufficient entry-level laborers and the vast increase in wages due to reduced work hours and labor laws affected production costs.

c. Market order remains to be established in the wake of liberalized steel import and export and lower entry threshold for secondary processing operators.

d. The domestic private investment environment has performed poorly in recent years, with numerous industries relocating to China or Southeast Asian countries. Recent international economic development fell short of expectations, and as a result, domestic investment, import/export, and industrial output can no longer maintain the same growth as before.

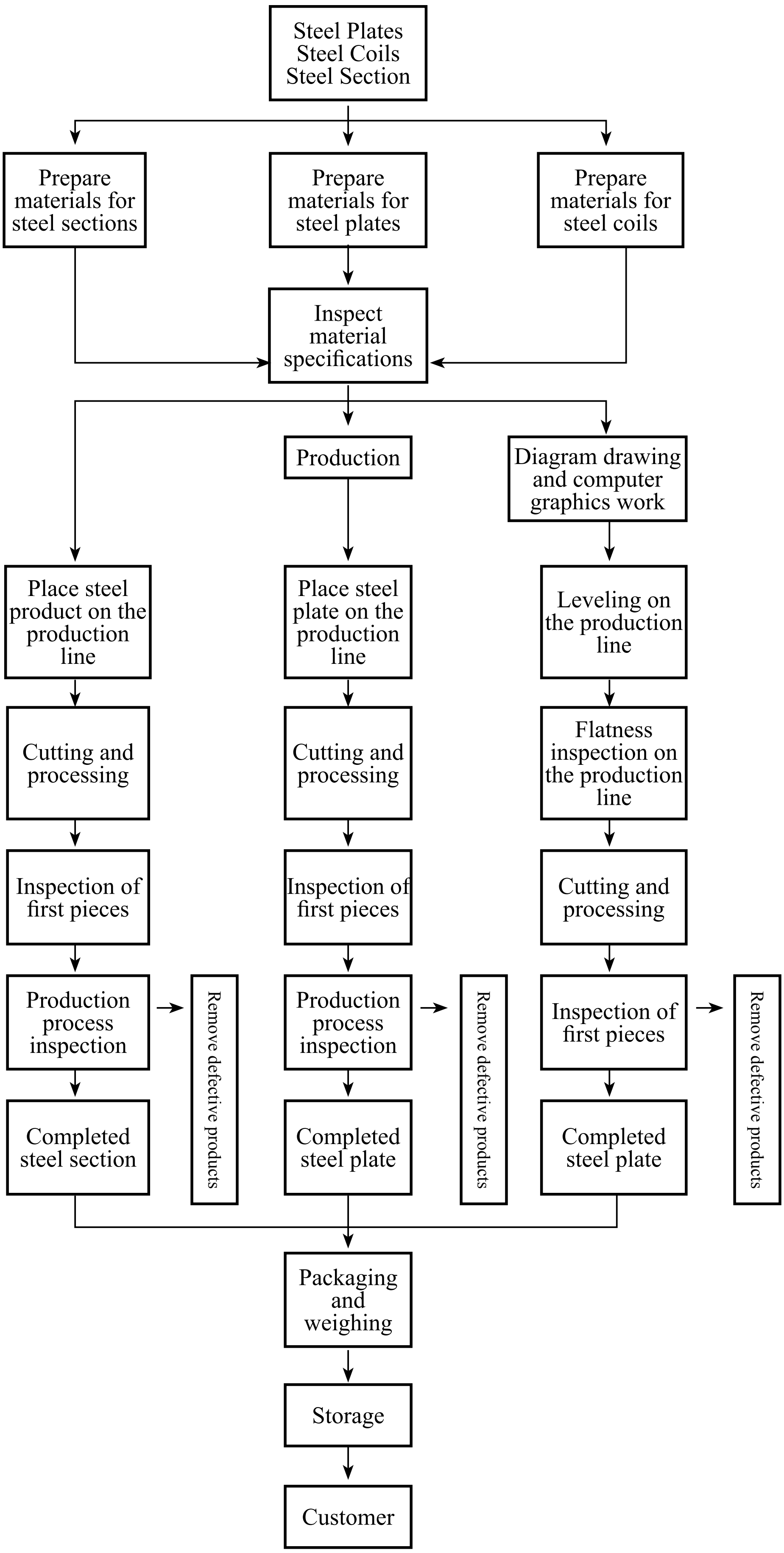
3. Important Applications and Manufacturing Processes of Main Products

(1). Applications of Main Products:

Name of Main Products	Application
Steel Plates	Piles for underwater foundations of offshore wind farms, steel pipe piles for wind power related industries, steel pipe piles for submarine networking and submarine boardwalks, steel pipe piles for water resource channels and distribution channels of science and technology plants, steel frame foundation structures (production and installation of steel frame box-columns and BH steel column components), pot bearing for bridges, vibration isolation bearings for buildings, shipbuilding industry, machinery, steel bridge materials, oil pipes, storage tanks, public construction, Taipower high-voltage steel towers, telecommunication towers… etc.

Name of Main Products		Application
Weather resistant, anti-oxidation, and anti-corrosion building materials		Weather resistant bracket molding module products, heavy-duty storage racks, building roof panels, commercial rooftop photovoltaic power plant maintenance boardwalks, construction material, vessels for petrochemicals, automobile and motorcycle parts, hardware parts, aviation structural materials, steel pipes, light steel, accessories for general household electrical appliances, machinery bases, fuse boxes, etc.
Special Steel Plates		Mechanical parts, pressure vessel, wear-resistant steel, hot steel mold, cold steel mold, stamping steel mold, automobile and motorcycle parts, base molds, steel for tools, etc.
Hot-Rolled Steel Plates (Steel Coils)	Patterned Steel Plates (Steel Coils)	Anti-skid plates, stair plates, parking lot equipment plates, chemical plant walkways, pedals for large vehicles and machinery, patterned worker's boards, etc.
	Hot-Rolled Steel Plates (Steel Coils)	Automobile and motorcycle parts, hardware parts, computer casing, steel pipes, light steel, accessories for general household electrical appliances, machinery bases, fuse boxes, etc.
	Hot-Rolled Galvanized Steel Plates (Steel Coils)	Internal/external plating and components for automobiles, casing and bases for general household electrical appliances, bases for washing machines, computer hard drive casing, sliding rails, ducts, air ducts, vending machine casing and parts, steel doors, weather resistant, anti-oxidation, and anti-corrosion building materials, etc.
Stainless Steel		Construction material, vessels for petrochemicals, automobile and motorcycle parts, hardware parts, aviation structural materials, steel pipes, light steel, accessories for general household electrical appliances, machinery bases, fuse boxes, etc.
Steel Section		Factory steel framing, construction steel framing, mechanical parts, automobile and motorcycle parts, axles, crane materials, materials for basic and arched steel structures, etc.
Metal products (vibration isolation systems for buildings and shock-absorbent dampers for bridges)		The ASBD shock isolation system provides vertical bearing capacity for columns while also isolating and reducing the destructive force of earthquakes. It also uses high-performance energy dissipators to control the movement of the structure while maintaining a certain comfort level for residents. There are no special restrictions of its use in buildings and it is suitable for structures built with reinforcing steel or other special structures such as buildings integrated with public transport systems. Pot bearings for roads, highways, light rails (MRT), high-speed rails, bridges, and other buildings, vibration isolation bearings for bridges, elevated bearings for various bridges, special anti-corrosion bearings, electrically insulated bearings, water-resistant materials for high-speed rails, dampers, bearings for shear devices, steel shear boxes, anti-uplift devices, vibration resistant/isolation devices, expansion joints, and other steel structures and components.

(2). Production Process of Main Products



1. Primary raw material supply status

Primary Materials	Main Source	Supply Status
Steel Plates	China Steel, Japan, Turkey, Malaysia, Korea	Good
Weather resistant, anti-oxidation, and anti-corrosion building materials	Japan	Good
Special Steels	China Steel, Feng Hsin Steel, Toufen, Japan, Korea, Brazil, China, Turkey, India, Russia	Good
Patterned Steel Plates	Japan, Korea	Good
Hot-Rolled Steel Plates	China Steel, Dragon Steel, Japan, Korea, India	Good
Hot-Rolled Galvanized Steel Plates	China Steel, Japan, India	Good
Stainless Steel Products	Japan, China, Indonesia	Good
Steel Section	China Steel, Dragon Steel, Tung Ho	Good

The above suppliers are good steel smelting plants with excellent reputations in the industry and with which the Company has worked with for many years. These suppliers can guarantee that the Company received steady supplies of raw materials and maintains a competitive edge.

2. Supplier(over 10% the Company's total sales in any given year over the last 2 years)

(1)Information on main suppliers in the last two years

Unit: NT$1,000

	2020				2021				2022 up to the end of the first quarter			
Item	Name	Amount	Total annual net purchase ratio(%)	Relationship with the issuer	Name	Amount	Total annual net purchase ratio(%)	Relationship with the issuer	Name	Amount	Net purchase ratio of the current year up to the previous quarter (%)	Relationship with the issuer
1	Supplier A	3,041,132	34.40	None	Supplier A	4,411,954	35.21	None	Note 1			
2	Supplier B	1,740,931	19.70		Supplier B	1,285,715	10.26	None				
	Others	4,057,258	45.90		Others	6,748,308	54.53					
	Net purchase	8,839,321	100.00		Net purchase	12,387,958	100.00					

Note 1: As of the publication date of this annual report, there has yet to be financial statements from the first quarter of 2022 that has been reviewed by CPAs.

(2)Information on main customers and suppliers in the last 2 years

Unit: NT$1,000

	2020				2021				2022 up to the end of the first quarter			
Item	Name	Amount	Proportion of net sales for the year (%)	Relationship with the issuer	Name	Amount	Proportion of net sales for the year(%)	Relationship with the issuer	Name	Amount	Percentage of net sales for the current year up to the previous quarter (%)	Relationship with the issuer
	Others	9,852,311	100	None	Others	14,103,042	100	None	Note 1			
	Net sales	9,852,311	100		Net sales	14,103,042	100					

Note 1: As of the publication date of this annual report, there has yet to be financial statements from the first quarter of 2022 that has been reviewed by CPAs.

3. Product quality and value of the last 2 years

Unit: Volume: Metric ton; Value: 1,000 NTD

Year / Main products	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Steel Plates	16,000	13,644	255,222	16,000	16,528	310,101
Special Steel Plates	6,600	2,299	47,429	6,600	4,353	88,569
Hot-Rolled (Patterned) Steel Plates	86,400	70,260	1,448,403	86,400	72,778	1,750,011
Stainless Steel Plates	10,000	8,306	502,577	10,000	8,934	582,969
Steel Structure Components and Steel Sections	69,000	54,833	647,791	69,000	53,669	838,862
Total	188,000	149,342	2,901,422	188,000	156,262	3,570,512

Note 1: The production of special steel plates is lower because the speed for cutting alloy steel plates is best kept low.

4. Sales value for the last 2 years

Unit: Volume: Metric ton; Value: 1,000 NTD

Year / Main products	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Steel Plates	218,819	4,172,956	2,178	37,091	193,354	5,269,821	-	-
Special Steel Plates	12,575	393,650	191	4,691	24,652	621,665	263	8,988
Hot-Rolled (Patterned) Steel Plates	106,617	2,374,262	786	9,618	120,259	3,707,835	1,547	26,214
Stainless Steel Plates	14,843	883,820	-	228	22,612	1,879,483	-	-
Steel Structure Components and Steel Sections	67,076	1,803,219	1,935	37,510	107,361	2,261,241	9	3,000
Total	419,930	9,627,907	5,090	89,138	468,238	13,740,045	1,819	38,202

III. Employee information of the last two years and up to the publication date of this report:

By the end of 2021, the Company had a total of 389 employees, including 41 managers, 40 specialists, 84 assistants, and 224 technicians. The workforce demographics as of the end of April 2022 are as follows:

Year		2020	2021	April 30, 2022
Category	Management	37	41	41
	Specialists	33	40	39
	Assistants	79	84	84
	Technicians	196	224	246
	Total	345	389	410
Education background	PhD	-	-	-
	Master's degree	4.35	5.14	4.88
	Bachelor's degree	48.40	54.24	53.17
	Senior High School	35.65	32.65	34.39
	Senior High School and below	11.60	7.97	7.56
Average age (years)		38.77	37.29	37.00
Average years of service (years)		7.49	5.04	4.79

In 2021, the employee turnover rate was 16.96%. The Company deems 8% and 12% to be a healthy turnover range. Given that the Company is still in a stage of growth, and factory expansion along with the recruitment of new employees caused an increase in turnover rate, the Company hired 111 new recruits this year, with new recruits accounting for 28.53% of the total employees at the end of the year, suggesting that the workforce is effectively invigorated.

IV. Spending on environmental protection

(1). Cases in which the Company was required by laws and regulations to apply for a permit, submit pollution prevention fees, or set up a dedicated unit/personnel for environmental protection issues: None.

(2). Investment in pollution-preventing equipment, its usage, and possible benefits: None.

(3). Improvement of environmental pollution made by the Company in the past 3 years up to the publication date of this Annual Report:

The Company conducted careful evaluation regarding environmental protection and preventing pollutions when it first established its plant and determined that it would produce products that cause the least pollution. The effects on air quality, production of wastewater, and byproducts from the production process are described below:

① The Company's main equipment in various plants consists of cutting machines and the Company does not carry out smelting and painting procedures. The waste material and iron scraps have been sold to contracted iron recycling companies for recycling and smelting and therefore there were no air or water pollutions in the production process.

② The Company's welding process for steel structure components and steel pipe piles does not include smelting and painting. Also, the welding slag and welding medium generated during the welding process are sold to contracted iron recycling companies for recycling and smelting, therefore there were no air or water pollutions in the production process.

③ The inventory of products consists mainly of steel plates, steel coils, and steel sections that do not produce waste.

④ The sound produced in the process of lifting and unloading steel plates have been inspected by agents from the Northern Office of the Occupational Safety and Health Administration and determined to be in line with the Noise Control Act.

⑤ The Company actively implements green landscaping for all plants to provide employees with a good work environment. The Company has carried out rigorous environmental protection and pollution prevention tasks in accordance with government regulations.

(4). Total losses or fines due to environmental pollution in the past two years and up to the publication date of this annual report: None.

(5). Projected major expenditures on environmental protection in the next 2 years: None.

V. Employer/employee relations

The Company treats employees as its most important asset, offering them challenging and meaningful work, a safe workplace, and excellent compensation and benefits. In addition, the Company encourages employees to spend time with families, develop hobbies, get involved in the community, and enjoy their lives.

The Company believes in treating its full-time employees, contract and temporary employees, and interns with respect. In addition to never forcing or threatening employees to do work they are unwilling to do, the Company listens to its employees and maintains an open channel for communication.

The Company values two-way communication and strives to provide open and transparent manager-to-employee and employee-to-employee communication. To give attention to employee opinions and sentiments, the Company conducts employer-employee meetings and provides employees with fair and effective communication mechanisms to state their opinions in order to understand their thoughts and quickly process issues they raise, promoting harmonious employer-employee relations and achieving prosperity for both the Company and its employees.

A range of channels available for internal communication in recent years has contributed to workplace harmony. As a result, while the Company has always respected the right of its employees to organize conventions, no employee has ever made calls to unionize.

The Company has not incurred any loss arising from employer-employee disputes in 2021 and up to the publication date of the 2022 annual report.

(1). Remuneration

The Company is dedicated to providing its employees with above-average benefits and compensation. The Company provides diverse and competitive salary systems that satisfy external competitiveness, internal fairness, and legal requirements. It also upholds the ideal of sharing profits with employees by attracting, retaining, cultivating, and encouraging outstanding talents in all sectors. As the Company's performance has been satisfactory since its establishment some 50 years ago, the remuneration we give our employees has always been higher than that of our competitors.

Compensation for employees includes monthly salaries, quarterly performance bonuses in cash, and annual employee bonuses based on the profit margins of that year.

The quarterly cash bonus and annual employee bonus are given to reward employees for their contributions and to inspire dedication. Employees' interest is aligned with shareholders' interest to create win-win situations for the Company, shareholders, and employees. Employee compensation is based on the Company's performance and the industry average. The Remuneration Committee is in charge of proposing the total amount and allocation to the Board of Directors, and employee compensation is distributed promptly after the proposal is approved by the Board of Directors. The amount of bonus granted to employees is determined by their responsibilities, contributions, and performance.

(2). Employee benefits

The Company helps employees adjust to company culture and fulfill goals for personal development from the standpoints of employee orientation, professional growth, and career development, allowing employees to challenge themselves, set records, and grow with the Company in a diverse and innovative environment. Employer-employee relations have therefore been harmonious and the Company has not experienced any employer-employee disputes since its establishment. The Company has been repeatedly praised for its performance in employee welfare, labor education and training, occupational safety and sanitation, and labor conditions. Therefore, the chance of potential losses due to employer-employee disputes in the future is extremely low.

A. Convenient services in plants: Employee cafeterias, travel allowances, and commute allowances are provided in all plants.

B. Health promotion and management programs: Includes health and wellness activities like checkups, blood drives, and seminars to raise awareness of health management.

C. A variety of employee benefits: The Company organizes sports and hiking events, day trips and family days, and provides funds for holidays, wedding/funeral, and emergency allowances.

D. A variety of child benefits for employees: Scholarships, grants, child benefits, and birth allowances are available to employees.

(3). Personnel development:

The continuing growth of the Company and that of its employees are interlinked. Hence, the Company brings together internal and external resources to provide challenging work and a workplace where employees are encouraged to realize their full potential. Job rotation is implemented to help employees explore their limits. The Company has created an environment that facilitates ongoing and diversified learning. The "Employee Training and Education Regulations" was put in place to help employees grow with the Company by setting objectives, disciplines, and plans.

To cultivate talent and create a conducive work environment, the Company designed talent and organization development programs based on the needs of different departments, the job nature of individual employees, performance evaluation results, and career development needs. The aim is to help employees improve performance and make greater contributions to the Company. Meanwhile, a range of learning and development resources (including on-the-job training, course training, work guidance, mentoring, and job rotation) are available. There are also different learning incentives aimed at creating optimal learning conditions to facilitate the growth of both the Company and its employees.

Furthermore, the Company provides a series of general knowledge, professional, and management training courses for employees in different positions. Experts are invited from outside the Company to teach the courses, and a number of lecturers have been trained to provide in-house training and pass on knowledge and skills crucial to the Company.

The training courses provided by the Company include:

- Orientation: Basic training and on-the-job guidance. Managers and a well-established "partner system" also help new employees settle into the Company and their work.
- General training: Includes training in general knowledge on government regulations, company policies, general knowledge of the Company and all its levels. Subjects in the course include industrial safety training, safety and sanitation training, quality-related training, plant emergency response training, and personal performance management.
- Professional/occupational training: Includes technical and professional training required by various units such as equipment and engineering, manufacturing process training, accounting, information technology, etc.
- Direct employee training: Includes training on the knowledge, technical capabilities, and methods required on the assembly line so that trainees can obtain their licenses to operate machinery. Course content includes direct technical skill training, technician training, and training courses for group leaders in the manufacturing department.
- Customized training: Training programs designed according to the condition of each organization and the focus if their employee training.
- Training for managers: The Company organized management development training activities according to the capabilities and responsibilities of different management tasks. Courses include core curriculum for junior managers, the core curriculum for middle-level managers, the core curriculum for senior managers, and other elective courses.

In addition to in-house learning resources, the Company offers allowances for employees to attend external short-term courses, credit courses, or study for a degree.

In 2021, the Company organized a total of 122 courses, reaching a total of 12,773 training hours and 603 participants. On average, each employee was trained for approximately 33 hours, with total training expenditure amounting to NT$2.48 million.

(4). Employee activities: The Employee Welfare Committee is established for the benefit of employees. The committee meticulously plans out various activities and welfare facilities to create a lively work environment and raise employee morale. In 2021, the Employee Welfare Committee and the Company spent a joint total of NT$5.173 million on employee benefit-related activities. In 2021, the Company organized scholarships for employees' children, birthday celebrations, employee tours, hiking events, and employee care.

(5). Retirement program

The Company has established a retirement program according to the "Labor Standards Act" and the "Labor Pension Act". Sound financial operations ensure that employees will receive a steady stream of pension payments, which in turn will encourage employees to make long-term career plans in the Company.

The balance of the Company's pension reserve fund at the Bank of Taiwan (as of March 31, 2022) was NT$70.028 million.

Due to the adoption of IFRS No.18 "employee benefits" in accordance with regulations with December 31, 2021 as the baseline date, the present value of the Company's defined benefit obligation was NT$108.437 million , the balance of the Company's pension reserve fund at the Bank of Taiwan was NT$63.379 million, the accrued pension liability was NT$45.058 million, NT$2.363 million was appropriated into the pension reserve account in 2021, and the amount of pension paid was NT$5.261 million.

Since the establishment of the Labor Retirement Reserve Supervisory Committee and as of December 31, 2021, a total of 29 employees have retired, and NT$49.033 million in pensions have been distributed (NT$5.261 million of which was distributed in 2021). The new labor retirement system requires an appropriation of 6%-12% (including 6% from the employee) to be deposited in the mandatory labor pension account.

(6). Labor-management agreement status

The Company values two-way communication and strives to provide open and transparent manager-to-employee and employee-to-employee communication. To give attention to employee opinions and sentiments, the Company conducts employer-employee meetings and provides employees with fair and effective communication mechanisms to state their opinions in order to understand their thoughts and quickly process issues they raise, promoting harmonious employer-employee relations and achieving prosperity for both the Company and its employees.

A range of channels available for internal communication in recent years has contributed to workplace harmony. As a result, while the Company has always respected the right of its employees to organize conventions, no employee has ever made calls to unionize.

