Stock Code: 2010

Chun Yuan Steel Industry Co., Ltd.

2021 Annual Report

Printed on March 31, 2022

Annual report is available at https://mops.twse.com.tw
www.cysco.com.tw

I. Spokesperson/deputy spokesperson

Name: Hung, Shih-Min / Lin, Wei-Cheng
Title: Vice President
Tel.: (02)2501-8111
Email: jim@cysco.com.tw / weicheng@cysco.com.tw

II. Address and telephone of headquarter, plants, and business offices

Headquarter	6 and 7F., No.502, Fuxing N. Rd., Jhongshan Dist., Taipei City	Tel.: (02)2501-8111
Commercial Steel Xizhi Plant	No. 565, Sec. 3, Datong Rd., Xizhi Dist., New Taipei City	Tel.: (02)8648-6111
Commercial Steel Kaohsiung Plant	No.5, Shiquan Rd., Xiaogang Dist., Kaohsiung City	Tel.: (07)802-2187
Commercial Steel Tucheng Branch office	No.3, Ziyou St., Tucheng Dist, New Taipei City	Tel.: (02)2268-5209
Commercial Steel Taoyuan Branch office	No.299, Nanshang Rd., Guishan Dist., Taoyuan City	Tel.: (03)352-4363
Commercial Steel Xizhi Branch office	No. 565, Sec. 3, Datong Rd., Xizhi Dist., New Taipei City	Tel.: (02)8647-7096
Commercial Steel Hsinchu Branch office	No. 5, Ln. 374, Niupu S. Rd., Xiangshan Dist., Hsinchu City	Tel.: (03)538-5163
Commercial Steel Tainan Branch office	No. 329, Anxin 1st Rd., Anding Dist., Tainan City	Tel.: (06)593-5905
Commercial Steel Taichung Branch office	No. 20, Gongyequ 37th Rd., Xitun Dist., Taichung City	Tel.: (04)2350-3366
Electrical Steel Taichung Plant	No. 13, Gongyequ 25th Rd., Nantun Dist., Taichung City	Tel.: (04)2359-2111
Special Steel Tucheng Branch office	No.51, Rixin St., Tucheng Dist., New Taipei City	Tel.: (02)2262-2276
Special Steel Longtan Branch office	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)480-4462
Special Steel Taichung Branch office	No. 501-1, Wuguang Rd., Wuri Dist., Taichung City	Tel.: (04)2338-4688
Special Steel Tainan Branch office	No. 329, Anxin 1st Rd., Anding Dist., Tainan City	Tel.: (06)593-5828
Special Steel Kaohsiung Branch office	No. 10, Yanhai 2nd Rd., Xiaogang Dist., Kaohsiung City	Tel.: (07)806-0888
Special Steel Strip Rolling Plant	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)489-2131
Automated Storage System Plant	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)489-2131
Steel Structure Longtan Plant	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)489-2131
Steel Structure Kaohsiung Plant	No. 10, Yanhai 2nd Rd., Xiaogang Dist., Kaohsiung City	Tel.: (07)802-2187

III. Share transfer agent

Finance Department, Chun Yuan Steel Industry Co., Ltd.
Address: 4F., No. 502, Fuxing N. Rd., Jhongshan Dist., Taipei City
Tel.: (02)2501-8111 Website: www.cysco.com.tw

IV. Certifying CPAs for the financial reports of the most recent year:

Name: Wang Wu Chang CPA and Chen Kui Mei CPA
Accounting firm: Crowe (TW) CPAs
Address: 10F., No. 369, Fuxing N. Rd., Taipei City
Tel.: (02)8770-5181
Website: https://www.crowe.com/tw

V. Overseas securities exchange: None

VI. Company website: www.cysco.com.tw

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COVID-19 continued to cast its shadow across the world during the course of 2021. An outbreak in mid-May saw Taiwan move to Level 3 Alert as well. Fortunately, the outbreak was contained in the second half of the year and everyone’s life slowly returned to normal.

On the international front, rising vaccination rates helped slow the pandemic and bring about a gradual economic recovery. The introduction of financial stimuluses by governments led to better economic growth at the national and regional level during 2021 compared to 2020.

At the domestic front, with the controllable pandemic, and the effects of returned Taiwanese companies, the overseas demands for there-directing orders emerged, driving the growth of the export orders. The Directorate-General of Budget, Accounting and Statistics revised the 2021 economic growth rate of Taiwan upwardly to 6.45%, the greatest increase in nearly 11 years.

Facing such an operating environment in 2021, all colleagues of Chun Yuan Steel Industry have strived to deliver a consolidated operating revenue of NT$26.321 billion from both domestic and overseas facilities, with a profit before tax of NT$1.561 billion. Both are higher than 2020.

For 2022 outlook, there are still full of variables regarding the domestic and international economic situations. The Omicron variants remain raging; the Russia-Ukraine war has intensified the international political and economic conflicts; the surging prices of international raw materials have increased the global inflation pressures, and the U.S Federal Reserves has initiated the interest rate hikes with shortened schedule, which in turn increases the risks of exchange rate fluctuations. Plus the carbon neutrality and the dual control system of total energy consumption and energy intensity imposed by China, the global steel demands are impacted. The International Iron and Steel Institute forecasts that the steel volume demanded globally is likely to grow another 2.2%, to 1.896 billion tons.

For the domestic steel demands, benefitted from the plant constructions by these returned Taiwanese companies, plant expansion plans of the technology manufacturers and petrochemical providers, urban renewal projects, and the progress of the Forward-looking Infrastructure Development Program, as well as the return of orders to the machinery industry and the increase in vehicle demands, the momentum of the steel market is supported. Nonetheless, variables like the military conflict between Russia and Ukraine, the ongoing U.S-China disputes, policy reforms in China, and fluctuating prices fir international commodities will continue to fill the steel market with uncertainty in 2022.

In the face of the ever evolving operating environment this year, I myself and each of the colleagues at Chun Yuan Steel Industry will work together to achieve this year’s objectives, while continuing to implement the following key operating tasks:

I. Follow the pulse of the market and carefully build up our inventory based on customer demand. Regular reviews of steel types and mill-level inventories will be conducted to reduce inventory turnover times and avoid a lack of liquidity.

II. Add more material procurement channels and look for material sources with competitiveness; grasp the changes of clients' material demands, improve the precision of material preparation, and actively implement the clearing of excess-and-obsolete inventory.

III. Consolidate sales to existing customers while aggressively developing new leads to increase our market share. Meanwhile, the political and economic situation, and the industrial evolutions are monitored to find opportunities actively.

IV. Track customer activity, regularly review and update customers' credit information, enforce account management and establish safe and reasonable business conditions.

V. Engage in human resources planning and have succession plans in place at every level. Implement the rotating appointment mechanism to cultivate talents with multiple capabilities and functions, and increase the licenses and certificates obtained by the key technicians.

VI. Inventory and integrate equipment based on customer requirements (steel type/dimensions/specifications) and future processing requirements. Develop an equipment upgrade plan to improve competitiveness.

VII. Continue to implement various epidemic prevention measures to ensure the health and safety of employees