The Company has not incurred any loss arising from employer-employee disputes in 2021 and up to the publication date of the 2022 annual report.

(7). Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report (quantify estimated losses and potential responses; if potential losses cannot be reasonably estimated, state the reason why): None.

(8). Litigations or employer-employee disputes that require mediation in the past year and up to the publication date of this report: None.

VI. **Information security management：**

The company has established complete network and computer-related information security protection measures to control or maintain the company's manufacturing operations and accounting and other important corporate functions, but cannot guarantee its information security control or maintain important corporate operations and accounting functions. The computer system of the enterprise function can completely avoid the network attack from any third party that paralyzes the system.

These cyber attacks illegally invade the company's internal network system and conduct activities that disrupt the company's operations or damage the company's goodwill. In the event of a serious cyber attack, the company's systems may lose important company information.

(1). Infocom security policy and organization

Information security and protection of confidential information is the company's commitment to customers, shareholders, other stakeholders and employees. The company continuously reviews and evaluates its information security regulations and procedures to ensure the appropriateness and effectiveness of the information security management system, so as to achieve perfect information security and information protection capabilities.

The company adheres to the spirit of corporate sustainable management, and continues to promote and actively strengthen the information security and confidential information protection mechanism to safeguard the interests of the company's customers and partners.

In order to achieve good governance of the company's information security, the company's information room is responsible for formulating and planning the company's information security policies and implementation methods, and continuously reviewing the effectiveness of the information security risk control mechanism through policy implementation and compliance checks. Continuously strengthen the company's information security.

(2). Infocom security management strategy and resources

The corporate information security organization actively deepens the information security and confidential information protection mechanism to maintain the company's competitiveness, defines information security norms, standards and practices, continuously strengthens management systems and technologies, and implements comprehensive risk management and control to ensure To achieve the goals of information security management.

In the service contracts signed by the company and third-party service providers, it is required to regularly perform information security risk assessment, according to the size and probability of risk impact, as well as the method of planning, execution, inspection and action, to construct a multi-layer information security defense, and establish Information security key performance indicators.

(3). Information security incident handling and notification

The company has established an enterprise risk management mechanism and standard procedures for handling information security incidents, specifying relevant procedures and measures, including information security incident reporting procedures, assigning responsible personnel to handle major information security incidents, assessing losses suffered and further necessary responses measures, assessing the possible impact of information security risks on the company's finances and operations, and countermeasures. In the 110th year of the Republic of China and as of the publication date of the annual report, the Company had no major information security incidents and no financial losses, operational impacts, and countermeasures caused by information security incidents.

VII. **Important contracts:** Important supply and sales contracts, technical collaboration contracts, engineering contracts, and long-term loans that are currently effective or expiring in the recent year that may affect the rights and benefits of investors.

Nature of contract	Contracting party	Start and end dates of the contract	Content	Restrictions
Long-term loan contract	Mega International Commercial Bank	2017.1~2032.1	Loan quota of NT$150 million	Provided land as collateral
Syndicated loan agreement	E-Sun Bank	2018.12~2023.12	A syndicated loan of NT$5 billion was made to cover the cost of land, factories, machinery, and equipment for the 5th Phase of the Guanyin Plant project, repay loans from financial institutions, and provide operational funds.	Provided land and factories as collateral

F. Financial Conditions

I. Condensed Balance Sheet and Statements of Comprehensive Income in the Most Recent Five Years

(I) Condensed consolidated balance sheet

Unit: NT$1,000

Item / Year		Financial Data for the Most Recent Five Years(Note 1)					Financial information of the current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		7,145,458	10,005,819	8,597,616	10,218,301	14,467,615	(Note 2)
Property, plant and equipment		3,835,473	3,498,574	3,887,599	5,294,370	3,821,909	
Investment properties		268,846	1,002,688	984,659	963,590	3,766,202	
Other assets		2,568,461	2,776,040	2,618,017	3,417,012	3,866,157	
Total Assets		13,818,238	17,283,121	16,087,891	19,893,273	25,921,883	
Current liabilities	Before distribution	5,836,291	9,452,052	6,264,484	7,267,245	9,334,158	
	After distribution	6,448,679	9,918,084	6,513,034	7,883,760	(Note 3)	
Non-current liabilities		1,503,618	595,940	3,012,621	4,524,598	4,979,955	
Total Liabilities	Before distribution	7,339,909	10,047,992	9,277,105	11,791,843	14,314,113	
	After distribution	7,952,297	10,514,024	9,525,655	12,408,358	(Note 3)	
Equity attributable to owners of parent company		6,270,938	6,710,422	6,284,080	7,671,454	10,891,301	
Share capital		3,061,937	3,106,877	3,106,877	3,082,226	3,211,463	
Capital reserve	Before distribution	867,686	818,309	817,716	823,197	943,451	
	After distribution	714,589	818,309	817,716	669,068	(Note 3)	
Retained earnings	Before distribution	2,312,495	2,828,804	2,467,747	3,043,378	5,358,912	
	After distribution	1,853,204	2,362,772	2,219,197	2,580,992	(Note 3)	
Other equity		28,820	(43,568)	(108,260)	722,653	1,377,475	
Treasury stock		-	-	-	-	-	
Non-controlling equity		207,391	524,707	526,706	429,976	716,469	
Total equity	Before distribution	6,478,329	7,235,129	6,810,786	8,101,430	11,607,770	
	After distribution	5,865,941	6,769,097	6,562,236	7,484,915	(Note 3)	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2022 was unavailable as of the publication date of annual report.

Note 3: The Company has yet to convene a general shareholder meeting as of the publication date of annual report, therefore figures after distribution were unavailable.

(II) Condensed individual balance sheet

Unit: NT$1,000

Item / Year		Financial Data for the Most Recent Five Years(Note 1)					Financial information of the current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		6,475,198	8,816,525	7,632,887	9,005,141	11,716,533	(Note 2)
Property, plant and equipment		3,595,147	3,165,177	3,276,213	4,506,352	2,099,792	
Investment properties		268,846	958,879	947,208	932,625	3,742,322	
Other assets		3,273,256	4,001,498	3,849,051	5,899,856	6,489,751	
Total Assets		13,612,447	16,942,079	15,705,359	19,411,349	24,048,398	
Current liabilities	Before distribution	5,785,609	9,135,071	6,157,944	7,012,712	8,365,227	
	After distribution	6,397,997	9,601,103	6,406,494	7,629,227	(Note 3)	
Non-current liabilities		1,555,900	1,096,586	3,263,335	4,727,183	4,791,870	
Total Liabilities	Before distribution	7,341,509	10,231,657	9,421,279	11,739,895	13,157,097	
	After distribution	7,953,897	10,697,689	9,669,829	12,356,410	(Note 3)	
Equity		6,270,938	6,710,422	6,284,080	7,671,454	10,891,301	
Share capital		3,061,937	3,106,877	3,106,877	3,082,226	3,211,463	
Capital reserve	Before distribution	867,686	818,309	817,716	823,197	943,451	
	After distribution	714,589	818,309	817,716	669,068	(Note 3)	
Retained earnings	Before distribution	2,312,495	2,828,804	2,467,747	3,043,378	5,358,912	
	After distribution	1,853,204	2,362,772	2,219,197	2,580,992	(Note 3)	
Other equity		28,820	(43,568)	(108,260)	722,653	1,377,475	
Treasury stock		-	-	-	-	-	
Total equity	Before distribution	6,270,938	6,710,422	6,284,080	7,671,454	10,891,301	
	After distribution	5,658,550	6,244,390	6,035,530	7,054,939	(Note 3)	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2022 was unavailable as of the publication date of annual report.

Note 3: The Company has yet to convene a general shareholder meeting as of the publication date of annual report, therefore figures after distribution were unavailable.

(III)Condensed Consolidated Statements of Comprehensive Income

Unit: NTD thousands, except EPS which is in dollars

Item \ Year	Financial Data for the Most Recent Five Years(Note 1)					Financial information of the current year up to March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenue	8,351,912	8,694,163	8,477,785	9,852,311	14,103,042	(Note 2)
Realized gross profit	1,113,799	728,665	176,779	812,114	3,116,076	
Operating profit/loss	994,525	428,630	(97,900)	469,738	2,637,114	
Non-operating income and expenses	214,939	713,597	222,357	443,285	671,254	
Net income before tax	1,209,464	1,142,227	124,457	913,023	3,308,368	
Current period net income from continuing operations	1,073,532	1,000,012	118,116	845,733	2,770,838	
Loss from discontinued operations	-	-	-	-	-	
Current net income (loss)	1,073,532	1,000,012	118,116	845,733	2,770,838	
Other comprehensive income (net income after-tax)	45,240	(75,503)	(65,330)	830,675	652,522	
Total comprehensive income for the period	1,118,772	924,509	52,786	1,676,408	3,423,360	
Net income attributable to owners of the parent	1,066,226	978,725	120,674	829,113	2,720,273	
Net income attributable to non-controlling equity	7,306	21,287	(2,558)	16,620	50,565	
Total comprehensive income attributed to owners of parent company	1,111,498	903,212	55,351	1,659,801	33,372,787	
Total comprehensive income attributed to non-controlling equity	7,274	21,297	(2,565)	16,607	50,573	
Earnings per share	3.49	3.17	0.39	2.69	8.62	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2022 was unavailable as of the publication date of annual report.

(IV)Condensed Individual Comprehensive Income Statement

Unit: NTD thousands, except EPS which is in dollars

Item / Year	Financial Data for the Most Recent Five Years(Note 1)					Financial information of the current year up to March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenue	8,167,783	8,648,779	8,413,665	9,870,098	13,418,865	(Note 2)
Gross profit	1,033,280	712,588	178,646	730,527	2,867,518	
Operating profit/loss	863,492	440,553	(76,184)	446,982	2,434,599	
Non-operating income and expenses	336,465	660,685	207,744	443,049	807,093	
Net income before tax	1,199,957	1,101,238	131,560	890,031	3,241,692	
Current period net income from continuing operations	1,066,226	978,725	120,674	829,113	2,720,273	
Loss from discontinued operations	-	-	-	-	-	
Current net income (loss)	1,066,226	978,725	120,674	829,113	2,720,273	
Other comprehensive income (net income after-tax)	45,272	(75,513)	(65,323)	830,688	652,514	
Total comprehensive income for the period	1,111,498	903,212	55,351	1,659,801	3,372,787	
Earnings per share	3.49	3.17	0.39	2.69	8.62	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2022 was unavailable as of the publication date of annual report.

(V) Names of the certification accountants and their audit opinions for the last 5 years

Year	CPA Name	Opinions for the Audit Report
2021	Sheng-Hsiung Yao, Jui-Na Chang	Standard unqualified opinion
2020	Sheng-Hsiung Yao, Jui-Na Chang	Standard unqualified opinion
2019	Sheng-Hsiung Yao, Jui-Na Chang	Standard unqualified opinion
2018	Sheng-Hsiung Yao, Jui-Na Chang (Note 1)	Standard unqualified opinion
2017	Chao-Ling Chen, Chiang-Pao Liu	Standard unqualified opinion

Note 1: Reason for change of CPAs:

HsinKuang Steel Co., Ltd. originally appointed CPAs Chao-Ling Chen, Chiang-Pao Liu of Deloitte for the audit of financial reports. Due to internal structural adjustments of Deloitte, the financial reports starting in the first quarter of 2018 have been audited by CPAs Sheng-Hsiung Yao, Jui-Na Chang.

II. Financial analysis for the last 5 years

(I) Consolidated financial analysis

Analysis items (Note 3) / Year (Note 1)		2017	2018	2019	2020	2021	Current Year up to March 31, 2022
		Financial Analysis for the Most Recent Five Years					
Financial structure(%)	Debt-to-assets ratio	53.12	58.14	57.67	59.28	55.22	(Note 2)
	Ratio of long-term capital to property, plant and equipment	208.11	223.84	252.69	238.48	218.60	
Solvency%	Current ratio	122.43	105.86	137.24	140.61	155.00	
	Quick ratio	73.75	61.26	80.05	85.19	81.64	
	Interest protection multiples	11.10	9.03	1.74	8.19	30.49	
Operating performance	Average collection turnover (times)	3.65	3.63	3.36	3.35	3.61	
	Average collection period	100.00	100.55	108.63	108.95	101.10	
	Average inventory turnover (times)	2.88	2.30	2.20	2.41	2.04	
	Average payables turnover (times)	15.67	12.60	14.45	20.73	16.04	
	Average days of sales	127.00	158.70	165.91	151.45	178.92	
	Average property, plant and equipment turnover (times)	2.18	2.53	2.18	1.84	2.16	
	Total assets turnover (times)	0.60	0.51	0.53	0.50	0.62	
Profitability	Return on assets ratio(%)	9.06	7.16	1.51	5.27	12.49	
	Return on equity(%)	17.82	14.58	1.68	11.34	28.12	
	Pre-tax profit to paid-in capital ratio(%)	39.50	36.76	4.01	29.62	103.02	
	Net profit ratio(%)	12.85	11.32	1.39	8.58	19.65	
	Earnings per share(NTD)	3.49	3.17	0.39	2.69	8.62	
Cash flow	Cash flow ratio(%)	8.89	(4.52)	6.56	(3.77)	5.53	
	Cash flow adequacy ratio(%)	68.52	33.66	39.21	18.87	12.32	
	Cash reinvestment ratio(%)	(0.37)	(12.10)	(0.51)	(4.14)	(0.49)	
Leverage	Operating leverage	1.34	1.63	(2.70)	1.95	1.25	
	Financial leverage	1.13	1.33	0.37	1.37	1.04	

Reasons for changes in financial ratios in the last two years:

1. Interest protection multiples: Current year's pre-tax profit increased, resulting in an increase of interest protection multiple.
2. Payables turnover: A rise in cost of goods sold combined with a decrease in average payables during the current year resulted in and increase of payables turnover.
3. Total assets turnover: Assets turnover increased due to higher net income reported for the current year.
4. Return on assets: Return on assets increased due to higher net income reported for the current year.
5. Return on equity: Return on equity increased due to higher net income reported for the current year.
6. Pre-tax profit to paid-up capital ratio: Pre-tax profit to paid-up capital ratio increased due to higher pre-tax profit reported for the current year.
7. Net profit ratio: Net profit ratio increased due to higher net income reported for the current year.
8. Earnings per share: Earnings per share increased due to higher net income reported for the current year.
9. Cash flow ratio: The increase in cash inflow from operations this year resulted in an increase in the cash flow ratio.
10. Cash flow adequacy ratio: Increase in inventory and capital expenditures this year resulted in a reduction in cash flow adequacy ratio.
11. Cash reinvestment ratio: The increase in cash inflow from operations this year resulted in an increase in the cash reinvestment ratio.
12. Operating leverage: Operating leverage decreased due to an increase in operating profit reported for the current year.

(II) Individual financial analysis

Analysis items(Note 3)	Year(Note 1)	2017	2018	2019	2020	2021	Current Year up to March 31, 2022
		Financial Analysis for the Most Recent Five Years					
Financial structure(%)	Debt-to-assets ratio	53.93	60.39	59.99	60.48	54.71	(Note 2)
	Ratio of long-term capital to property, plant and equipment	217.71	246.65	291.42	275.14	268.45	
Solvency%	Current ratio	111.92	96.51	123.95	128.41	140.06	
	Quick ratio	63.11	50.84	67.97	77.17	71.71	
	Interest protection multiples	12.29	8.93	1.81	8.34	31.46	
Operating performance	Average collection turnover (times)	3.63	3.55	3.35	3.24	3.57	
	Average collection period	101.00	102.82	108.96	112.65	102.24	
	Average inventory turnover (times)	2.89	2.30	2.23	2.64	2.30	
	Average payables turnover (times)	15.17	12.56	14.51	21.81	21.41	
	Average days of sales	126.00	158.70	163.68	138.25	158.69	
	Average property, plant and equipment turnover (times)	2.27	2.72	2.57	2.19	2.57	
	Total assets turnover (times)	0.60	0.51	0.54	0.51	0.62	
Profitability	Return on assets ratio(%)	9.19	7.13	1.53	5.27	12.91	
	Return on equity(%)	18.05	15.08	1.86	11.88	29.31	
	Pre-tax profit to paid-in capital ratio(%)	39.19	35.45	4.23	28.88	100.94	
	Net profit ratio(%)	13.05	11.36	1.43	8.40	20.27	
	Earnings per share (NTD)	3.49	3.17	0.39	2.69	8.62	
Cash flow	Cash flow ratio(%)	8.55	(8.41)	9.18	(4.19)	5.20	
	Cash flow adequacy ratio(%)	66.21	32.70	36.11	21.60	12.84	
	Cash reinvestment ratio(%)	(0.66)	(16.11)	0.96	(4.09)	(1.16)	
Leverage	Operating leverage	1.38	1.84	(3.20)	1.93	1.15	
	Financial leverage	1.13	1.52	0.32	1.37	1.05	

Reasons for changes in financial ratios in the last two years:

1. Interest protection multiples: Current year's pre-tax profit increased, resulting in an increase of interest protection multiple.
2. Total assets turnover: Assets turnover increased due to higher net income reported for the current year.
3. Return on assets: Return on assets increased due to higher net income reported for the current year.
4. Return on equity: Return on equity increased due to higher net income reported for the current year.
5. Pre-tax profit to paid-up capital ratio: Pre-tax profit to paid-up capital ratio increased due to higher pre-tax profit reported for the current year.
6. Net profit ratio: Net profit ratio increased due to higher net income reported for the current year.
7. Earnings per share: Earnings per share increased due to higher net income reported for the current year.
8. Cash flow ratio: The increase in cash inflow from operations this year resulted in an increase in the cash flow ratio.
9. Cash flow adequacy ratio: Increase in inventory and capital expenditures this year resulted in a reduction in cash flow adequacy ratio.
10. Cash reinvestment ratio: The increase in cash inflow from operations this year resulted in an increase in the cash reinvestment ratio.
11. Operating leverage: Operating leverage decreased due to an increase in operating profit reported for the current year.
12. Financial leverage Financial leverage decreased due to a reduction in interest expenses this year.

Note 1: All yearly financial information has been audited.
Note 2: Auditor-reviewed financial information for the first quarter of 2021 was unavailable as of the publication date of annual report.
Note 3: The calculation formula for the items of analysis is stated below:

1. Financial structure
   (1) Debt-to-assets ratio = total liabilities / total assets.
   (2) Ratio of long-term capital to real estate properties, plants and equipment = (total equity + non-current liabilities) / net for real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
   (3) Interest protection multiple = earnings before interest and tax / interest expenses for the current period.
3. Operating performance
   (1) Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable arising from operation) balances.
   (2) Average collection period = 365 / receivable turnover.
   (3) Average inventory turnover = cost of goods sold / average inventory.
   (4) Payable (including accounts payable and notes payable arising from operation) turnover ratio = cost of goods sold / average payables (including accounts payable and notes payable arising from operation) balances.
   (5) Average days of sales = 365 / inventory turnover.
   (6) Property, plant and equipment turnover ratio = net sales / average net for property, plant and equipment.
   (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
   (1) Return on assets = [profit and loss after tax + interest expense (1- tax rate)] / average total assets.
   (2) Return on equity = profit and loss after tax / average total equity.
   (3) Net profit ratio = profit and loss after tax / net sales.
   (4) EPS = (income belonging to owner of the parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / most recent 5 years (capital expenditure + inventory + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (net operating income－ variable operating costs and expenses) / operating income (Note 6)
   (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 4: Special attention should be paid to the following items when using the aforementioned calculation formula for the earnings per share:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock transactions when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital surplus, capital ratio shall be adjusted retrospectively with no need to consider the replenishment period.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) shall be deducted from net income, or the net loss shall be increased. If the preferred shares are not cumulative in nature, the preferred share dividends shall be deducted from net income in years of profit. If it is a loss, no adjustment is needed.

Note 5: Special attention should be paid to the following items when doing cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditure refers to the annual capital investment cash outflow.
3. Inventory increase shall only be calculated when the inventory at the end of the period is greater than that at the beginning of the period. If there is a decrease of inventory at the end of the year, it should be calculated as zero.
4. Cash dividends include common share and preferred stock cash dividends.
5. Gross property, plant, and equipment shall refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 6: The issuer should divide the operating costs and operating expenses into fixed and variable ones depending on the nature. If it involves estimation or subjective judgment, attention should be paid to rationality and the consistency should be maintained.

III. Audit Committee's Audit Report for Current Year

HsinKuang Steel Co., Ltd.

Audit Committee's Report

The Board of Directors has prepared and submitted the 2021 business report, financial statements, and earnings distribution proposal. In particular, the financial statements have been audited by Deloitte & Touch and an audit report has been issued. These have been reviewed by the Audit Committee as correctly portraying the Company's business activities. In accordance with the Securities and Exchange Act and the Company Act, this report is submitted for shareholder's examination.

To

General Shareholders Meeting of HsinKuang Steel Co., Ltd.

Audit Committee Convener

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March 16, 2022

IV. Individual Financial Statements and Audit Reports: Please refer to page 162 to page 238.

V. Consolidated Financial Statements of Parent Company and Subsidiaries Certified by CPA: Please refer to page 239 to page 319.

VI. The effects on the Company's financial status caused by any financial difficulties the Company and its affiliated companies had in the past year and up to the publication date of this report: None.

G. Review of Financial Status, Financial Performance and Risk Management

I.Analysis of Financial Status

(I) Analysis of Consolidated Financial Status

Unit: NT$1,000

Item / Year	2021	2020	Difference	
			Amount	%
Current assets	14,467,615	10,218,301	4,249,314	41.59
Property, plant and equipment	3,821,909	5,294,370	(1,472,461)	(27.81)
Investment properties	3,766,202	963,590	2,802,612	290.85
Long-term investments and other assets	3,866,157	3,417,012	449,145	13.14
Total Assets	**25,921,883**	**19,893,273**	6,028,610	30.30
Current liabilities	9,334,158	7,267,245	2,066,913	28.44
Non-current liabilities	4,979,955	4,524,598	455,357	10.06
Total Liabilities	**14,314,113**	**11,791,843**	2,522,270	21.39
Share capital	3,211,463	3,082,226	129,237	4.19
Capital reserve	943,451	823,197	120,254	14.61
Retained earnings	5,358,912	3,043,378	2,315,534	76.08
Other equity	1,377,475	722,653	654,822	90.61
Non-controlling equity	716,469	429,976	286,493	66.63
Total equity	**11,607,770**	**8,101,430**	3,506,340	43.28

Analysis and explanation of increase (decrease) in proportions:

1. Current assets: Due to increased inventories in the current period.
2. Property, plant and equipment, investment properties: Due to the recognition of the completed Hsin Cheng Lc investment properties.
3. Current liabilities: Increased profit in the current period resulted in an increase in director's remuneration, employees remuneration, and income tax payables; the completion of Hsin Cheng Logistics resulted in an increase in other payables.
4. Retained earnings: Due to increased net profit in the current period.
5. Other equity: The consolidation of subsidiary Mason Metal Industry Co., Ltd. In the current period resulted ir in non-controlling equity.

(II)Analysis of Individual Financial Status

Unit: NT$1,000

Item / Year	2021	2020	Difference	
			Amount	%
Current assets	11,716,533	9,005,141	2,711,392	30.11
Property, plant and equipment	2,099,792	4,506,352	(2,406,560)	(53.40)
Investment properties	3,742,322	932,625	2,809,697	301.27
Long-term investments and other assets	6,489,751	4,967,231	1,522,520	30.65
Total Assets	**24,048,398**	**19,411,349**	4,637,049	23.89
Current liabilities	8,365,227	7,012,712	1,352,515	19.29
Non-current liabilities	4,791,870	4,727,183	64,687	1.37
Total Liabilities	**13,157,097**	**11,739,895**	1,417,202	12.07
Share capital	3,211,463	3,082,226	129,237	4.19
Capital reserve	943,451	823,197	120,254	14.61
Retained earnings	5,358,912	3,043,378	2,315,534	76.08
Other equity	1,377,475	722,653	654,822	90.61
Total equity	**10,891,301**	**7,671,454**	3,219,847	41.97

Analysis and explanation of increase (decrease) in proportions:

1. Current assets: Due to increased inventories in the current period.
2. Property, plant and equipment, investment properties: Due to the recognition of the completed Hsin Cheng l investment properties.
3. Long-term investments and other assets: Due to increased reinvestment in the current period.
4. Retained earnings: Due to increased net profit in the current period.
5. Other equity: The consolidation of subsidiary Mason Metal Industry Co., Ltd. In the current period resulted increase in non-controlling equity.

II.Financial performance analysis

(I) Analysis of Consolidated Financial Performance

Unit: NT$1,000

Year / Account	2021	2020	Increase (decrease) amount	Percentage of change%
Operating revenue	14,103,042	9,852,311	4,250,731	43.14
Operating costs	(10,985,973)	(9,039,615)	(1,946,358)	21.53
Gross profit	3,117,069	812,696	2,304,373	283.55
Unrealized gains from sales	(2,258)	(1,264)	(994)	78.64
Realized gains from sales	1,265	682	583	85.48
Realized gross profit	3,116,076	812,114	2,303,962	283.70
Operating expenses	(478,962)	(342,376)	(136,586)	39.89
Operating net profit	2,637,114	469,738	2,167,376	461.40
Non-operating income and expenses				
Interest income	494	496	(2)	(0.40)
Gain on bargain purchase	136,024			
Other income	127,100	69,491	193,633	278.64
Other gains and losses	475,444	492,724	(17,280)	(3.51)
Financial costs	(112,180)	(126,914)	14,734	(11.61)
Share of profits on equity-accounted associated companies and joint ventures	44,372	7,488	36,884	492.57
Total Non-operating income and expenses	671,254	443,285	227,969	51.43
Net income before tax	3,308,368	913,023	2,395,345	262.35
Income tax expenses	(537,530)	(67,290)	(470,240)	698.83
Net profit of the current period	2,770,838	845,733	1,925,105	227.63
Other comprehensive income				
Items not reclassified as income				
Re-measurement of defined benefit plan	(2,308)	(225)	(2,083)	925.78
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	657,701	836,244	(178,543)	(21.35)
	655,393	836,019	(180,626)	(21.61)
Items that may be reclassified as income				
Translation differences in financial statements from foreign operations	(2,871)	(5,344)	2,473	(46.28)
Other comprehensive income (net income after-tax)	652,522	830,675	(178,153)	(21.45)
Total comprehensive income for the period	3,423,360	1,676,408	1,746,952	104.21
Profit attributable to				
Owners of the Company	2,720,273	829,113	1,891,160	228.09
Non-controlling equity	50,565	16,620	33,945	204.24
	2,770,838	845,733	1,925,105	227.63
Total comprehensive income attributable to				
Owners of the Company	3,372,787	1,659,801	1,712,986	103.20
Non-controlling shares	50,573	16,607	33,966	204.53
	3,423,360	1,676,408	1,746,952	104.21

Analysis and explanation of increase (decrease) in proportions:

1. Operating net profit: Mainly attributed to the growth of operating income and the increase in operating gross profit during the current period.
2. Operating Expenses: Mainly due to increased profit before tax, which resulted in an increase in directors and employees remuneration.
3. Non-operating income and expenses: Mainly due to the consolidation of subsidiary Mason Metal Industry Co., Ltd., generating gain on bargain purchases.
4. Other comprehensive net profit: Attributed to decreased unrealized valuation gains of equity instrument measured at fair value through other comprehensive income in the current period.

(II) Analysis of Individual Financial Performance

Unit: NT$1,000

Account / Year	2021	2020	Increase (decrease) amount	Percentage of change %
Operating revenue	13,418,865	9,870,098	3,548,767	35.95
Operating costs	(10,531,938)	(9,041,069)	(1,490,869)	16.49
Gross profit	2,886,927	829,029	2,057,898	248.23
Unrealized gross profit from sales	(118,704)	(99,184)	(19,520)	19.68
Realized gains from sales	99,295	682	98,613	14,459.38
Realized gross profit	2,867,518	730,527	2,136,991	292.53
Operating expenses	(432,919)	(283,545)	(149,374)	52.68
Operating net profit	2,434,599	446,982	1,987,617	444.67
Non-operating income and expenses				
Interest income	401	405	(4)	(0.99)
Other income	101,362	57,545	43,817	76.14
Gain on bargain purchase	136,024	-	136,024	-
Other gains and losses	363,536	293,188	70,348	23.99
Financial costs	(106,426)	(121,326)	14,900	(12.28)
Share of profits on equity-accounted associated companies and joint ventures	312,196	213,237	98,959	46.41
Total Non-operating income and expenses	807,093	443,049	364,044	82.17
Net income before tax	3,241,692	890,031	2,351,661	264.22
Income tax expenses	(521,419)	(60,918)	(460,501)	755.94
Net profit of the current period	2,720,273	829,113	1,891,160	228.09
Other comprehensive income				
Items not reclassified as income				
Re-measurement of defined benefit plan	(2,308)	(225)	(2,083)	925.78
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	657,701	836,244	(178,543)	(21.35)
	655,393	836,019	(180,626)	(21.61)
Items that may be reclassified as income				
Translation differences in financial statements from foreign operations	(2,879)	(5,331)	2,452	(46.00)
Other comprehensive income (net income after-tax)	652,514	830,688	(178,174)	(21.45)
Total comprehensive income for the period	3,372,787	1,659,801	1,712,986	103.20

Analysis and explanation of increase (decrease) in proportions:

1. Operating net profit: Mainly attributed to the growth of operating income and the increase in operating gross profit during the current period.
2. Operating Expenses: Mainly due to increased profit before tax, which resulted in an increase in directors and employees remuneration.
3. Non-operating income and expenses: Mainly due to the consolidation of subsidiary Mason Metal Industry Co., Ltd., generating gain on bargain purchases.
4. Other comprehensive net profit: Attributed to decreased unrealized valuation gains of equity instrument measured at fair value through other comprehensive income in the current period.

(III) Major changes that have occurred or are expected to occur in operating policies, market conditions, or other internal or external factors of the Company in the last 2 years that would cause a material impact on continuing operations:

Analysis of changes in gross profit:

Unit: NT$1,000

	Increase (decrease) amount between periods	Reason for the difference			
		Difference in sales prices	Difference in cost	Difference in product sales combination	Difference in volume
Gross profit	2,303,962	3,653,371	(1,462,370)	163,991	(51,030)
Description	Mainly due to increased sale and prices of steel products resulting from an increase in rigid domestic demand and the return of overseas Taiwanese businesses.				

(IV) Projected sales quantity for the coming year, the basis for said projection, and factors influencing the continued growth or decline of the expected sales quantity: The Russian invasion of Ukraine occurred in the first quarter of 2022. Ukraine was a major producer of steel. The war destroyed several steel-making factories in Ukraine, negatively impacting the exportation of steel. Global demand for steel exceeded supplies, causing a steep rise in international steel prices. The economy in Europe and United States has been recovering. Considering the continuing demand for domestic industrial manufacturing and Taiwanese businesses to return to Taiwan to build factories, the solar power industry continues to shine. The offshore wind power industry is also on the rise. These are all industries that the government has been actively promoting. We will fully cooperate with the policies and fight for business opportunities. Among the raw materials for these industries, steel accounts for an important part. As a steel logistics center, we are able to fully unleash our expertise. With the combination of our management capabilities and processing technology, the projected total sales volume for 2022 is roughly 500,000 metric tons.

III.Cash flow review and analysis

Unit: NT$1,000

Balance at the start of the year (December 31, 2020) ①	Net cash flow from operating activities ②	Net cash flow from investment and financing activities ③	Cash balance (December 31, 2021) ①+②-③	Plan to improve insufficient liquidity	
				Investment plan	Financial plan
709,443	515,792	(260,863)	964,372	None	None

1. Analysis of cash flow changes in the current year:
(1) Cash inflow from operating activities amounted to approximately NT$515,792thousand: Mainly due to increased net profit in the current period.
(2) Cash outflow from investment activities amounted to approximately NT$1,121,298 thousand: Mainly attributed to increased investment in equity instrument and increased factory equipment expenditures.
(3) Cash inflow from financing activities amounted to approximately NT$860,796 thousand: Mainly due to the Company's increased long-term and short-term loans.

2. Plan to improve insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.
3. Cash flow analysis for the coming year: N/A.
4. Cash flow analysis for the past two years:

Year / Item	December 31, 2021	December 31, 2020	Change (%)
Cash flow ratio(%)	5.53	(3.77)	246.57%
Cash flow adequacy ratio(%)	12.32	18.87	(34.74%)
Cash reinvestment ratio(%)	(0.49)	(4.14)	88.05%

Analysis of changes in proportion:

1. Cash flow ratio: The increase in cash inflow from operations this year resulted in an increase in the cash flow ratio.
2. Cash flow adequacy ratio: Increase in inventory and capital expenditures this year resulted in a reduction in cash flow adequacy ratio.
3. Cash reinvestment ratio: The increase in cash inflow from operations this year resulted in an increase in the cash reinvestment ratio.

IV. Effects of significant capital expenditures on financial operations in the current year: None

V. Reinvestment policy, main reasons for profit/losses, improvement plans, and investment plans for the upcoming year:

The Company's various investment amounts have not exceeded 10% of paid-in capital.

The Company's equity method reinvestments have long-term strategic purposes; The Company's 2021 equity method net profit from reinvestments totaled NT$312,196 thousand and gains on bargain purchases from the acquisition of subsidiary Mason Metal Industry Co., Ltd. amounted to NT$136,024 thousand, both represent profit growth from the previous year. This is mainly attributed to the international steel price and volume rising this year and the domestic stock index trend being on the rise. In the future, the Company shall continue to conduct prudent assessments of reinvestment projects based on the principle of long-term strategic goals.

VI. Risk analysis and assessment of the most recent year up to the publication date of this report:

The Board of Directors plays a critical role in identifying and managing economic risks.

The Company and its subsidiaries are committed to adopting cost-effective methods to integrate and manage potential risks in strategies, operations, finances, and other hazardous risks that may impact operations and profits.

The Company is committed to its corporate goals and its responsibility to maintain the long-term sustainability of the industry and society. The Company has established corporate risk management measures to provide appropriate risk management for all stakeholders. The Company's risk management focuses on "strategic risks", "operational risks", "financial risks", "hazardous risks", and "risks associated with climate change and non-compliance with related regulations on environmental protection or climate change or other international laws and agreements".

(I) The effects that interest rates, exchange rate fluctuations, and inflation have on company earnings and losses, as well as future countermeasures:

Ratio of the Company's net interest income/expenses and net exchange profit/losses to net operating revenue in 2021

Item	2021(NT$1,000)
Net interest income (expenses)	(111,686)
Net exchange income (loss)	28,364
Net interest income (expenses) as a ratio of net operating revenue	0.79%
Ratio of net exchange (loss) profit to net revenue	0.20%

①. Changes in interest rate

The Company's interest rate risk mainly comes from financial liabilities and investment positions arising from business activities. The Company's income and expenses on interests are mainly affected by changes in interest rates in Taiwan and the United States. The Company's net expenses on interests in 2021 Year NT$111,686 thousand which accounted for 0.79% of the net revenue of the current year. The overall interest expenses will not increase risks for profitability and will only have minimal effects on the Company.

Future countermeasures

The Company shall adapt to the risks of fluctuating interest rates and continue to pay attention to future market interest rate trends and collect information on interest rates from banks to adequately evaluate the interest rate of existing loans and continue to establish a good relationship with banks. The Company shall use its excellent credit to obtain relatively favorable loan interest rates. Where loans are required, the Company shall use its credit history to obtain relatively favorable loan interest rates based on actual needs for funding. When financing is required, the Company shall plan suitable long-term and short-term bank loans to minimize interest rate fluctuations and the risks caused by the cost of capital on the Company's operations. In financial investments, the Company mainly invests in high fluidity short-term fixed income bonds with high ratings to ensure the security of the principal and to maintain liquidity. However, these hedging operations can only lower parts of the risks and cannot fully eliminate the financial impact caused by fluctuations in interest rates.

②. Changes in exchange rate

More than half of the Company's material procurement expenditure is paid in foreign currencies such as USD. In addition, most of the Company's revenue is in TWD. Therefore, any significant changes in international exchange rates may have unfavorable effects on the Company's finances. However, due to Taiwan's exceptional epidemic prevention measures and the status of Taiwan as a global manufacturing base for integrated circuit, the stock market in Taiwan in 2021 outperformed 2020 and other Asian countries. The aforementioned factors and weakened USD led to a general appreciation of NTD in 2021 so that, by the end of 2021, the exchange rate of NTD to USD Year 27.67.

The Company uses foreign currency derivative financial product contracts, including forward foreign exchange contracts, to avoid non-NTD assets and liabilities and exchange rate risks that may arise from certain expected transactions. These hedging measures can reduce the impact of exchange rate changes on assets and liabilities but cannot eliminate it completely.

The average exchange rate of NTD against USD in 2021 (28.07) increased by 3.94% from the average exchange rate in 2020 (29.22). The Company generated a net exchange profit of NT$28,364 thousand in 2021, which accounted for 0.20% of the net revenue that year. The overall foreign exchange interests will not increase risks for profitability and will therefore not cause a significant impact on the Company.

<u>Future countermeasures</u>

The Company uses contracts for derivatives (e.g. forward foreign exchange contracts), or non-derivatives (e.g. short-term borrowing of functional currency) as financial tools to hedge foreign exchange positions that have been recognized or generated from highly probable transactions. These hedging measures may reduce some of the financial impact of assets and liabilities affected by fluctuating interest rates, but not completely.

The finance unit pays close attention to changes in the foreign exchange rate and maintains close communication with major banks with which the Company does business, keeping abreast of foreign exchange rate trends at all times to allow relevant supervisors to fully control foreign exchange rate trends and make adjustments whenever necessary.

The Company has established "Procedures for the Acquisition or Disposal of Assets" to govern trading, risk management, supervision, and auditing of derivatives to reduce risks in transactions of derivative financial products related to foreign exchange operations.

There has been an depreciate in the exchange rate of the NTD against USD since the end of 2021. The depreciation of the NTD will not has brought negative effects on the Company's profits.

③. Inflation, deflation, and overall fluctuations in the market

The company's past profits and losses have yet to suffer major impacts from inflation.

When the market reacts in anticipation of inflation or deflation, the resulting changes often severely impact the global economy. Both high inflation and deflation will decrease market efficiency, interrupt investment decisions, and cause negative macroeconomic and microeconomic effects. The U.S. Federal Reserve may adopt contractionary monetary policies, which will lead to a rise in interest rates and an increase in the Company's interest expenditure on future debt issuance. To control interest rate risks, the Company pays close attention to the development of the market and monetary policies, and has (and may continue in the future) adopted interest rate derivative financial product contracts to avoid interest rate risks associated with expected issuance of debt.

The Company will make no significant changes to its products and services due to expectations of inflation, deflation, or market fluctuations, believing that it might indirectly affect the willingness of countries around the world to invest in national construction capital expenditures.

In 2021, the inflation rate in Taiwan (calculated with the Consumer Price Index of the Directorate-General of Budget, Accounting, and Statistics) was approximately 104.32% (an annual increase of 1.96%); It is projected that in 2022, the inflation rate in Taiwan (calculated using the Consumer Price Index of the Directorate-General of Budget, Accounting and Statistics) will increase by 1.93%.

The Company does not believe that inflation or deflation in Taiwan would have a major impact or effect on the results of the Company's operations in 2021. However, the Company cannot guarantee that major changes in the nature, scale, or scope of future inflation or deflation would not negatively impact the results of the Company's operations.

④. Financing risks

The Company purchases the majority of its materials from foreign countries. Planning the required capital, therefore, becomes relatively challenging when major fluctuations appear in bonds, interest rates, exchange rates, and stock markets. In the next few years, the Company shall require medium-sized capital to maintain operations, expand productivity, and expand locations for its logistics network. The Company's capacity for continued financing relies on many uncertain factors, including:

- The Company's future financial status, operating performance, and cash flow
- Status of market financing activities
- Market financing activities of the steel industry
- Social, economic, political, and other conditions in Taiwan and other regions

(II) Policies for engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, analysis of resulting profit/losses, and future countermeasures

The Company has not conducted high-risk or high-leverage financial investments in 2021 and up to the publication date of this Annual Report.

During 2021, all transactions in derivative financial product contracts conducted by the Company are for hedging purposes and not operations for trade or profit. For details on the transactions, please refer to the "Financial Conditions" in the Annual Report (page 75). The fair market value of financial product investments for the purpose of transactions and preparation for sales may change due to market conditions, resulting in changed costs that would affect relevant rates of return.

<u>Future countermeasures</u>

To control risks in financial transactions, the Company has established internal management regulations and operating procedures that strengthen financial and operational foundations in accordance with related regulations of the Securities and Futures Bureau of the Financial Supervisory Commission. These regulations include "Procedures for the Acquisition or Disposal of Assets", "Procedures for Extending Loans to Others", and "Endorsement and Guarantee Making Procedure". They serve as the basis for the Company and its subsidiaries' related operations.

As of the publication date of this Annual Report, the Company and its subsidiaries have not conducted high-risk or high-leverage investments or traded high-risk derivative financial products. Based on the principles of maintaining stable and healthy finances, the Company and subsidiaries will not consider engaging in high-risk or high-leverage investments or trading of high-risk derivative financial products. The Company provides loans, endorsements, and guarantees to subsidiaries that require funding for operations. However, the companies' loans, endorsements, or guarantees for external entities are processed in accordance with the Company's "Procedures for Loaning of Funds to Others" and the "Regulations on Making of Endorsements/Guarantees". In the future, the Company shall continue to abide by the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the competent authority in Taiwan and the Company's internal control regulations.

(III) Future R&D projects and estimated R&D expenditure:

To ensure its leading position in product development technology and product performance, the Company will utilize the results of its research in material applications accumulated throughout the years to work with steel plants and develop building steel materials suitable for Taiwan's harsh island environment in offshore sea areas with potentially extreme weather incidents. The Company shall develop various high-grade, weather-proof, eco-friendly, and strong structural steel while actively expanding into the high-grade building materials industry, electric car and scooter molds and components industries, and materials R&D and sales for offshore wind farm tower and underwater tower foundation components.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company's management keeps a constant eye out for any changes in policies and regulations that might affect the Company business and operations, and has established related risk management procedures. In 2021 and as of the publication date of this Annual Report, there has been no policies nor laws and regulations that has material impact on the Company’s finances and business.

(V) Impact of technological and market changes on the Company's finances and business, as well as subsequent countermeasures:

From 2021 and up to the publication date of this Annual Report, the Company has finished automating cutting equipment and increased production lines for offshore wind power equipment, providing existing technologies for cutting, component production, pipe manufacturing technologies for offshore wind turbine foundation and underwater foundations, and technologies for forming connecting pipe piles for water resources and technology plants to supply more customer-oriented products.

The steel product market has always been influenced by economic cycles. Such market characteristics also impact the manufacturing and service industry for steel products. Most of the Company’s customers are from public engineering industries, the automobile industry, the machinery production industry, the electrical component industry, the components industry for offshore windmill bases, and underwater foundations, the water resources-related piping and trough industries, and the one-stop construction industry for photovoltaic power plants. In the short term, the COVID-19 pandemic has hindered the supply chain, the machinery and equipment industry, steel pipes industry, and shipbuilding industry are still in the short-term revision period for receiving orders, yet domestic public construction projects such as government infrastructure projects are still being rolled out continuously. In the long term, the government's forward-looking infrastructure projects and returning Taiwanese businesses have driven up demand the furthered the development of Taiwan’s domestic demand economy. The Company's revenue and profits are also affected by fluctuations in customer orders, and are projected to follow a trend towards prosperity in the future.

Industries with a demand for steel products sometimes face critical and continuous economic decline as well as the overcapacity of steel mills in Mainland China. Since the Company's current and future business all come from these industry customers, the economic decline in these industries and overcapacity will lower the demand for the entire steel manufacturing and service industry, including the Company. If the Company cannot reduce cost or adopt other measures to effectively offset the impact of reduced demand, its revenue, profits, and profitability will be impacted during economic downturns and steel overcapacity.

Future countermeasures

In response to constant changes in industries with a demand for steel products and the technologies they use, the key to the Company's competitive advantage lies in the continued enhancement of precision processing to provide steel products that better fulfill customer demand with diverse service and business models. If the Company cannot foresee changes in technology and quickly develop innovative business models and cutting production technologies, or if competitors unexpectedly obtain more advanced cutting technologies, the Company may lose its competitive edge and ability to obtain purchase orders. Although the Company continues to expend effort on maintaining advantages in R&D of steel product quality and cutting production processes, the Company's competitiveness will be affected if it cannot maintain its lead in technologies or production processes.

Regarding countermeasures for the aforementioned risks, refer to the "Operational Highlights" in the Annual Report (page 107 to page 128).

(VI) Impact of corporate image change on risk management and response measures:

In 2021, the Company received the TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Gold Medal and TCSA Top 50 Corporate Sustainability Awards for its achievements in corporate governance, sustainable development, and information disclosure.

The Company is founded on the core values of trust, harmony, innovation, and sharing. With its outstanding operational performance, comprehensive corporate governance, and fulfillment of social responsibilities, the Company has established an excellent corporate image in Taiwan and across the world. Meanwhile, the Company continues to demonstrate a sustainable capacity for innovation when it comes to the economy, environment, and society and is dedicated to being a good corporate citizen.

The Company has always seen itself as a driver for improving society, with a long-term goal of "creating sustainable development, fairness, and justice to build a beautiful Taiwan". The Company has dedicated departments for brand management, customer service, material management, quality and reliability, risk management, finance, investor relations, operations, environmental protection & safety& sanitation, human resources, internal control, social charity foundation, and public relations. The close cooperation and coordination of resources between each department consolidate the Company to build upon the excellent corporate image. Meanwhile, the Company is well prepared to prevent and control any potential crisis.

Multiple preventative measures are in place to deal with potential crises that could impact the Company image, including accidents like earthquakes, fires, and occupational incidents. The Company has also established crisis command management and internal control protocols, emergency protocols, and an emergency command system. If an aforementioned crisis occurs, each department can initiate emergency measures immediately to prevent or lower the impact that the incident may have on the safety of the Company’s personnel, surrounding environment, property, and production process. The spokesperson will also be notified to clearly explain the situation to outsiders, thereby maintaining the Company’s image and smooth operations.

Since its founding, the Company has established a good corporate image based on youth, innovation, and integrity. The has never been an incident of major changes to the Company’s corporate image that might result in a crisis.

From 2021 and up to the publication date of this Annual Report, the Company experienced no risks that might affect its normal operations and corporate image.

(VII) Expected benefits and potential risks of mergers and acquisitions:

From 2021 and up to the publication date of this Annual Report, the Company has neither conducted any mergers nor have any plans for mergers. If the Company discovers a company or group with potentials for a merger, a careful evaluation will be conducted to consider the effectiveness of the merger. The Company shall also consult relevant professionals and reach a timely and rational decision to protect shareholders' interests.

(VIII) Expected benefits and possible risks of production capacity expansions and subsequent countermeasures:

The Company made regular projections of long-term market demands with respect to its products and services to make plans for production capacity. Since the demand projection is constantly adjusted to reflect dynamic changes of the market environment, the Company may temporarily halt production lines or machines of some factories when demand is lower; Whenever demand increases rapidly, the Company may not be able to restore capacity in time to fully satisfy demands during a prospering economy.

Following recent market demand projections, the Company has completed two production lines for offshore wind farm foundations, underwater foundations, and connective pipe piles for water resources and technology plants to fulfill market demand for its products and services. Since the expansion of production capacity requires the purchase of equipment, which will add to operating costs, if the Company cannot generate a corresponding increase in profits, the expansion might reflect negatively in the financial statements.

In response to the aforementioned potential risks associated with the expansion of production capacity, the Company will continue to monitor market changes and cooperate closely with customers. If the market demand does not match predictions, the Company will adjust its plan to expand production capacity to reduce the negative impact on the Company's financial performance.

Overall, the Company's production capacity in 2021 was better than the previous year, with an average capacity utilization rate of 83%. As of the publication date of this Annual Report, the Company’s performance in terms of expanding production capacity in 2022 has met expectations.

Future countermeasures

The Company shall continue to negotiate matters relating to the establishment of factories to faithfully abide by contractual obligations and maintain control over financial risks.

(IX) Risks associated with over-concentration in purchase or sale:

The Company has thousands of customers across Taiwan. The total net income from sales to the top ten customers in 2021 and 2020 accounted for approximately 20% and 28% of the Company's net revenue from sales and the largest customer accounted for 5% and 7%. Therefore, there was no over-concentration of sales.

The Company needs to obtain raw material such as steel plates, special steel plates, alloy steel plates, hot-rolled steel plates, galvanized steel products, and stainless steel products at appropriate times. There were instances where certain foreign suppliers adjusted prices temporarily or delayed delivery due to economic growth in the steel market. In addition, due to the characteristics of the industry, certain raw materials purchased by the Company are supplied by a single supplier. If alternative sources cannot be found, the Company might run the risk of not being able to keep up with demand. If the Company cannot obtain the necessary raw material or if the prices of raw materials increase substantially and the increased cost cannot be passed to the customer, the Company's revenue and profits will decline. Therefore, the Company tries to purchase raw materials from different suppliers or different regions to ensure a stable supply of raw materials and to lower the risks of concentrated purchases.

Future countermeasures

The Company's operational growth and continued expansion of production capacity also rely on whether it could obtain sufficient equipment and relevant services from a limited number of suppliers. Equipment suppliers often have limited supply and long delivery times. In heavy processing machinery-related industries, the lead time for machinery procurement can be as long as six months. To reduce such risks, the Company provides suppliers with demand forecasts to arrange production schedules for machines. The Company also engages in discussions with suppliers to establish mutually-agreed business models in order to advance the preparation of components that require longer lead times and reduce the lead time for purchasing equipment. If the Company cannot promptly obtain reasonably priced equipment required for production, it would not be able to satisfy customer purchase orders, causing negative financial and operational impact.

(X) The impact and associated risks of large transfer or exchange of equity by directors or major shareholders holding more than 10% interest in the Company:

From 2021 and up to the publication date of this Annual Report, there have been no cases of the Company's Directors or major shareholders with more than 10% of the Company shares conducting large transfers or exchanges of shares that could affect the normal operations.

(XI) The impact and associated risks that changes in management can have on the Company:

From 2021 and up to the publication date of this Annual Report, the Company has seen no signs indicating any risks of a change in management.

The Company has continued to strengthen various corporate governance measures to enhance the protection of shareholders' interests. The Company depends on professional managers in day-to-day operations. With a capable team of professional managers making immense contributions to the Company's business performance, the Company is sure to garner the continued support of shareholders so that, even if management changes hands, it would not cause any significant negative impact on the Company's advantages in management and operations.

(XII) Any litigious, non-litigious or administrative litigation event as of the publication date of this Annual Report:

The Company has seen no major litigation cases nor major pending litigations from 2021 and up to the publication date of the Annual Report.

(XIII) Risks in impairment loss and corresponding countermeasures

Following the International Accounting Standards, the Company is required to conduct impairment assessment on its investments, tangible assets, and intangible assets when there are signs of asset impairment When certain conditions are met, the Company is required to recognize an impairment loss. In addition, under the regulation of the Taiwan-IFRS, an annual negative impairment test must be performed. When signs of impairment are present and the book value could not be recovered, impairment tests must be performed with increased frequency.

The impairment loss in parts of the Company's investment in TWSE-listed companies, TPEx-listed companies, or companies not listed on the TWSE or TPEx are disclosed in "Financial Report" of the Annual Report (page 138). Recognition of impairment loss at any point in time is determined mainly by evaluations made regarding potential operating performance in the next several years. Therefore, impairment losses are more likely to occur when the Company's operating performance is already falling.

The Company has established relevant systems to strictly manage asset impairment. However, the Company cannot predict the extent or time of asset impairment in the future and whether it may negatively impact the Company's net post-tax profits.

(XIV) Litigation events involving the Company’s Director, General Manager, de facto Legal Representative, major shareholders holding more than 10% interest, or subsidiaries as of the publication date of this Annual Report:

From 2021 and up to the publication date of this Annual Report, there have been no major litigation cases nor major pending litigation cases involving the Company's Directors, General Manager, de facto Legal Representative, major shareholders holding more than 10% interest, or subsidiaries.

(XV) Hazardous risks:

The Company is dedicated to maintaining comprehensive risk management for the protection of natural resources and the security of employees and assets. It also develops comprehensive countermeasures and procedures with regard to risk prevention, emergency responses, crisis management, and continuous operations for all conceivable emergencies and natural disasters.

Due to climate change or systemic regional geological changes, the frequency and severity of destructive earthquakes, natural disasters, and extreme weather are on the rise, causing the Company’s operating bases to be at risk of natural disasters. For example, floods, earthquakes, typhoons, and droughts may cause a break or shortage in the supply of public facilities such as water and electricity. The Company pays attention to emergency responses for various disasters such as typhoons, floods or droughts caused by climate change, earthquakes, pollution, interruptions in the information system, strike, contagious diseases (such as H1N1 influenza), and discontinued supply of materials, water, electricity, and public facilities. The Company has established task forces at all points of operations to respond to the aforementioned incidents to ensure continued operations.

The ongoing novel coronavirus (COVID-19) pandemic might have significant adverse effects on the Company's business and operating performance on levels, including but not limited to the following: (I) Disrupt the global steel supply chain and operation of the Company's suppliers, including Asia and Europe; (II) Downward pressure from a decreased demand from export customers. The Company has adopted various measures to control the above risks, including but not limited to employee health management, production inventory management, supply chain management, and production capacity management in response to changes in demand. The Company has established an "epidemic task force" to determine, implement, and monitor emergencies caused by the epidemic and the necessary countermeasures. The Company cannot be sure whether these measures or other measures can lessen the risks posed by COVID-19, or whether the Company's ability to operate key functions will suffer significant adverse effects.

The Company's buildings and production equipment are all earthquake-resistant structures built in accordance with regulations. Therefore, the Company has experienced no relevant risks in 2021 and up to the publication date of this Annual Report.

(XVI) Information technology security risks and management measures:

The Company has established a comprehensive Internet and computer-related information security protection measures to control or maintain the Company's production, operation, and accounting systems. However, there is no guarantee that the Company's information security control or computer systems that maintain important corporate functions such as company operations and accounting can completely avoid third-party cyber-attacks aiming to crash the system. These cyber-attacks infiltrate the Company's internal network system illegally and cause damage to the Company's operations and reputation. Under severe cyber-attacks, the Company's system may lose important corporate information. Through constant inspection and assessment of its information safety regulations and protocols, the Company can ensure its suitability and efficacy, but cannot guarantee that the Company will not be affected by new risks and attacks born from ever-changing information security threats.

Cyber-attacks may also attempt to steal the Company's trade secrets, other intellectual properties, and confidential information such as exclusive information on customers, information on other stakeholders, or the personal information of employees. Malicious hackers could also inject computer viruses, destructive software, or ransomware into the Company's network system to disrupt the Company's operations, blackmail the Company with control of its computer systems, or obtain confidential information. These attacks could cause delays or interruptions in purchase orders that could lead to losses due to delayed deliveries. The Company may also have to bear extensive costs for remedial and improvement measures that bolster its information security system; Cyber-attacks may also cause the Company to leak information from clients or third parties to whom it owes an obligation of confidentiality. This could lead to litigations or investigations, and the Company may be found legally liable. In addition, the Company needs to share highly sensitive and confidential information to certain third-party vendors to allow them to provide their services. Although the service contracts signed between the Company and the third-party service providers demand confidentiality and conformance to information security regulations, there is no guarantee that the third-party service providers will fulfill these obligations. The internal network system and/or external cloud computing network (e.g. Servers) maintained by these service providers or their contractors are also at risk of cyber-attacks. If the Company or its service providers cannot solve the difficult technical problems caused by the cyber-attacks promptly, ensure the credibility and availability of the Company's data, or regain control of compromised computer systems, the Company’s credibility with customers and stakeholders may be seriously damaged, causing severe negative impacts on the Company’s operating performance, financial conditions, prospects, and reputation.

In 2021 and up to the publication date of the Annual Report, the Company has not discovered any major cyber-attacks nor incidents that have had or may have a negative impact on the Company business and operations. The Company has also not been involved in any legal cases or investigations relating to such incidents.

(XVII) Other critical risks:

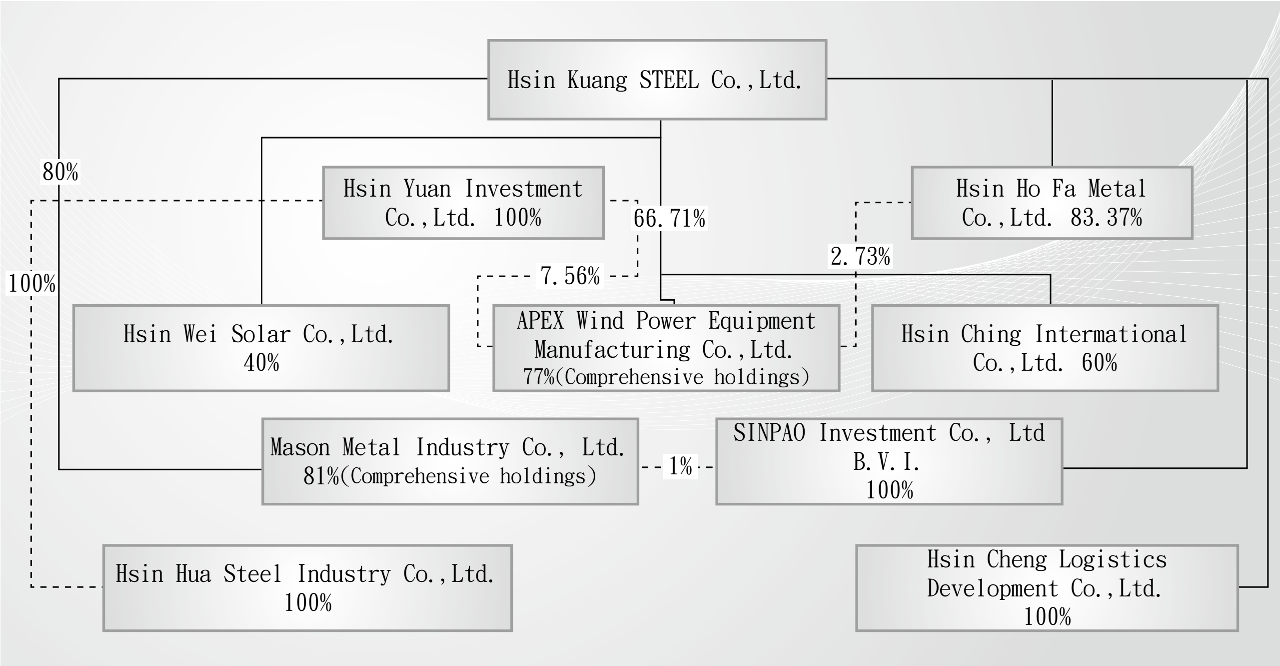
From 2021 and as of the publication date of this Annual Report, the Company experienced no other critical risks.

VII.Other important matters： None

H. Special Notes

I. Profiles of Affiliates

(I) Affiliation Chart



(II) Profile of affiliated companies:

As of December 31, 2021

Unit: NT$1,000

Name of entity	Date of establishment	Address	Paid-up capital	Main business activities or products
Hsin Yuan Investment Co., Ltd.	1998/09/22	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	500,000	Professional investment institution
Sinpao Investment Co., LTD (B.V.I)	2001/11/13	TrustNet Chambers Road Town Tortola British Virgin Islands	USD 4,181	Professional investment institution
Hsin Ho Fa Metal Co., Ltd.	2003/01/28	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	261,800	Wholesale of metal building materials
APEX Wind Power Equipment Manufacturing Co., Ltd.	2009/11/02	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	660,000	Self-usage power generation equipment utilizing renewable energy industry
Hsin Wei Solar Co., Ltd.	2010/09/28	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	200,000	Power generation for non-metallic use
Hsin Ching International Co., Ltd.	2015/12/18	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	250,000	Leasing and warehousing

Name of entity	Date of establishment	Address	Paid-up capital	Main business activities or products
Mason Metal Industry Co., Ltd.	1990/07/20	No. 6, Gongye 1st Road, Pingzhen District, Taoyuan City	500,000	Automotive steel plate cutting and processing
Hsin Cheng Logistics Development Co., Ltd.	2019/08/19	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	200	Leasing and warehousing
Hsin Hua Steel Industry Co., Ltd.	2019/07/25	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	60,000	Secondary metal processing and manufacturing

(III)Common shareholders in controlling and controlled companies

None as of December 31, 2021.

(IV)Businesses activities covered by affiliated companies

Business activities of the Company mainly cover "cutting and logistics distribution services in the steel industry," "metal architectural components manufacturing," "self-usage power generation equipment utilizing renewable energy industry," "manufacturing of power generation, transmission, and distribution machinery," "manufacturing of metal containers," and "manufacturing of pollution prevention equipment"; whereas business activities of affiliated companies cover "investment," "power generation for non-metallic use," "leasing and warehousing," and "automotive steel plate cutting and processing."

(V) Directors, supervisors, and General Managers of affiliated companies of HsinKuang Steel Co., Ltd

As of December 31, 2021

Unit: Share: %

Name of entity	Title	Name or name of representative	Shareholding	
			No. of shares	Shareholding percentage
Hsin Yuan Investment Co., Ltd.	Chairman and General Manager	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	50,000,000	100.00%
	Director	HsinKuang Steel Co., Ltd. Representative: Xiao-Ru Su		
	Director	HsinKuang Steel Co., Ltd. Representative: Daniel Z.L. Xu		
	Director	HsinKuang Steel Co., Ltd. Representative: Jessica P.H. Liu		
	Director	HsinKuang Steel Co., Ltd. Representative: Lisa H.C. Chien		
	Supervisor	HsinKuang Steel Co., Ltd. Representative: Teng-Kuei, Kao		
SINPAO INVESTMENT CO., LTD(B.V.I)	Chairman	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	US$4,181,091	99.82%
Hsin Ho Fa Metal Co., Ltd.	Chairman	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T.Su	21,827,049	83.37%
	Director	HsinKuang Steel Co., Ltd. Representative: Teng-Kuei, Kao		

Name of entity	Title	Name or name of representative	Shareholding	
			No. of shares	Shareholding percentage
	Director	HsinKuang Steel Co., Ltd. Representative: Fisher C.H.Yu		
	Director	HsinKuang Steel Co., Ltd. Representative: Daniel Z.L. Xu		
	Director	Top East Steel & Iron Company Ltd. Representative: Chih-Yuan Huang	622,169	2.34%
	Supervisor	Tai-Tou Chang	144,335	0.55%
APEX Wind Power Equipment Manufacturing Co., Ltd.	Chairman	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	44,030,600	66.71%
	Director	HsinKuang Steel Co., Ltd. Representative: Ming-shan,Jheng		
	Directorand General Manager	HsinKuang Steel Co., Ltd. Representative: Frank C.C. Huang		
	Director	Chang-Mao Luo	300,000	0.45%
	Director	Yi-Ting Wang	110,000	0.02%
	Supervisor	Hsin Ho Fa Metal Co., Ltd. Representative: Jessica P.H. Liu	1,800,000	2.73%
Hsin Wei Solar Co., Ltd.	Chairman	Wei Sheng Investment & Development Co., Ltd. Representative: Kui-Kuang Chen	9,000,000	45.00%
	Director	Wei Sheng Investment & Development Co., Ltd. Representative: Chin-Hui Chen		
	Director	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	8,000,000	40.00%
	Supervisor	Jessica P.H. Liu	—	—
Hsin Ching International Co., Ltd.	Chairman	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	15,000,000	60.00%

Name of entity	Title	Name or name of representative	Shareholding	
			No. of shares	Shareholding percentage
	Director	HsinKuang Steel Co., Ltd. Representative: Ming-shan,Jheng		
	Director	HsinKuang Steel Co., Ltd. Representative: Jessica P.H. Liu		
	Director and General Manager	Li Shing Investment Co., Ltd. Representative: Ho-Chou Huang	7,500,000	30.00%
	Director	Chan Da Development Corp. Representative: Ho-Tung Huang	1,750,000	7.00%
	Supervisor	Lisa H.C. Chien	—	—
	Supervisor	Ho Feng Development Consultancy Co., Ltd. Representative: Hsiao-Yu Chang	750,000	3.00%
Mason Metal Industry Co., Ltd.	Chairman	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	40,000,000	80.00%
	Director	HsinKuang Steel Co., Ltd. Representative: Johnathon Y.J. Su		
	Director	HsinKuang Steel Co., Ltd. Representative: Kuo-San Yang		
	Director	HsinKuang Steel Co., Ltd. Representative: Shu-Hsien Huang		
	Director	HsinKuang Steel Co., Ltd. Representative: Shang-FendTsai		
	Director	Sumitomo Corporation of Japan Representative: Shuji Tsubota	9,500,000	19%
	Supervisor	Jessica P.H. Liu	—	—
Hsin Cheng Logistics Development Co., Ltd.	Chairman	HsinKuang Steel Co., Ltd. Representative: Alexander M.T.Su	20,000	100.00%
Hsin Hua Steel Industry Co., Ltd.	Chairman	Hsin Yuan Investment Co., Ltd. Representative: Ming-shan,Jheng	6,000,000	100.00%

(VI) Operational overview of affiliated enterprises

As of December 31, 2021

Unit: NTD/USD thousands, unless specified otherwise

Name of entity	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profit (loss)	Current net income (loss)	Earnings per share ($)
Hsin Yuan Investment Co., Ltd.	500,000	733,931	21,842	712,089	159,607	142,670	133,570	2.67
SINPAO INVESTMENT CO., LTD(B.V.I)	US$4,181	US$4,582	US$20	US$4,561	US$70.05	US$91	US$91	Not applicable
Hsin Ho Fa Metal Co., Ltd.	261,800	664,219	307,419	356,800	137,420	18,991	43,986	1.68
APEX Wind Power Equipment Manufacturing Co., Ltd.	660,000	864,686	135,820	728,866	208,009	66,339	103,472	1.57
Hsin Wei Solar Co., Ltd.	200,000	546,874	326,381	220,493	66,685	26,035	15,909	0.80
Hsin Ching International Co., Ltd.	250,000	850,618	271,173	579,445	83,223	36,170	29,143	1.17
Mason Metal Industry Co., Ltd.	500,000	1,545,185	856,906	688,279	2,013,779	90,098	107,161	2.14
Hsin Cheng Logistics Development Co., Ltd.	200	902	-	902	-	-	-	0.00
Hsin Hua Steel Industry Co., Ltd.	60,000	682,007	559,266	122,741	461,985	73,739	61,036	10.2

(VII) Consolidated financial statements of affiliated companies

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for financial year 2021. All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements, therefore no separate consolidated financial statements of affiliated enterprises were prepared.

(VIII) Affiliation report: None

II. Progress of private placement of securities during the latest year and up to the publication date of this annual report: None.

III. Shares of the Company Held or Disposed of by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None

IV. Other Necessary Supplemental Information: None

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 2, Article 36 of Securities and Exchange Act: None

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

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

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

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

HSIN KUANG STEEL COMPANY LIMITED

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
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
NON-CURRENT ASSETS				
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
TOTAL	$ 24,048,398	100	$ 19,411,349	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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
NON-CURRENT LIABILITIES				
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
EQUITY (Notes 4 and 21)				
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
TOTAL	$ 24,048,398	100	$ 19,411,349	100

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 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	242,130	2	131,912	1
Total operating revenue	13,418,865	100	9,870,098	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 23 and 29)	(10,502,005)	(79)	(9,018,321)	(91)
Other operating costs (Note 29)	(29,933)	-	(22,748)	-
Total operating costs	(10,531,938)	(79)	(9,041,069)	(91)
GROSS PROFIT	2,886,927	21	829,029	9
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(118,704)	(1)	(99,184)	(1)
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	99,295	1	682	-
REALIZED GROSS PROFIT	2,867,518	21	730,527	8
OPERATING EXPENSES				
Selling and marketing expenses (Note 23)	(261,539)	(2)	(178,750)	(2)
General and administrative expenses (Notes 23 and 29)	(184,278)	(1)	(104,807)	(1)
Expected credit gain (Note 10)	12,898	-	12	-
Total operating expenses	(432,919)	(3)	(283,545)	(3)
PROFIT FROM OPERATIONS	2,434,599	18	446,982	5
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Interest income	401	-	405	-
Other income	101,362	1	57,545	-
Gain from bargain purchase - acquisition of 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 joint ventures	312,196	2	213,237	2
Total non-operating income and expenses	807,093	6	443,049	4

(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)	(521,419)	(4)	(60,918)	(1)
NET PROFIT FOR THE YEAR	2,720,273	20	829,113	8
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	657,701	5	836,244	9
	655,393	5	836,019	9
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(2,879)	-	(5,331)	-
Other comprehensive income for the year, net of income tax	652,514	5	830,688	9
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,372,787	25	$ 1,659,801	17
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	$ 8.62		$ 2.69	
Diluted	$ 8.57		$ 2.60	

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			Retained Earnings			Other Equity			
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
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)
Cancelation 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	321,146	$ 3,211,463	$ 943,451	$ 951,798	$ -	$ 4,407,114	$ (8,580)	$ 1,386,055	$ -	$ 10,891,301

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	435,211	(294,056)

(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
CASH FLOWS FROM INVESTING ACTIVITIES		
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	21,849	(950)
Net cash used in investing activities	(817,789)	(1,462,380)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	-	(81,767)
Net cash generated from financing activities	479,896	1,372,386
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	97,318	(384,050)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	522,482	906,531
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 619,800	$ 522,481

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

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

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 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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
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 remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

r. Taxation

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

1) Current tax

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	619,089	521,768
	$ 619,800	$ 522,481

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

	December 31 2021	December 31 2020
Financial assets at FVTPL - current		
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)	-	455
	$ 1,355,311	$ 1,167,584
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 247,857	$ 28,772
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts (a)	$ -	$ 118,652

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

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2021			
Buy	NT$/US$	2022.01-2023.01	NT$4,696,973/US$172,400
Sell	US$/NT$	2022.04	NT$58,837/US$2,121
December 31, 2020			
Buy	NT$/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

	December 31 2021	December 31 2020
Non-current		
Investments in equity instruments	$ 3,076,389	$ 2,580,780

Investments in equity instruments at FVTOCI

	December 31	
	2021	**2020**
Non-current		
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
	2,721,811	2,329,008
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	354,578	251,772
	$ 3,076,389	$ 2,580,780

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

	December 31	
	2021	**2020**
Current		
Domestic investments		
Pledged time deposits	$ 77,074	$ 76,736

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

	December 31	
	2021	2020
Notes receivable		
Operating - unrelated parties	$ 1,802,201	$ 1,339,552
Operating - related parties	73,833	36,699
Less: Allowance for impairment loss	(1,778)	(1,778)
	$ 1,874,256	$ 1,374,473
Trade receivables		
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	(1,539)	(1,539)
	$ 2,021,023	$ 2,247,390
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 44,215	$ 76,359
Less: Allowance for impairment loss	(39,194)	(73,359)
	$ 5,021	$ 3,000

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)	(3,317)	-	-	-	-	(3,317)
Amortized cost	$ 3,895,279	$ -	$ -	$ -	$ -	$ 3,895,279

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)	(1,576)	-	(1,741)	-	-	(3,317)
Amortized cost	$ 3,618,018	$ -	$ 3,845	$ -	$ -	$ 3,621,863

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	$ 3,317	$ 3,317
Balance at December 31	$ 3,317	$ 3,317

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:

	December 31	
	2021	2020
Up to 90 days	$ -	$ -
90-365 days	2,021	-
Over 365 days	3,000	3,000
	$ 5,021	$ 3,000

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:

	For the Year Ended December 31	
	2021	2020
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	(21,267)	-
Balance at December 31	$ 39,194	$ 73,359

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

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

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

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

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

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

a. Investments in subsidiaries

	December 31	
	2021	2020
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.	880,035	-
	$ 2,762,103	$ 1,672,812

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2021	2020
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

	December 31	
	2021	2020
Material associates	$ 218,596	$ -
Associates that are not individually material	88,197	61,134
	$ 306,793	$ 61,134

1) Material associate(s)

		Proportion of Ownership and Voting Rights	
		December 31	
Name of Associate	**Nature of Business**	**2021**	**2020**
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

	December 31, 2021
Current assets	$ 110,470
Non-current assets	1,875,239
Current liabilities	(868,576)
Non-current liabilities	(15,757)
Equity	$ 1,101,376
Proportion of the Company's ownership	20%
Equity attributable to the Company	$ 220,275
Carrying amount	$ 220,275

	For the Year Ended December 31, 2021
Operating revenue	$ 2,473
Net loss for the year	$ (33,581)
Total comprehensive income (loss) for the year	$ (33,581)

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	**2020**
The Company's share of:		
Net income	$ 6,440	$ 5,530
Total comprehensive income	$ 6,440	$ 5,530

c. Investments in joint ventures

	December 31	
	2021	**2020**
Material joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 507,049

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.

	December 31, 2020
Cash and cash equivalents	$ 89,574
Current assets	$ 1,011,641
Non-current assets	310,618
Current liabilities	(475,441)
Non-current liabilities	(163,537)
Equity	$ 683,281
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	(38,091)
Carrying amount	$ 507,049

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

13. PROPERTY, PLANT AND EQUIPMENT

	December 31 2021	December 31 2020
Assets used by the Company	$ 2,099,792	$ 4,506,352

Assets Used by the Company

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Equipment Awaiting Inspection	Total
Cost							
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	$ 1,102,434	$ 1,016,501	$ 548,062	$ 174,534	$ 47,429	$ 79,578	$ 2,968,538
Accumulated depreciation and impairment							
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	$ -	$ 304,615	$ 432,484	$ 114,972	$ 16,675	$ -	$ 868,746
Carrying amount at December 31, 2021	$ 1,102,434	$ 711,886	$ 115,578	$ 59,562	$ 30,754	$ 79,578	$ 2,099,792
Cost							
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	$ 2,329,659	$ 1,061,513	$ 616,925	$ 154,190	$ 36,726	$ 1,164,752	$ 5,363,765
Accumulated depreciation and impairment							
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	$ -	$ 295,839	$ 442,459	$ 107,073	$ 12,042	$ -	$ 857,413
Carrying amount at December 31, 2020	$ 2,329,659	$ 765,674	$ 174,466	$ 47,117	$ 24,684	$ 1,164,752	$ 4,506,352

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

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

(Continued)

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

(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:

	December 31	
	2021	2020
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	1,529,508	678,205
	$ 2,782,795	$ 883,879

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.

	December 31	
	2021	2020
Fair value	$ 7,466,464	$ 1,897,104

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

15. OTHER ASSETS

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

16. BORROWINGS

a. Short-term borrowings

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

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

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

Outstanding short-term bills payable were as follows:

December 31, 2021

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

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
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	30,000	32	29,968	1.09%	Check	28,857
	$ 180,000	$ 121	$ 179,879			

c. Long-term borrowings

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

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

	December 31	
	2021	**2020**
Commercial paper issued under syndicated bank loans - Yushan Bank	$ 2,400,000	$ 2,400,000
Less: Unamortized discount	(1,245)	(1,063)
	$ 2,398,755	$ 2,398,937

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:

	Host Liability Instruments
Proceeds from issuance	$ 601,200
Equity component	(54,892)
Conversion option derivative instrument	(15,551)
The host liability instrument at date issued	530,757
Interest charged at an effective interest rate	32,609
Corporate bonds payable converted into ordinary shares	(174,811)
The host liability instrument at end of the year	388,555
Less: Current portions	(388,555)
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	(100)
Balance at December 31, 2021	$ -

Movements of the conversion option derivative instrument were as follows:

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

18. NOTES PAYABLE AND TRADE PAYABLES

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

19. OTHER PAYABLES

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

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:

	December 31	
	2021	2020
Present value of defined benefit obligation	$ 51,650	$ 53,263
Fair value of plan assets	(25,072)	(27,568)
Net defined benefit liabilities	$ 26,578	$ 25,695

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	$ 54,757	$ (27,709)	$ 27,048
Service cost			
Current service cost	227	-	227
Net interest expense (income)	342	(179)	163
Recognized in profit or loss	569	(179)	390
Remeasurement			
Return on plan assets (excluding amounts 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	(2)	-	(2)
Recognized in other comprehensive income	1,211	(942)	269
Contributions from the employer	-	(2,012)	(2,012)
Benefits paid	(3,274)	3,274	-
Balance at December 31, 2020	53,263	(27,568)	25,695

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	$ 182	$ -	$ 182
Net interest expense (income)	200	(107)	93
Recognized in profit or loss	382	(107)	275
Remeasurement			
Return on plan assets (excluding amounts 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	2,693	-	2,693
Recognized in other comprehensive income	3,266	(380)	2,886
Contributions from the employer		(2,278)	(2,278)
Benefits paid	(5,261)	5,261	-
Balance at December 31, 2021	$ 51,650	$ (25,072)	$ 26,578

(Concluded)

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

	For the Year Ended December 31	
	2021	2020
Operating costs	$ 17	$ 85
Selling and marketing expenses	$ 223	$ 247
General and administrative expenses	$ 35	$ 58

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:

	December 31	
	2021	**2020**
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:

	December 31	
	2021	**2020**
Discount rates		
0.25% increase	$ (978)	$ (1,047)
0.25% decrease	$ 1,011	$ 1,083
Expected rates of salary increase		
0.25% increase	$ 984	$ 1,053
0.25% decrease	$ (957)	$ (1,023)

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

	December 31	
	2021	**2020**
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

	December 31	
	2021	**2020**
Number of shares authorized (in thousands)	360,000	360,000
Shares authorized	$ 3,600,000	$ 3,600,000
Number of shares issued and fully paid (in thousands)	321,146	308,223
Shares issued	$ 3,211,463	$ 3,082,226

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

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

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:

	For the Year Ended December 31	
	2020	2019
Legal reserve	$ 82,418	$ 10,497
Special reserve	$ (108,259)	$ 64,692
Cash dividends	$ 462,386	$ 248,550
Cash dividends distributed from capital surplus	$ 154,129	$ -
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:

	For the Year Ended December 31, 2021	Dividends Per Share (NT$)
Legal reserve	$ 277,792	$ -
Cash dividends	$ 1,284,585	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

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

e. Others equity items

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

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

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

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

22. REVENUE

	For the Year Ended December 31	
	2021	2020
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	131,418	48,371
	$ 13,418,865	$ 9,870,098

Contract Balances

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

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

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

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
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	26,978	84,950
	$ 363,536	$ 293,188

c. Finance costs

	For the Year Ended December 31	
	2021	2020
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	(26,353)	(19,624)
	$ 106,426	$ 121,326

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	$ 26,353	$ 19,624
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

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

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Direct operating expenses of investment properties generating rental income	$ 29,933	$ 22,529
Direct operating expenses of investment properties not generating rental income	-	-
	$ 29,933	$ 22,529

f. Employee benefits expense

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

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

	For the Year Ended December 31	
	2021	**2020**
Compensation of employees	3%	3%
Remuneration of directors and supervisors	2%	3%

Amount

	For the Year Ended December 31	
	2021	**2020**
	Cash	**Cash**
Compensation of employees	$ 102,392	$ 28,405
Remuneration of directors and supervisors	$ 68,261	$ 28,405

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

	For the Year Ended December 31	
	2021	**2020**
Foreign exchange gains	$ 158,358	$ 148,244
Foreign exchange losses	(131,380)	(63,294)
	$ 26,978	$ 84,950

24. INCOME TAXES

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

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

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	$ 3,241,692	$ 890,031
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	191	(9,911)
Income tax expense recognized in profit or loss	$ 521,419	$ 60,918

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

	December 31 2021	December 31 2020
Current tax assets		
Tax refund receivable	$ 20,906	$ 20,906
Current tax liabilities		
Income tax payable	$464,440	$ 81,027

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
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 receivables	7,932	(7,932)	-	-
Exchange differences on translation of the financial statements of foreign operations	1,426	-	720	2,146
	$ 56,909	$ (28,182)	$ 1,297	$ 30,024
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ -	$ 2,385	$ -	$ 2,385
Convertible bonds	2,076	(2,076)	-	-
Gains or losses on foreign currency exchange	13,878	(12,322)	-	1,556
	$ 15,954	$ (12,013)	$ -	$ 3,941

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
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	93	-	1,333	1,426
	$ 41,571	$ 13,949	$ 1,389	$ 56,909
Deferred tax liabilities				
Temporary differences				
Convertible bonds	$ 616	$ 1,460	$ -	$ 2,076
Gains or losses on foreign currency exchange	11,585	2,293	-	13,878
	$ 12,201	$ 3,753	$ -	$ 15,954

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

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

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

	For the Year Ended December 31	
	2021	2020
Basic earnings per share		
From continuing operations	$ 8.62	$ 2.69
Diluted earnings per share		
From continuing operations	$ 8.57	$ 2.60

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

Net profit for the year

	For the Year Ended December 31	
	2021	2020
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)	-	7,678
Earnings used in the computation of diluted earnings per share	$ 2,720,273	$ 836,791

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

	For the Year Ended December 31	
	2021	2020
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	1,759	720
Weighted average number of ordinary shares used in the computation of diluted earnings per share	317,433	321,921

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

	Carrying Amount	Fair Value
Financial assets		
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
Financial liabilities		
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

	Carrying Amount	Fair Value
Financial assets		
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	-	11,922	-	11,922
	$ 1,343,389	$ 11,922	$ 247,857	$ 1,603,168
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	-	-	354,578	354,578
	$ 2,689,255	$ -	$ 387,134	$ 3,076,389

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	-	455	-	455
	$ 1,167,129	$ 455	$ 28,772	$ 1,196,356
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	-	-	251,772	251,772
	$ 2,245,096	$ -	$ 335,684	$ 2,580,780
Financial liabilities at FVTPL				
Derivatives	$ -	$ 118,652	$ -	$ 118,652

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

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
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	$ 247,857	$ 387,134	$ 634,991

For the year ended December 31, 2020

Financial Asset	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
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	$ 28,772	$ 335,684	$ 364,456

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

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

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

The fair values of domestic unlisted equity instruments were determined using the market approach. In this approach, the fair value is appraised based on the market selling price of similar items, such as assets, liabilities, or the 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

	December 31	
	2021	**2020**
Financial assets		
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
Financial liabilities		
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.

	USD Impact	
	For the Year Ended December 31	
	2021	**2020**
Profit or loss	$ 30,386 (i)	$ 25,687 (i)

	EUR Impact	
	For the Year Ended December 31	
	2021	**2020**
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:

	December 31	
	2021	**2020**
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

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

December 31, 2020

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

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

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

December 31, 2020

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

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

b) Financing facilities

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

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationship with the Company:

Related Party	Relationship with the Company
Hsin Ching International Co., Ltd.	Subsidiary
Hsin Yuan Investment Co., Ltd.	Subsidiary
Sinpao Investment Co., Ltd.	Subsidiary
Hsin Ho Fa Metal Co., Ltd.	Subsidiary
APEX Wind Power Equipment Manufacturing Company., Ltd.	Subsidiary
Hsin Hua Steel Industry Co., Ltd.	Sub-subsidiary
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	For the Year Ended December 31 2021	2020
Sale of goods	Subsidiaries		
	APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 2,629	$ 526
	Hsin Ching International Co., Ltd.	-	16
	Mason Metal Industry Co., Ltd.	8,980	-
	Sub-subsidiaries		
	Hsin Hua Steel Industry Co., Ltd.	232,916	412,576
	Joint ventures		
	Mason Metal Industry Co., Ltd.	154,368	111,773
		$ 398,893	$ 524,891

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2021	2020
Subsidiaries		
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	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	410	11,492
Joint ventures		
Mason Metal Industry Co., Ltd.	29,515	1,607
	$ 54,660	$ 69,737

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
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ -	$ 19,709
Mason Metal Industry Co., Ltd.	538	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	4,664	22,864
Joint ventures		
Mason Metal Industry Co., Ltd.	3,311	5,265
	$ 8,513	$ 47,838

e. Logistics management expense

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

f. Other revenue

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

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

Related Party Category/Name	December 31 2021	2020
Subsidiaries		
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	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	213,874	373,370
Joint ventures		
Mason Metal Industry Co., Ltd.	-	50,867
	$ 314,008	$ 426,646

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	December 31 2020
Subsidiaries		
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	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	1,381	6,940
Joint ventures		
Mason Metal Industry Co., Ltd.	-	598
	$ 25,126	$ 11,837

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	December 31 2020
Subsidiaries		
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	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	16,479	25,672
	$ 898,458	$ 866,347

Lease income was as follows:

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
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	-
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	8,756	6,773
Joint ventures		
Mason Metal Industry Co., Ltd.	2,645	-
	$ 46,699	$ 40,240

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

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries		
Mason Metal Industry Co., Ltd.	$ 2,641	$ -

k. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2021	Proceeds For the Year Ended December 31 2020	Gain (Loss) on Disposal For the Year Ended December 31 2021	Gain (Loss) on Disposal For the Year Ended December 31 2020
Subsidiaries				
Hsin Ho Fa Metal Co., Ltd.	$ -	$ 1,931	$ -	$ 81
APEX Wind Power Equipment Manufacturing Company., Ltd.	46,370	-	6,678	-
Sub-subsidiaries				
Hsin Hua Steel Industry Co., Ltd.	3,600	-	345	-
	$ 49,970	$ 1,931	$ 7,023	$ 81

l. Endorsements and guarantees

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

m. Other transactions with related parties

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

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	For the Year Ended December 31 2020
Short-term employee benefits	$ 130,432	$ 58,880

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:

	December 31	
	2021	2020
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	2,034,917	538,245
	$ 4,061,198	$ 2,777,301

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:

	December 31	
	2021	2020
NTD	$ 426,416	$ 490,051
USD	23,364	25,526
JPY	-	24,300

b. Unrecognized commitments were as follows:

	December 31	
	2021	2020
Acquisition of property, plant and equipment	$ 31,808	$ 352,939

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

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
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)	125,979
			$ 205,056
Financial liabilities			
Monetary items			
USD	111,107	27.68 (USD:NTD)	$ 3,075,447

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
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)	127,040
			$ 197,575
Financial liabilities			
Monetary items			
USD	94,110	28.48 (USD:NTD)	$ 2,680,265
EUR	119	35.02 (EUR:NTD)	4,177
			$ 2,684,442

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

Foreign Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (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.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Hsin Kuang Steel Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements of the Group for the year ended December 31, 2021 are as follows:

<u>Revenue Recognition</u>

The Group mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. The Group's operating revenue for the year ended December 31, 2021 was NT$14,103,042 thousand, a 43% 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 Group's average growth, we considered whether sales transactions with such customers actually occurred, which can significantly have an impact on the consolidated financial statements; therefore, we identified the occurrence of sales transaction as a key audit matter.

Refer to Notes 4 and 23 to the consolidated 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.

Other Matters

We have also audited the parent company only financial statements of Hsin Kuang Steel Company Limited as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 consolidated 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 audits resulting in this independent auditors' report are Sheng-Hsiung Yao and Jui-Na Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2022

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

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 964,372	4	$ 709,443	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	2,121,895	8	1,956,292	10
Financial assets at amortized cost - current (Notes 4, 9 and 32)	81,197	-	80,159	-
Contract assets - current (Note 23)	15,852	-	-	-
Notes receivable from related parties (Notes 4, 5, 10 and 31)	-	-	36,699	-
Notes receivable from unrelated parties (Notes 4, 5, 10 and 32)	2,077,865	8	1,372,375	7
Trade receivables from related parties (Notes 4, 5, 10 and 31)	-	-	14,168	-
Trade receivables from unrelated parties (Notes 4, 5 and 10)	2,314,141	9	1,992,990	10
Prepayments	280,774	1	177,780	1
Inventories (Notes 4, 5 and 11)	6,566,814	26	3,849,230	19
Other current assets (Note 16)	44,705	-	29,165	-
Total current assets	14,467,615	56	10,218,301	51
NON-CURRENT ASSETS				
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 32)	3,159,429	12	2,666,221	14
Investments accounted for using the equity method (Notes 4 and 13)	306,794	1	578,258	3
Contract assets - non-current (Note 23)	-	-	2,762	-
Property, plant and equipment (Notes 4, 14 and 32)	3,821,909	15	5,294,370	27
Right-of-use assets (Note 4)	4,728	-	-	-
Investment properties (Notes 4, 15 and 32)	3,766,202	15	963,590	5
Deferred tax assets (Notes 4 and 25)	65,475	-	64,565	-
Other non-current assets (Notes 5, 10 and 16)	81,874	-	76,434	-
Total non-current assets	11,454,268	44	9,674,972	49
TOTAL	$ 25,921,883	100	$ 19,893,273	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	$ 6,456,507	25	$ 5,441,820	27
Short-term bills payable (Notes 4 and 17)	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 23)	419,467	2	212,678	1
Notes payable to unrelated parties (Notes 4 and 19)	605,105	2	391,119	2
Notes payable to related parties (Notes 4, 19 and 31)	-	-	505	-
Trade payables to unrelated parties (Notes 4 and 19)	178,167	1	155,018	1
Trade payables to related parties (Notes 4, 19 and 31)	-	-	62	-
Other payables (Notes 20 and 31)	562,593	2	274,791	1
Current tax liabilities (Notes 4 and 25)	503,115	2	84,877	-
Current portion of long-term borrowings and bills payable (Notes 4, 17 and 18)	300,943	1	399,081	2
Other current liabilities	8,447	-	8,763	-
Total current liabilities	9,334,158	36	7,267,245	36
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 17)	2,389,854	9	2,049,781	11
Long-term bills payable (Notes 4 and 17)	2,398,755	9	2,398,937	12
Provisions - non-current (Notes 4 and 13)	-	-	3,570	-
Deferred tax liabilities (Notes 4 and 25)	112,594	1	16,380	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	45,058	-	25,695	-
Other non-current liabilities	33,694	-	30,235	-
Total non-current liabilities	4,979,955	19	4,524,598	23
Total liabilities	14,314,113	55	11,791,843	59
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital	3,211,463	12	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	17	2,065,739	10
Total retained earnings	5,358,912	21	3,043,378	15
Other equity	1,377,475	5	722,653	4
Total equity attributable to owners of the Company	10,891,301	42	7,671,454	39
NON-CONTROLLING INTERESTS	716,469	3	429,976	2
Total equity	11,607,770	45	8,101,430	41
TOTAL	$ 25,921,883	100	$ 19,893,273	100

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED 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, 23 and 31)				
Sales	$ 13,478,570	96	$ 9,527,287	97
Other operating revenue	624,472	4	325,024	3
Total operating revenue	14,103,042	100	9,852,311	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 24 and 31)	(10,667,457)	(76)	(8,810,213)	(90)
Other operating costs (Note 31)	(318,556)	(2)	(229,402)	(2)
Total operating costs	(10,986,013)	(78)	(9,039,615)	(92)
GROSS PROFIT	3,117,029	22	812,696	8
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(2,258)	-	(1,264)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	1,265	-	682	-
REALIZED GROSS PROFIT	3,116,036	22	812,114	8
OPERATING EXPENSES				
Selling and marketing expenses (Note 24)	(272,256)	(2)	(207,334)	(2)
General and administrative expenses (Notes 24 and 31)	(219,896)	(1)	(135,054)	(1)
Expected credit gain (Note 10)	13,190	-	12	-
Total operating expenses	(478,962)	(3)	(342,376)	(3)
PROFIT FROM OPERATIONS	2,637,074	19	469,738	5
NON-OPERATING INCOME AND EXPENSES (Notes 24, 27 and 31)				
Interest income	494	-	496	-
Gain from bargain purchase - acquisition of subsidiary	136,024	1	-	-
Other income	127,100	1	69,491	-
Other gains and losses	475,444	4	492,724	5
Finance costs	(112,180)	(1)	(126,914)	(1)
Share of profit or loss of associates and joint ventures	44,372	-	7,488	-
Total non-operating income and expenses	671,254	5	443,285	4

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED 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	$ 3,308,328	24	$ 913,023	9
INCOME TAX EXPENSE (Notes 4 and 25)	(537,530)	(4)	(67,290)	-
NET PROFIT FOR THE YEAR	2,770,798	20	845,733	9
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	657,701	4	836,244	8
	655,393	4	836,019	8
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(2,871)	-	(5,344)	-
Other comprehensive income for the year, net of income tax	652,522	4	830,675	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,423,320	24	$ 1,676,408	17
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 2,720,273	19	$ 829,113	9
Non-controlling interests	50,565	1	16,620	-
	$ 2,770,838	20	$ 845,733	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 3,372,787	24	$ 1,659,801	17
Non-controlling interests	50,573	-	16,607	-
	$ 3,423,360	24	$ 1,676,408	17
EARNINGS PER SHARE (Note 26)				
From continuing operations				
Basic	$ 8.62		$ 2.69	
Diluted	$ 8.57		$ 2.60	

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Share Capital			Retained Earnings			Other Equity					
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
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	$ 526,706	$ 6,810,786
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)	-	(248,550)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(5,371)	(5,371)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(18,459)	-	-	-	(18,459)	18,459	-
Convertible bonds converted to ordinary shares	1,035	10,349	21,493	-	-	-	-	-	-	31,842	-	31,842
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(81,767)	(81,767)	-	(81,767)
Cancelation 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	-	44,507
Net profit for the year ended December 31, 2020	-	-	-	-	-	829,113	-	-	-	829,113	16,620	845,733
Other comprehensive income/(loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(225)	(5,331)	836,244	-	830,688	(13)	830,675
Total comprehensive income/(loss) for the year ended December 31, 2020	-	-	-	-	-	828,888	(5,331)	836,244	-	1,659,801	16,607	1,676,408
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(126,425)	(126,425)
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	429,976	8,101,430
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)	-	(462,386)
Cash dividends from capital surplus	-	-	(154,129)	-	-	-	-	-	-	(154,129)	-	(154,129)
Changes in capital surplus in investments in associates accounted for using the equity method	-	-	-	-	-	(3,361)	-	-	-	(3,361)	-	(3,361)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(13,724)	(13,724)
Changes in percentage of ownership interests in subsidiaries	-	-	6	-	-	(1,034)	-	-	-	(1,028)	-	(1,028)
Convertible bonds converted to ordinary shares	12,923	129,237	274,377	-	-	-	-	-	-	403,614	-	403,614
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	64,350	-	-	-	64,350	-	64,350
Net profit for the year ended December 31, 2021	-	-	-	-	-	2,720,273	-	-	-	2,720,273	50,565	2,770,838
Other comprehensive income/(loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,308)	(2,879)	657,701	-	652,514	8	652,522
Total comprehensive income/(loss) for the year ended December 31, 2021	-	-	-	-	-	2,717,965	(2,879)	657,701	-	3,372,787	50,573	3,423,360
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	-	249,644	249,644
BALANCE AT DECEMBER 31, 2021	321,146	$ 3,211,463	$ 943,451	$ 951,798	$ -	$ 4,407,114	$ (8,580)	$ 1,386,055	$ -	$ 10,891,301	$ 716,469	$ 11,607,770

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED 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	$ 3,308,368	$ 913,023
Adjustments for:		
Depreciation expense	156,877	159,179
Amortization expense	5,987	5,305
Expected credit loss reversed on trade receivables	(13,190)	(12)
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(412,753)	(406,646)
Finance costs	112,180	126,914
Interest income	(494)	(496)
Dividend income	(100,774)	(58,272)
Loss on disposal of property, plant and equipment	1,673	3,497
Loss on disposal of investment properties	-	887
Share of profit of associates and joint ventures	(44,372)	(7,488)
Write-downs/(reversal of write-downs) of inventories	840	(99,714)
Unrealized gain on transactions with associates	2,258	1,264
Realized gain on transactions with associates	(1,265)	(682)
Net loss/(gain) on foreign currency exchange	69,214	(13,616)
Gain on remeasurement of investments accounted for using the equity method	(36,000)	-
Decrease in net defined benefit liabilities	(334)	(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	131,263	(123,402)
Contract assets	(13,091)	(2,762)
Notes receivable	(555,054)	(319,622)
Trade receivables	71,379	(645,407)
Other receivables	(11,959)	2,539
Inventories	(2,082,626)	(314,388)
Prepayments	(99,209)	(30,026)
Other current assets	(746)	26,129
Notes payable	524	127,113
Trade payables	(136,420)	106,504
Other payables	135,947	167,007
Provisions	(3,570)	-
Contract liabilities	206,789	63,190
Other current liabilities	(7,726)	3,764
Cash generated from/(used in) operations	547,692	(317,851)
Interest received	494	496
Dividends received	100,774	58,177
Income tax paid	(133,168)	(15,098)
Net cash generated from/(used in) operating activities	515,792	(274,276)

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
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	(1,038)	(19,046)
Acquisition of long-term equity investments accounted for using the equity method	(205,600)	-
Payments for property, plant and equipment	(635,701)	(1,263,315)
Proceeds from disposal of property, plant and equipment	7,084	3,127
Proceeds from disposal of investment properties	-	403
Payments for investment properties	(2,289)	(577)
Increase in other non-current assets	(1,026)	(5,857)
Increase in prepayments for equipment	(108,142)	(136,861)
Dividends received from investees	4,977	3,860
Decrease/(increase) in refundable deposits	24,338	(950)
Net cash outflow on acquisition of subsidiary	(204,414)	-
Net cash used in investing activities	(1,121,298)	(1,469,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,812,403	16,183,152
Repayments of short-term borrowings	(15,009,267)	(15,464,813)
Increase/(decrease) in short-term bills payable	120,000	(290,000)
Repayments of corporate bonds	(100)	-
Proceeds from long-term borrowings	586,000	992,178
Repayments of long-term borrowings	(45,487)	-
Proceeds from long-term bills payable	-	500,000
(Decrease)/increase in guarantee deposits received	(569)	16,567
Interest paid	(110,671)	(119,621)
Dividends paid to non-controlling interests	(13,724)	(5,371)
Dividends paid to owners of the Company	(616,515)	(248,550)
Payments for buy-back of ordinary shares	-	(81,767)
Increase/(decrease) in non-controlling interests	138,726	(126,425)
Net cash generated from financing activities	860,796	1,355,350
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(361)	(1,652)

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

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

	2021	2020
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	$ 254,929	$ (389,718)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	709,443	1,099,161
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 964,372	$ 709,443

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

1. GENERAL INFORMATION

Hsin Kuang Steel Company Limited (the "Company") was incorporated in January 1967. The original paid-in-capital was NT$200 thousand, and ordinary shares were issued subsequently for promoting business expansion and a sound financial structure. The Company's share was approved to be listed on the Taipei Exchange (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 and its subsidiaries (collectively referred to as the "Group") 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 consolidated entities were as follows:

Hsin Yuan Investment Co., Ltd. was incorporated on September 22, 1998. The entity mainly engages in investment in various kinds of businesses including manufacturing, securities investment, banking and insurance, etc.

Hsin Ho Fa Metal Co., Ltd. was incorporated on January 28, 2003. The entity engages in the sale of metal products for architecture.

Sinpao Investment Co., Ltd. was incorporated in British Virgin Island (B.V.I.) in 2001. The entity is a holding company of overseas investments.

APEX Wind Power Equipment Manufacturing Company Limited was incorporated on November 10, 2009. The entity mainly engages in the manufacture and sale of metal products and energy related equipment.

Hsin Ching International Co., Ltd. was incorporated on December 18, 2015. The entity mainly engages in leasing and warehousing.

Hsin Hua Steel Industry Co., Ltd. was incorporated on July 25, 2019. The entity mainly engages in processing and manufacturing of metal structures, steel pipe and steel bridge.

Hsin Cheng Logistics Development Co., Ltd. was incorporated on August 19, 2019. The entity mainly engages in leasing and warehousing.

Mason Metal Industry Co., Ltd. was incorporated on July 20, 1990. The entity mainly engages in cutting and processing of automobile steel plate.

The consolidated financial statements are presented in the Group's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated 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 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 consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 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 Group 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 Group 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 Group 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 Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group 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 Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group'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 Group 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 Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group 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 Group'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 Group'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 Group 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 Group 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 Group 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 Group 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 Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group 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 Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group 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 Group 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 Group 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated 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.

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 consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group 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.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group’s construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. 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 Group'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 Group.

f. Foreign currencies

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

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

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

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

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

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

Non-monetary 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 consolidated financial statements, the functional currencies of foreign operations (including subsidiaries in other countries) and those 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

g. Inventories

Inventories consist of raw materials, finished goods and work in process 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.

h. Investment in associates and joint ventures

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

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

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

Any excess of the cost of acquisition over the Group’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 Group’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 Group 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 Group's proportionate interest in the associate and joint venture. The Group 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 Group'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 Group'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 Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group 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 is not allocated to any asset, including goodwill that 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 Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

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 methods are reviewed at the end of each reporting period, with the effects of any changes in the 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 also 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, right-of-use assets, investment properties and assets related to contract assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and assets related to contract assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group 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 Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, 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 Group 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 on 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 Group 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; 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 30.

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 Group 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 Group’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 and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), operating lease receivables as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, operating lease receivables and contract assets. For all other financial instruments, the Group 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 Group 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 Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

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 Group 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 reduction in their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group 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 Group 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 Group 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 situations, 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 is 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 30.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 products. Revenue from a contract to provide services is recognized when services are rendered.

3) Construction contract revenue

Customers control properties while the construction is in progress; thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

o. Leasing

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

1) The Group 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 from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group'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 Group 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 Group 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.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the investments in the associate or joint venture.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group'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 was NT$4,397,027 thousand and NT$3,419,232 thousand, respectively, which were the net amount after deducting the allowance for impairment loss of NT$47,227 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	$ 1,099	$ 996
Checking accounts and demand deposits	963,273	688,447
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	-	20,000
	$ 964,372	$ 709,443

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%-1.15%	0.001%-0.35 %

As of December 31, 2021 and 2020, pledged time deposits and restricted demand deposits were NT$81,197 thousand and NT$80,159 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

	December 31	
	2021	**2020**
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 2,053,203	$ 1,830,237
Mutual funds	56,770	125,600
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	11,922	-
Convertible options (Note 18)	-	455
	$ 2,121,895	$ 1,956,292
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 247,857	$ 28,772
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts (a)	$ -	$ 118,652

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

	Currency	**Maturity Date**	**Notional Amounts (In Thousands)**
December 31, 2021			
Buy	NTD/USD	2022.01-2023.01	NTD4,696,973/USD172,400
Sell	USD/NTD	2022.04	NTD58,837/USD2,121
December 31, 2020			
Buy	NTD/USD	2021.01-2021.11	NTD3,039,790/USD107,000
Sell	USD/NTD	2021.05	NTD60,378/USD2,121

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

b. Refer to Note 32 for information relating to financial assets at fair value through profit or loss pledged as security.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Non-current		
Investments in equity instruments	$ 3,159,429	$ 2,666,221

Investments in equity instruments at FVTOCI

	December 31	
	2021	2020
Non-current		
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
	2,721,811	2,329,008
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	354,578	251,772
Ordinary shares - Century International Co., Ltd.	83,040	85,441
	437,618	337,213
	$ 3,159,429	$ 2,666,221

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 Group's strategy of holding these investments for long-term purposes.

In 2021, the Group 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 Group applied the equity method to account for this investment. Refer to Note 13 for details.

Refer to Note 32 for information relating to financial assets at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
Current		
Domestic investments		
Pledged time deposits	$ 80,187	$ 79,849
Restricted demand deposits	1,010	310
	$ 81,197	$ 80,159

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 32 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2021	2020
Notes receivable		
Operating - unrelated parties	$ 2,079,643	$ 1,374,153
Operating - related parties	-	36,699
Less: Allowance for impairment loss	(1,778)	(1,778)
	$ 2,077,865	$ 1,409,074
Trade receivables		
At amortized cost - unrelated parties	$ 2,320,396	$ 1,994,529
At amortized cost - related parties	-	14,168
Less: Allowance for impairment loss	(6,255)	(1,539)
	$ 2,314,141	$ 2,007,158
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 44,215	$ 76,359
Less: Allowance for impairment loss	(39,194)	(73,359)
	$ 5,021	$ 3,000

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 Group 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 Group'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 Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables 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 Group'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 Group's different customer base.

The Group 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 Group 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 Group'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	0.18%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	$ 4,400,039	$ -	$ -	$ -	$ -	$ 4,400,039
Loss allowance (Lifetime ECL)	(8,033)	-	-	-	-	(8,033)
Amortized cost	$ 4,392,006	$ -	$ -	$ -	$ -	$ 4,392,006

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	0.05%	0.00%	30.58%	0.00%	0.00%	
Gross carrying amount	$ 3,414,364	$ -	$ 5,185	$ -	$ -	$ 3,419,549
Loss allowance (Lifetime ECL)	(1,576)	-	(1,741)	-	-	(3,317)
Amortized cost	$ 3,412,788	$ -	$ 3,444	$ -	$ -	$ 3,416,232

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	$ 3,317	$ 3,317
Add: Acquisition through business combinations	5,007	-
Less: Net remeasurement of loss allowance	(291)	-
Balance at December 31	$ 8,033	$ 3,317

Compared to January 1, 2021 and 2020, the increase in loss allowance of NT$4,716 thousand and NT$0 thousand at December 31, 2021 and 2020, respectively, resulted from the changes in the gross carrying amounts of notes receivables and trade receivables, which increased by NT$975,774 thousand and NT$959,170 thousand, respectively.

Refer to Note 32 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 as of December 31, 2021 and 2020, respectively, which are disclosed in the aging analysis below. The Group 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 Group holds collateral or other credit enhancements for these balances. In addition, the Group did not have the legal right to off-set the overdue receivables with trade payables from the same counterparty.

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

	December 31	
	2021	2020
Up to 90 days	$ -	$ -
90-365 days	2,021	-
Over 365 days	3,000	3,000
	$ 5,021	$ 3,000

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:

	For the Year Ended December 31	
	2021	2020
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	(21,267)	-
Balance at December 31	$ 39,194	$ 73,359

The Group recognized an impairment loss on overdue receivables amounting to NT$39,194 thousand and NT$73,359 thousand as of December 31, 2021 and 2020, respectively. These amounts mainly related to customers that the Group was pursuing legal claims. Impairment losses recognized is the difference between the carrying amount of overdue receivables and its recoverable amount. The Group held chattel pledged as collateral over these balances.

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	$ 684,713	$ 366,451
Raw materials	5,390,166	3,081,711
Work in process	75,358	32,854
Raw materials in transit	416,577	368,214
	$ 6,566,814	$ 3,849,230

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

	For the Year Ended December 31	
	2021	2020
Cost of inventories sold	$ 10,666,577	$ 8,909,927
Inventory write-downs (reversed)	840	(99,714)
	$ 10,667,417	$ 8,810,213

As of December 31, 2021 and 2020, the allowance for inventory write-downs were NT$9,157 thousand and NT$4,811 thousand, respectively.

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

12. SUBSIDIARIES

Investor	Investee	Nature of Business	Proportion of Ownership (%) December 31 2021	2020
Hsin Kuang Steel Corporation	Hsin Yuan Investment Co., Ltd.	Investment	100.00	100.00
Hsin Kuang Steel Corporation	Hsin Ho Fa Metal Co., Ltd.	Sale of metal products for architecture	83.37	83.37
Hsin Kuang Steel Corporation	Sinpao Investment Co., Ltd.	Investment	99.82	99.82
Hsin Kuang Steel Corporation	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	66.71	66.71
Hsin Kuang Steel Corporation	Hsin Ching International Co., Ltd.	Leasing and warehousing	60.00	60.00
Hsin Kuang Steel Corporation	Hsin Cheng Logistics Development Co., Ltd.	Leasing and warehousing	100.00	100.00
Hsin Kuang Steel Corporation	Mason Metal Industry Co., Ltd.	Cutting and processing of automobile steel plate	80.00	49.00
Hsin Yuan Investment Co., Ltd.	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	1.00	7.56
Hsin Yuan Investment Co., Ltd.	Hsin Hua Steel Industry Co., Ltd.	Process and manufacture of metal structures, architectural components and steel products	100.00	100.00
Hsin Ho Fa Metal Co., Ltd.	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	2.73	2.73
Sinpao Investment Co., Ltd.	Mason Metal Industry Co., Ltd.	Cutting and processing of automobile steel plate	1.00	1.00

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2021	2020
Investments in associates	$ 306,794	$ 61,134
Investments in joint ventures	-	517,124
	$ 306,794	$ 578,258

In order to strengthen the Group's plan on integrating the steel cutting and logistics services in the south of Taichung and to enhance the Group's supply services diversity, on December 15, 2021, the Group 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 Group's ownership increased from 50.00% to 81.00% 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 and bargain purchase gain of NT$136,024 thousand (refer to Note 27).

a. Investments in associates

	December 31	
	2021	2020
Material associate	$ 218,596	$ -
Associates that are not individually material	88,198	61,134
	$ 306,794	$ 61,134

1) Material associate

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

In 2021, the Group 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 Group's ownership after the acquisition was 20.00%.

Duo Yuan Solar Corporation

	December 31, 2021
Current assets	$ 110,470
Non-current assets	1,875,239
Current liabilities	(868,576)
Non-current liabilities	(15,757)
Equity	$ 1,101,376
Proportion of the Group's ownership	20%
Equity attributable to the Group	$ 220,275
Carrying amount	$ 220,275

	For the Year Ended December 31, 2021
Operating revenue	$ 2,473
Net profit (loss) for the year	$ (35,581)
Total comprehensive income (loss) for the year	$ (35,581)

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

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Net income	$ 6,440	$ 5,530
Total comprehensive income for the year	$ 6,440	$ 5,530

b. Investments in joint ventures

	December 31	
	2021	2020
Material joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 517,124

In order to promote upstream and downstream strategic alliance, strengthen sales and increase the added value of its products, the Group purchased 25,000 thousand ordinary shares of Mason Metal Industry Co., Ltd. on October 6, 2017 at a price of NT$11.4 per share resulting in a total of 50% of shareholder rights. The total purchase price was NT$288,647 thousand. Under the joint venture agreement, the Group can assign three out of six members of the board of directors of Mason Metal Industry Co., Ltd. Therefore, the Group has a significant influence, and joint control with the other company, over Mason Metal Industry Co., Ltd.

On December 15, 2021, the Group acquired additional equity interests of 31% and the proportion of the Group's ownership increased to 81.00%. The Group obtained control over Mason Metal Industry Co., Ltd. and listed it as a subsidiary. Refer to Note 12.

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

Mason Metal Industry Co., Ltd.

	December 31, 2020
Cash and cash equivalents	$ 89,574
Current assets	$ 1,011,641
Non-current assets	310,618
Current liabilities	(475,441)
Non-current liabilities	(163,537)
Equity	$ 683,281
Proportion of the Group's ownership	50%
Equity attributable to the Group	$ 341,640
Provisions	3,570
Gain from bargain purchase	211,110
Other adjustments	(39,196)
Carrying amount	$ 517,124

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

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Assets used by the Group	$ 3,821,909	$ 5,294,370

Assets Used by the Group

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Leased Assets	Property under Construction and Equipment Awaiting Inspection	Total
Cost								
Balance at January 1, 2021	$ 2,557,336	$ 1,175,182	$ 1,104,892	$ 155,792	$ 45,424	$ 32,160	$ 1,164,789	$ 6,235,575
Acquisitions through business combinations	681,460	135,440	315,916	44,835	9,146	3,479	-	1,190,276
Additions	78	1,235	9,685	9,929	4,218	1,023	609,533	635,701
Disposals	-	(5,958)	(29,491)	(8,069)	-	-	-	(43,518)
Reclassified	(1,227,303)	(40,289)	29,863	24,068	8,041	9,548	(1,570,116)	(2,766,188)
Balance at December 31, 2021	$ 2,011,571	$ 1,265,610	$ 1,430,865	$ 226,555	$ 66,829	$ 46,210	$ 204,206	$ 5,251,846
Accumulated depreciation and impairment								
Balance at January 1, 2021	$ -	$ 300,782	$ 514,055	$ 107,453	$ 13,331	$ 5,584	$ -	$ 941,205
Acquisitions through business combinations	-	97,153	272,194	36,852	5,873	2,776	-	414,848
Depreciation expense	-	31,109	77,906	13,088	6,188	4,279	-	132,570
Disposals	-	(4,346)	(26,270)	(4,149)	-	-	-	(34,765)
Reclassified	-	(15,733)	(7,961)	-	(227)	-	-	(23,921)
Balance at December 31, 2021	$ -	$ 408,965	$ 829,924	$ 153,244	$ 25,165	$ 12,639	$ -	$ 1,429,937
Carrying amount at December 31, 2021	$ 2,011,571	$ 856,645	$ 600,941	$ 73,311	$ 41,664	$ 33,571	$ 204,206	$ 3,821,909
Cost								
Balance at January 1, 2020	$ 2,513,928	$ 1,112,588	$ 849,583	$ 145,463	$ 24,889	$ 22,316	$ 39,424	$ 4,708,191
Additions	114	15,324	272,805	17,667	16,268	9,844	1,220,196	1,552,218
Disposals	-	-	(17,496)	(7,338)	-	-	-	(24,834)
Reclassified	43,294	47,270	-	-	4,267	-	(94,831)	-
Balance at December 31, 2020	$ 2,557,336	$ 1,175,182	$ 1,104,892	$ 155,792	$ 45,424	$ 32,160	$ 1,164,789	$ 6,235,575
Accumulated depreciation and impairment								
Balance at January 1, 2020	$ -	$ 270,446	$ 436,359	$ 103,517	$ 9,030	$ 1,240	$ -	$ 820,592
Depreciation expense	-	30,336	89,638	10,204	4,301	4,344	-	138,823
Disposals	-	-	(11,942)	(6,268)	-	-	-	(18,210)
Balance at December 31, 2020	$ -	$ 300,782	$ 514,055	$ 107,453	$ 13,331	$ 5,584	$ -	$ 941,205
Carrying amount at December 31, 2020	$ 2,557,336	$ 874,400	$ 590,837	$ 48,339	$ 32,093	$ 26,576	$ 1,164,789	$ 5,294,370

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 the 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 Group 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 Group held the land through the signing of the real estate trust agreement with an individual. As a preservation measure, the Group 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 Group.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 32.

15. INVESTMENT PROPERTIES

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Leasehold Improvements	Total
Cost				
Balance at January 1, 2021	$ 372,083	$ 605,628	$ 47,979	$ 1,025,690
Additions	864	1,425	-	2,289
Disposals	-	-	-	-
Reclassified	1,239,207	1,609,181	-	2,848,388
Balance at December 31, 2021	$ 1,612,154	$ 2,216,234	$ 47,979	$ 3,876,367
Accumulated depreciation and impairment				
Balance at January 1, 2021	$ -	$ 45,085	$ 17,015	$ 62,100
Depreciation expense	-	17,059	7,085	24,144
Disposals	-	-	-	-
Reclassified	-	23,921	-	23,921
Balance at December 31, 2021	$ -	$ 86,065	$ 24,100	$ 110,165
Carrying amount at December 31, 2021	$ 1,612,154	$ 2,130,169	$ 23,879	$ 3,766,202
Cost				
Balance at January 1, 2020	$ 372,083	$ 607,655	$ 47,402	$ 1,027,140
Additions	-	-	577	577
Disposals	-	(2,027)	-	(2,027)
Balance at December 31, 2020	$ 372,083	$ 605,628	$ 47,979	$ 1,025,690

(Continued)

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Leasehold Improvements	Total
Accumulated depreciation and impairment				
Balance at January 1, 2020	$ -	$ 32,530	$ 9,951	$ 42,481
Depreciation expense	-	13,292	7,064	20,356
Disposals	-	(737)	-	(737)
Balance at December 31, 2020	$ -	$ 45,085	$ 17,015	$ 62,100
Carrying amount at December 31, 2020	$ 372,083	$ 560,543	$ 30,964	$ 963,590

(Concluded)

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

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2021 and 2020 was as follows:

	December 31	
	2021	2020
Year 1	$ 314,746	$ 102,103
Year 2	293,736	84,117
Year 3	279,062	64,927
Year 4	265,280	47,496
Year 5	247,179	32,059
Year 6 onwards	928,663	81,590
	$ 2,328,666	$ 412,292

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.

	December 31	
	2021	2020
Fair value	$ 7,466,464	$ 1,897,104

The investment properties pledged as collateral for bank borrowings are set out in Note 32.

16. OTHER ASSETS

	December 31	
	2021	2020
Current		
Other receivables	$ 17,789	$ 3,013
Tax refund receivable	20,906	20,906
Temporary payments	6,010	5,246
	$ 44,705	$ 29,165
Non-current		
Refundable deposits	$ 13,856	$ 35,326
Prepayments for equipment	54,414	27,645
Overdue receivables	5,021	3,000
Others	8,583	10,463
	$ 81,874	$ 76,434

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Secured borrowings (Notes 30 and 32)		
Bank loans	$ 300,000	$ 199,000
Issuance credit payable	918,470	808,268
	1,218,470	1,007,268
Unsecured borrowings		
Line of credit borrowings (Note 30)	7,150	930,000
Issuance credit payable	5,230,887	3,504,552
	5,238,037	4,434,552
	$ 6,456,507	$ 5,441,820

The range of weighted average effective interest rates on bank loans was 0.58%-1.45% and 0.77%-1.69% per annum as of December 31, 2021 and 2020, respectively.

b. Short-term bills payable

	December 31 2021	December 31 2020
Commercial paper (Note 30)	$ 300,000	$ 180,000
Less: Unamortized discount on bills payable	(186)	(121)
	$ 299,814	$ 179,879

Outstanding short-term bills payable were as follows:

December 31, 2021

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

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
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	30,000	32	29,968	1.09%	Check	28,857
	$ 180,000	$ 121	$ 179,879			

c. Long-term borrowings

	December 31	
	2021	2020
Secured borrowings (Notes 30 and 32)		
Syndicated bank loans - Yushan Bank (1)	$ 2,000,000	$ 1,700,000
Bank loans - Chang Hwa Bank Sanchungpu Branch (2)	250,000	250,000
Bank loans - Banking Division of Mega Bank (3)	107,894	118,421
Bank loans - Land Bank of Taiwan (4)	86,000	-
Bank loans - Chang Hwa Bank (5)	172,312	-
Bank loans - Mega International Commercial Bank (6)	80,000	-
	2,696,206	2,068,421
Less: Current portions	(300,943)	(10,526)
Syndicated loan fees	(5,409)	(8,114)
	(306,352)	(18,640)
Long-term borrowings	$ 2,389,854	$ 2,049,781

1) On December 13, 2018, the Group signed a joint credit line contract with Yushan Bank, and such syndicated loan was collateralized by the Group's freehold land and plant (refer to Note 32). 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 Group. 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 Group shall remedy within nine months after the end of the fiscal year in order not to be considered as a breach of the agreement. The weighted average effective interest rates was both 1.79% per annum as of December 31, 2021 and 2020.

2) In April 2019, the Group acquired NT$250,000 thousand of bank loans from Chang Hwa Bank Sanchungpu Branch, secured by the Group's freehold land (refer to Note 32), which mature in April 2034. The grace period is 3 years, during which interest shall be paid by 26th of each month. Starting from April 26, 2022, the repayment of principal is divided into 48 equal installments of every 3 months, and each repayment principal as well as interest calculated on the outstanding balance shall be paid by 26th of each month. The weighted average effective interest rates were 1.31% and 1.11%-1.36% per annum as of December 31, 2021 and 2020, respectively.

3) In January 2017, the Group acquired NT$150,000 thousand of syndicated bank loans from the Banking Division of Mega Bank, secured by the Group's freehold land (refer to Note 32), which will 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 were both 1.44% per annum as of December 31, 2021 and 2020.

4) In September 2021, the Group acquired NT$86,000 thousand of bank loans from the Land Bank of Taiwan, secured by machinery and equipment provided by the Group (refer to Note 32), which will mature in September 2024. Starting from the borrowing date, interest will be paid once a month, and the principal should be repaid on the maturity date or when the midterm loan for land purchase (collateralized) is acquired. The weighted average effective interest rate was 1.4% per annum as of December 31, 2021.

5) In September 2021, the Group acquired NT$200,000 thousand of unsecured bank loans from Chang Hwa Bank which will mature in June 2024. Starting from the borrowing date, interest will be paid once a month, and the principal will be repaid on the maturity date. The loan is a one-time non-revolving loan. The weighted average effective interest rate was 1.55% per annum as of December 31, 2021.

6) In November 2017, the Group acquired NT$80,000 thousand of bank loans from Mega International Commercial Bank, secured by the Group's freehold land and buildings (refer to Note 32), which will mature in November 2022. Starting from the borrowing date, interest will be paid once a month, and the principal will be paid in installments. The weighted average effective interest rate was 1.44% per annum as of December 31, 2021.

d. Long-term bills payable

	December 31	
	2021	**2020**
Commercial paper issued under syndicated bank loans - Yushan Bank	$ 2,400,000	$ 2,400,000
Less: Unamortized discount	(1,245)	(1,063)
	$ 2,398,755	$ 2,398,937

The Group 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.

18. UNSECURED DOMESTIC CONVERTIBLE BONDS

On November 9, 2017, the Group issued 6 thousand units of 0% NT-denominated unsecured convertible bonds with a 5-year period in Taiwan, for an aggregate principal amount of NT$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 Group at a conversion price of NT$36. If the Group 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 Group 30 days before the expiry of 3 years and 4 years from issuance to request the Group 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 Group 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:

	Host Liability Instruments
Proceeds from issuance	$ 601,200
Equity component	(54,892)
Conversion option derivative instrument	(15,551)
The host liability instrument on the issue date	530,757
Interest charged at the effective interest rate	32,609
Corporate bonds payable converted into ordinary shares	(174,811)
The host liability instrument at end of the year	388,555
Less: Current portions	(388,555)
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)
Redeemed convertible bonds	(100)
The host liability instrument at end of the year	-
Less: Current portions	-
Balance at December 31, 2021	$ -

Movements of the conversion option derivative instrument were as follows:

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

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31 2021	December 31 2020
Notes payable		
Operating - unrelated parties	$ 605,105	$ 391,119
Operating - related parties	$ -	$ 505
Trade payables		
Operating - unrelated parties	$ 178,167	$ 155,018
Operating - related parties	$ -	$ 62

20. OTHER PAYABLES

	December 31 2021	December 31 2020
Payables for salaries and bonuses	$ 253,807	$ 126,085
Interest payable	7,111	10,505
Other accrued expenses	75,861	41,103
Other payables	225,814	97,098
	$ 562,593	$ 274,791

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Among the Group, the Company, Hsin Yuan Investment Co., Ltd., Hsin Ho Fa Metal Co., Ltd., APEX Wind Power Equipment Manufacturing Company Limited, Hsin Ching International Co., Ltd., Mason Metal Industry Co., Ltd. and Hsin Hua Steel Industry Co., Ltd. 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 plan

The defined benefit plans adopted by the Company and Mason Metal Industry Co., Ltd. within the Group 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 Group 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	$ 108,437	$ 53,263
Fair value of plan assets	(63,379)	(27,568)
Net defined benefit liabilities	$ 45,058	$ 25,695

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	$ 54,757	$ (27,709)	$ 27,048
Service cost			
Current service cost	227	-	227
Net interest expense (income)	342	(179)	163
Recognized in profit or loss	569	(179)	390
Remeasurement			
Return on plan assets (excluding amounts 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	(2)	-	(2)
Recognized in other comprehensive income	1,211	(942)	269
Contributions from the employer	-	(2,012)	(2,012)
Benefits paid	(3,274)	3,274	-
Balance at December 31, 2020	53,263	(27,568)	25,695
Acquisitions through business combinations	54,932	(38,071)	16,861
Service cost			
Current service cost	247	-	247
Net interest expense (income)	374	(258)	116
Recognized in profit or loss	621	(258)	363
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(34)	(380)	(414)
Actuarial (gain) loss			
Changes in demographic assumptions	2,254	-	2,254
Changes in financial assumptions	(492)	-	(492)
Experience adjustments	3,154	-	3,154
Recognized in other comprehensive income	4,882	(380)	4,502
Contributions from the employer	-	(2,363)	(2,363)
Benefits paid	(5,261)	5,261	-
Balance at December 31, 2021	$ 108,437	$ (63,379)	$ 45,058

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

	For the Year Ended December 31	
	2021	2020
Operating costs	$ 38	$ 85
Selling and marketing expenses	$ 237	$ 247
General and administrative expenses	$ 88	$ 58

Through the defined benefit plan under the Labor Standards Act, the Group 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 plan's debt investments.

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

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

	December 31	
	2021	2020
Discount rates	0.50%	0.38%
Expected rates of salary increase	1.50%-2.00%	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:

	December 31	
	2021	2020
Discount rates		
0.25% increase	$ (2,200)	$ (1,047)
0.25% decrease	$ 2,272	$ 1,083
Expected rates of salary increase		
0.25% increase	$ 2,205	$ 1,053
0.25% decrease	$ (2,147)	$ (1,023)

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

	December 31	
	2021	**2020**
Expected contributions to the plans for the next year	$ 3,465	$ 2,078
The average duration of the defined benefit obligation	7.6-8.6 years	7.9 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	**2020**
Number of shares authorized (in thousands)	360,000	360,000
Shares authorized	$ 3,600,000	$ 3,600,000
Number of shares issued and fully paid (in thousands)	321,146	308,223
Shares issued	$ 3,211,463	$ 3,082,226

The shares 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

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

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 24-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 resolution 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:

	Appropriation of Earnings For the Year Ended December 31	
	2020	**2019**
Legal reserve	$ 82,418	$ 10,497
Special reserve	$ (108,259)	$ 64,692
Cash dividends	$ 462,386	$ 248,550
Cash dividends distributed from capital surplus	$ 154,129	$ -
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 was proposed by the Company's board of directors on March 16, 2022. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2021	Dividends Per Share (NT$)
Legal reserve	$ 277,792	$ -
Cash dividends	$ 1,284,585	$ 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 reserve

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

e. Others equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	$ (5,701)	$ (370)
Exchange differences on translating the financial statements of foreign operations	(2,879)	(5,331)
Balance at December 31	$ (8,580)	$ (5,701)

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

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

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	$ 429,976	$ 526,706
Attributable to non-controlling interests:		
Share of profit (loss) for the year	50,565	16,620
Exchange difference on translation of the financial statements of foreign operations	8	(13)
Dividends distributed by subsidiaries	(13,724)	(5,371)
Changes in percentage of ownership interests in subsidiaries	-	18,459
Changes of non-controlling interests	249,644	(126,425)
Balance at December 31	$ 716,469	$ 429,976

23. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sales of goods	$ 13,478,570	$ 9,527,287
Revenue from processing	299,677	189,758
Rental income	171,572	90,973
Construction contract revenue	153,223	44,293
	$ 14,103,042	$ 9,852,311

a. Contract balances

	December 31	
	2021	2020
Trade receivables (Note 10)	$ 2,314,141	$ 2,007,158
Contract asset - current		
Construction of properties	$ 15,852	$ -
Contract asset - non-current		
Construction of properties	$ -	$ 2,762
Contract liabilities - current		
Sales of goods	$ 418,477	$ 210,970
Construction of properties	990	1,708
	$ 419,467	$ 212,678

b. Refer to Note 36 for details of revenue.

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2021	2020
Dividend income		
Financial assets at FVTPL	$ 56,277	$ 32,513
Financial assets at FVTOCI	44,497	25,759
Others	26,326	11,219
	$ 127,100	$ 69,491

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Gain on remeasurement of investments accounted for using the equity method	$ 36,000	$ -
Net loss on disposal of property, plant and equipment	(1,673)	(4,384)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	412,753	406,646
Net foreign exchange gains	28,364	90,462
	$ 475,444	$ 492,724

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	$ 133,297	$ 136,940
Interest on bonds payable	5,236	9,598
Less: Amounts included in the cost of qualifying assets	(26,353)	(19,624)
	$ 112,180	$ 126,914

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	$ 26,353	$ 19,624
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	$ 132,570	$ 138,823
Investment properties	24,144	20,356
Right-of-use assets	163	-
Long-term prepayments	5,987	5,305
	$ 162,864	$ 164,484
An analysis of depreciation by function		
Operating costs	$ 140,192	$ 145,415
Operating expenses	16,685	13,764
	$ 156,877	$ 159,179
An analysis of amortization by function		
Operating costs	$ 2,906	$ 2,822
Operating expenses	3,081	2,483
	$ 5,987	$ 5,305

e Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Direct operating expenses of investment properties generating rental income	$ 48,251	$ 39,219

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	$ 518,632	$ 316,649
Post-employment benefits (Note 21)		
Defined contribution plans	8,650	7,331
Defined benefit plans	363	390
	$ 527,645	$ 324,370
An analysis of employee benefits expense by function		
Operating costs	$ 198,145	$ 142,636
Operating expenses	329,500	181,734
	$ 527,645	$ 324,370

g. Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors and supervisors at the 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

	For the Year Ended December 31	
	2021	**2020**
Compensation of employees	3%	3%
Remuneration of directors and supervisors	2%	3%

Amount

	For the Year Ended December 31	
	2021	**2020**
	Cash	**Cash**
Compensation of employees	$ 102,392	$ 28,405
Remuneration of directors and supervisors	$ 68,261	$ 28,405

If there is a change in the amounts after the consolidated 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 consolidated 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 the year ended December 31, 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2021	**2020**
Foreign exchange gains	$ 162,883	$ 156,696
Foreign exchange losses	(134,519)	(66,234)
	$ 28,364	$ 90,462

25. INCOME TAXES

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	$ 514,546	$ 87,809
Income tax on unappropriated earnings	20,052	-
Adjustments for prior years	3,943	(8,927)
	538,541	78,882
Deferred tax		
In respect of the current year	(1,011)	(11,592)
Income tax expense recognized in profit or loss	$ 537,530	$ 67,290

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

	For the Year Ended December 31	
	2021	2020
Profit before income tax	$ 3,308,368	$ 913,023
Income tax expense calculated at the statutory rate	$ 726,040	$ 223,235
Non-deductible expenses and non-taxable income	(161,664)	(134,468)
Tax-exempt income	(20,100)	(11,603)
Income tax on unappropriated earnings	20,052	-
Additional income tax under the Alternative Minimum Tax Act	4,987	-
Unrecognized loss carryforwards and investment credits	(21,090)	1,025
Loss carryforwards used	-	(1,688)
Unrecognized deductible temporary differences	(15,147)	(371)
Effects of different tax rates of the Group entities operating in other jurisdictions	509	373
Adjustments for prior years' tax	3,943	(8,927)
Others	-	(286)
Income tax expense recognized in profit or loss	$ 537,530	$ 67,290

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (720)	$ (1,333)
Remeasurement on defined benefit plans	(900)	(56)
Total income tax recognized in other comprehensive income	$ (1,620)	$ (1,389)

c. Current tax assets and liabilities

	December 31 2021	December 31 2020
Current tax assets		
Tax refund receivable	$ 20,906	$ 20,906
Current tax liabilities		
Income tax payable	$ 503,115	$ 84,877

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

	Opening Balance	Acquisitions through Business Combinations	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
Reversal of write-downs of inventories	$ -	$ 701	$ 163	$ -	$ 864
FVTPL financial assets	23,732	-	(23,732)	-	-
Losses on foreign currency exchange	-	-	3	-	3
Unrealized gross profit	19,835	-	3,881	-	23,716
Defined benefit obligation	3,986	3,419	(452)	900	7,853
Allowance for impairment loss on receivables	7,932	-	(7,932)	-	-
Unrealized sales discounts	-	878	-	-	878
Exchange differences on translation of the financial statements of foreign operations	1,426	-	-	720	2,146
Differences between carrying amount and fair value of assets	-	5,720	-	-	5,720
Loss carryforwards	7,654	-	16,641	-	24,295
	$ 64,565	$ 10,718	$ (11,428)	$ 1,620	$ 65,475
Deferred tax liabilities					
Temporary differences					
FVTPL financial assets	$ -	$ -	$ 2,385	$ -	$ 2,385
Convertible bonds	2,076	-	(2,076)	-	-
Gains or losses on foreign currency exchange	14,304	-	(12,748)	-	1,556
Differences between carrying amount and fair value of assets	-	108,653	-	-	108,653
	$ 16,380	$ 108,653	$ (12,439)	$ -	$ 112,594

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Reversal of write-downs of inventories	$ 19,832	$ (19,832)	$ -	$ -
FVTPL financial assets	6,844	16,888	-	23,732
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	93	-	1,333	1,426
Loss carryforwards	5,813	1,841	-	7,654
	$ 47,405	$ 15,771	$ 1,389	$ 64,565
Deferred tax liabilities				
Temporary differences				
Convertible bonds	$ 616	$ 1,460	$ -	$ 2,076
Gains or losses on foreign currency exchange	11,585	2,719	-	14,304
	$ 12,201	$ 4,179	$ -	$ 16,380

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

	December 31	
	2021	2020
Loss carryforwards		
Expire in 2020	$ -	$ -
Expire in 2021	-	24,367
Expire in 2022	-	12,896
Expire in 2024	-	30,498
Expire in 2025	-	19,776
Expire in 2026	-	4,568
Expire in 2027	-	5,921
Expire in 2028	-	1,764
Expire in 2029	-	37,554
Expire in 2030	-	5,123
	$ -	$ 142,467

(Continued)

	December 31	
	2021	2020
Investment tax credits		
Machinery and equipment	$ -	$ 210,596
Deductible temporary differences		
Unrealized profit or loss of foreign subsidiaries using equity method	$ (2,698)	$ (161)
Impairment of financial assets measured at FVTOCI	137,439	137,439
Write-downs of inventories	-	4,810
Net loss on foreign currency exchange	-	94
	$ 134,741	$ 142,182

(Concluded)

f. Income tax assessments

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

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share		
From continuing operations	$ 8.62	$ 2.69
Diluted earnings per share		
From continuing operations	$ 8.57	$ 2.60

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

Net profit for the year

	For the Year Ended December 31	
	2021	2020
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)	-	7,678
Earnings used in the computation of diluted earnings per share	$ 2,720,273	$ 836,791

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used 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	1,759	720
Weighted average number of ordinary shares used in the computation of diluted earnings per share	317,433	321,921

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group 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.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Business	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Mason Metal Industry Co., Ltd.	Cutting and processing of automobile steel plate	October 6, 2017	50	$ 288,647
		December 15,2021	31	204,414
				$ 493,061

In order to strengthen the Group’s plan on integrating the steel cutting logistics services in the south of Taichung and to enhance the Group’s supply services diversity, in December 2021, the Group purchased 15,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. for NT$204,414 thousand. The acquisition resulted in the increase of the proportion of the Group’s ownership to 81.00%, and the Group obtained control of Mason Metal Industry Co., Ltd.

b. Consideration transferred

	Mason Metal Industry Co., Ltd.
Cash	$ 204,414

Acquisition-related costs amounting to NT$1,170 thousand were excluded from the consideration transferred and were recognized as expenses in the periods incurred under other expenses in the consolidated statements of comprehensive income.

c. Assets acquired and liabilities assumed at the date of acquisition

	Mason Metal Industry Co., Ltd.
Current assets	
Cash and cash equivalents	$ 74,586
Trade and other receivables	490,305
Inventories	635,798
Other current assets	18,771
Non-current assets	
Property, plant and equipment	775,429
Prepayments for equipment	829
Deferred tax assets	10,719
Deferred expenses	376
Refundable deposits	2,868
Total assets	$ 2,009,681
Current liabilities	
Short-term borrowings	$ 179,091
Trade and other payables	528,695
Income tax payable	12,600
Other current liabilities	7,412
Non-current liabilities	
Long-term borrowings	58,182
Pension liabilities	16,861
Deferred tax liabilities	108,653
Total liabilities	$ 911,494
Fair value of identifiable net assets acquired	$ 1,098,187

d. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

e. Gain from bargain purchase recognized on acquisitions

	Mason Metal Industry Co., Ltd.
Consideration transferred	$ 204,414
Plus: Fair value of equity previously owned by the Group at the acquisition date	549,093
Plus: Non-controlling interests	208,656
Less: Fair value of identifiable net assets acquired	(1,098,187)
Gain from bargain purchase recognized on acquisitions	$ (136,024)

The gain from bargain purchase recognized on the acquisition of Mason Metal Industry Co., Ltd. is the difference between the amount of consideration transferred and the fair value of identifiable net assets acquired, and is recognized in profit or loss in the current year.

f. Net cash outflow on the acquisition of subsidiaries

	Mason Metal Industry Co., Ltd.
Consideration paid in cash	$ 204,414
Less: Cash and cash equivalent balances acquired	(74,586)
	$ 129,828

g. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

	Mason Metal Industry Co., Ltd.
Revenue	$ 155,184
Profit	$ 3,748

Had the Group concluded the acquisition on January 1, 2021, the Group's revenue and profit would have been NT$15,771,717 thousand and NT$2,715,934 thousand, respectively, for the year ended December 31, 2021. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, 2021, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Mason Metal Industry Co., Ltd. been acquired at the beginning of the financial year, the management considered the fair values of property, plant and equipment and intangible assets, rather than their carrying amounts recognized in the respective pre-acquisition financial statements at the initial accounting for the business combination, were used as the basis for the depreciation of property, plant and equipment.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the years ended December 31, 2020 and 2021, the Group's proportion of ownership increased from 59.59% to 77.00% and decreased from 77.00% to 70.44%, respectively.

The above transactions were accounted for as equity transactions, since there was no impact on the Group's control over the subsidiary.

29. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, capital surplus, retained earnings, other equity and non-controlling interests).

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

The key management personnel of the Group review the Group's 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 Group 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.

30. 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

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 81,197	$ 81,197
Notes receivable (including related parties)	2,077,865	2,077,865
Trade receivables (including related parties)	2,314,141	2,314,141
Overdue receivables	5,021	5,021
Cash and cash equivalents	964,372	964,372
Refundable deposits	25,729	25,729

(Continued)

Financial liabilities	Carrying Amount	Fair Value
Financial liabilities measured at amortized cost:		
Bank borrowings	$ 9,147,304	$ 9,147,304
Short-term bills payable	299,814	299,814
Notes payable, trade payables and other payables (including related parties)	1,345,865	1,345,865
Long-term bills payable	2,398,755	2,398,755

(Concluded)

December 31, 2020

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 80,159	$ 80,159
Notes receivable (including related parties)	1,409,074	1,409,074
Trade receivables (including related parties)	2,007,158	2,007,158
Overdue receivables	3,000	3,000
Cash and cash equivalents	709,443	709,443
Refundable deposits	35,326	35,326
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	7,502,127	7,502,127
Short-term bills payable	179,879	179,879
Notes payable, trade payables and other payables (including related parties)	821,493	821,493
Convertible bonds	388,555	388,555
Long-term bills payable	2,398,937	2,398,937

The methods and assumptions used by the Group 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 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 Group. The Group 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

Financial assets at FVTPL	Level 1	Level 2	Level 3	Total
Domestic listed shares and emerging market shares	$ 2,053,203	$ -	$ -	$ 2,053,203
Domestic unlisted shares	-	-	247,857	247,857
Mutual funds	56,770	-	-	56,770
Derivative instruments	-	11,922	-	11,922
	$ 2,109,973	$ 11,922	$ 247,857	$ 2,369,752
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	-	-	437,618	437,618
	$ 2,689,255	$ -	$ 470,174	$ 3,159,429

December 31, 2020

Financial assets at FVTPL	Level 1	Level 2	Level 3	Total
Domestic listed shares and emerging market shares	$ 1,830,237	$ -	$ -	$ 1,830,237
Domestic unlisted shares	-	-	28,772	28,772
Mutual funds	125,600	-	-	125,600
Derivative instruments	-	455	-	455
	$ 1,955,837	$ 455	$ 28,772	$ 1,985,064
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	-	-	337,213	337,213
	$ 2,245,096	$ -	$ 421,125	$ 2,666,221
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 118,652	$ -	$ 118,652

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

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

For the year ended December 31, 2021

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 28,772	$ 421,125	$ 449,897
Recognized in profit or loss (included in gain (loss) on financial assets at FVTOCI)	43,157	-	43,157
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	102,806	102,806
Recognized in other comprehensive income (exchange differences on translation of the financial statements of foreign operations)	-	(2,400)	(2,400)
Purchases	175,928	-	175,928
Sales	-	(1,357)	(1,357)
Transfers out of Level 3	-	(50,000)	(50,000)
Balance at December 31	$ 247,857	$ 470,174	$ 718,031

For the year ended December 31, 2020

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ -	$ 551,366	$ 551,366
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
Recognized in other comprehensive income (exchange differences on translation of the financial statements of foreign operations)	-	(4,499)	(4,499)
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	$ 28,772	$ 421,125	$ 449,897

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

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

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

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

c. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 2,369,752	$ 1,956,292
Financial assets at amortized cost (1)	5,468,325	4,244,160
Financial assets at FVTOCI		
Equity instruments	3,159,429	2,666,221
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	-	118,652
Financial liabilities at amortized cost (2)	13,191,738	11,290,991

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 Group'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 Group'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 Group 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 Group 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 Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed them 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 Group entered into a variety of derivative financial instruments to manage their 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 Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 34.

<u>Sensitivity analysis</u>

The Group was mainly exposed to USD, RMB, and EUR.

The following table details the Group'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.

	USD Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	$ 30,145 (i)	$ 26,483 (i)

	RMB Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	$ (277) (ii)	$ 295 (ii)

	EUR Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	$ (100) (iii)	$ 774 (iii)

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

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

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

The Group'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 Group was exposed to interest rate risk because entities of the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group 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 Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	**2020**
Cash flow interest rate risk		
Financial assets	$ 559,924	$ 468,329
Financial liabilities	11,845,873	10,080,943

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 Group's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease/increase by NT$101,877 thousand and NT$87,871 thousand, respectively, which was mainly a result of the changes in the variable interest rate bank deposits and loans.

c) Other price risk

The Group was exposed to equity price risk through their investments in listed equity securities. The Group have 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$23,663 thousand and NT$19,831 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTPL and held-for-trading investments, respectively, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by NT$31,441 thousand and NT$28,815 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

The Group'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 Group. At the end of the year, the Group's maximum exposure to credit risk, which may cause a financial loss to the Group 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 Group have 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 Group review 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 Group's credit risk was significantly reduced.

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

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The concentration of credit risk to any other counterparty did not exceed 10% of the gross monetary assets of the Group at any time during 2021 and 2020.

The Group's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 98% and 97% 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 Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 Group had available unutilized short-term bank loan facilities of NT$2,923,800 thousand and NT$2,044,370 thousand, respectively.

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

The following table details the Group'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 Group 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

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 574,942	$ 287,388	$ 479,923	$ 30,077	$ 5,085
Variable interest rate liabilities	1,539,239	3,490,076	4,426,704	2,141,645	248,209
	$ 2,114,181	$ 3,777,464	$ 4,906,627	$ 2,171,722	$ 253,294

December 31, 2020

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 242,257	$ 278,709	$ 266,067	$ 63,954	$ 5,085
Variable interest rate liabilities	1,635,582	3,663,417	2,732,163	1,778,125	271,656
	$ 1,877,839	$ 3,942,126	$ 2,998,230	$ 1,842,079	$ 276,741

The following table details the Group'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 Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 2,554,371	$ 1,979,023	$ 298,136	$ 89,491	$ 3,000
Variable interest rate assets	482,774	61,185	15,965	-	-
	$ 3,037,145	$ 2,040,208	$ 314,101	$ 89,491	$ 3,000

December 31, 2020

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 2,018,414	$ 1,493,101	$ 244,116	$ 22,845	$ 3,034
Variable interest rate assets	407,625	56,161	4,543	-	-
	$ 2,426,039	$ 1,549,262	$ 248,659	$ 22,845	$ 3,034

b) Financing facilities

	December 31	
	2021	2020
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 13,335,943	$ 11,397,942
Amount unused	5,321,197	5,291,998
	$ 18,657,140	$ 16,689,940

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationship with the Company:

Related Party	Relationship with the Company
APEX Wind Power Equipment Manufacturing Company, Ltd.	Subsidiary
Mason Metal Industry Co., Ltd.	Joint venture (became a subsidiary on December 15, 2021 due to increase in shareholding and included in the consolidated financial statements)
Hsin Kuang Steel Tian-Cheng Charity Foundation	The Foundation's Chairman is the representative of a corporate director of the Company

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31 2021	2020
Sale of goods		
Joint ventures		
Mason Metal Industry Co., Ltd.	$ 154,368	$ 111,773
Rental revenue		
Joint ventures		
Mason Metal Industry Co., Ltd.	$ 2,645	$ -

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2021	2020
Joint ventures		
Mason Metal Industry Co., Ltd.	$ 29,515	$ 1,607

The Group'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
Joint ventures		
Mason Metal Industry Co., Ltd.	$ 3,311	$ 5,265

e. Other revenue

Related Party Category/Name	For the Year Ended December 31 2021	2020
Joint ventures		
Mason Metal Industry Co., Ltd.	$ 1,200	$ 1,200

f. Receivables from related parties

Related Party Category/Name	December 31 2021	2020
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 50,867

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.

g. Payables to related parties

Related Party Category/Name	December 31 2021	2020
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 598

h. Endorsements and guarantees

Related Party Category/Name	December 31 2021	2020
Subsidiary		
APEX Wind Power Equipment Manufacturing Company., Ltd.		
Amount endorsed	$ 150,000	$ 150,000
Amount due	(150,000)	-
	$ -	$ 150,000

i 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	$ 4,000	$ 2,000

j 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	$ 146,892	$ 70,524

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, collateral for construction contracts and lease guarantee deposits:

	December 31 2021	2020
Notes receivable	$ 338,261	$ 220,696
Financial assets at FVTPL - current	-	51,800
Restricted demand deposits (classified as financial assets at amortized cost)	1,010	310
Pledged time deposits (classified as financial assets at amortized cost)	80,187	79,849
Investments in equity instruments at FVTOCI	-	235,125
Freehold land	1,262,754	1,086,863
Buildings, net	566,269	605,179
Investment properties - land	362,359	350,861
Investment properties - buildings	2,034,917	538,245
Machinery and equipment	145,304	-
	$ 4,791,061	$ 3,168,928

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group 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:

	December 31	
	2021	**2020**
NTD	$ 426,416	$ 490,051
USD	23,364	25,535
JPY	-	24,300

b. Unrecognized commitments were as follows:

	December 31	
	2021	**2020**
Acquisition of property, plant and equipment	$ 538,783	$ 361,071

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 3,076	27.67 (USD:NTD)	$ 85,102
EUR	322	31.50 (EUR:NTD)	10,142
RMB	6,284	4.34 (RMB:NTD)	27,300
JPY	1,890	0.24 (JPY:NTD)	455
			$ 122,999
Financial liabilities			
Monetary items			
USD	111,477	27.67 (USD:NTD)	$ 3,085,704

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,402	28.48 (USD:NTD)	$ 68,457
EUR	110	35.02 (EUR:NTD)	3,852
RMB	6,284	4.377 (RMB:NTD)	27,504
JPY	1,543	0.276 (JPY:NTD)	426
			$ 100,239
Financial liabilities			
Monetary items			
USD	96,984	28.48 (USD:NTD)	$ 2,762,121
EUR	119	35.02 (EUR:NTD)	4,171
			$ 2,766,292

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

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.07 (USD:NTD)	$ 27,422	29.22 (USD:NTD)	$ 87,179

35. 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)

10) Other: Intercompany relationships and significant intercompany transactions (Table 5)

b. Information on investees (Table 6)

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 7)

36. SEGMENT INFORMATION

Information reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments were as follows:

- Steel:
  - Direct sales
  - Manufacturing sales
- Rental revenue

a. Segments revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Steel - Direct Sales	Steel - Manufacturing Sales	Leases	Total
For the year ended December 31, 2021				
Revenue from external customers	$ 9,072,267	$ 4,859,203	$ 171,572	$ 14,103,042
Inter-segment revenue	269,805	48,734	44,054	362,593
Segment revenue	9,342,072	4,907,937	215,626	14,465,635
Eliminations	(269,805)	(48,734)	(44,054)	(362,593)
Consolidated revenue	$ 9,072,267	$ 4,859,203	$ 171,572	$ 14,103,042
Segment income	$ 1,807,960	$ 1,213,285	$ 94,831	$ 3,116,076
Share of profits of associates accounted for using the equity method				44,372
Interest income				494
Other income				26,326
Loss on disposal of property, plant and equipment				(1,673)
Net foreign exchange gains				28,364
Gain on remeasurement of investments accounted for using the equity method				36,000
Gain on valuation of financial instruments				412,753
Allocation of central administration costs and directors' remunerations				(478,962)
Finance costs				(112,180)
Dividends				100,774
Goodwill				136,024
Profit before tax				$ 3,308,368
For the year ended December 31, 2020				
Revenue from external customers	$ 6,412,745	$ 3,348,593	$ 90,973	$ 9,852,311
Inter-segment revenue	464,422	61,970	40,241	566,633
Segment revenue	6,877,167	3,410,563	131,214	10,418,944
Eliminations	(464,422)	(61,970)	(40,241)	(566,633)
Consolidated revenue	$ 6,412,745	$ 3,348,593	$ 90,973	$ 9,852,311
Segment income	$ 529,133	$ 231,227	$ 51,754	$ 812,114
Share of profits of associates accounted for using the equity method				7,488
Interest income				496
Other income				11,219
Loss on disposal of property, plant and equipment				(4,384)
Net foreign exchange gains				90,462
Gain on valuation of financial instruments				406,646
Allocation of central administration costs and directors' remunerations				(342,376)

(Continued)

	Steel - Direct Sales	Steel - Manufacturing Sales	Leases	Total
Finance costs				$ (126,914)
Dividends				58,272
Profit before tax				$ 913,023

(Concluded)

Inter-segment revenue was accounted for according to market prices.

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' remunerations, share of profit of associates, gains or losses recognized on disposal of interests in former associates, lease income, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of investments, foreign exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2021	2020
Segment assets		
From continuing operations		
Steel - direct sales	$ 10,907,869	$ 10,143,509
Steel - manufacturing sales	5,250,207	2,583,606
Leases	3,003,776	1,034,084
Total segment assets	19,161,852	13,761,199
Unallocated	6,760,031	6,132,074
Consolidated total assets	$ 25,921,883	$ 19,893,273
Segment liabilities		
From continuing operations		
Steel - direct sales	$ 5,710,866	$ 6,073,233
Steel - manufacturing sales	2,510,378	1,466,154
Leases	83,490	30,234
Total segment liabilities	8,304,734	7,569,621
Unallocated	6,009,379	4,222,222
Consolidated total liabilities	$ 14,314,113	$ 11,791,843

For the purpose of monitoring segment performance and allocating resources between segments:

1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and

2) All liabilities were allocated to reportable segments other than borrowings, other financial liabilities, and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

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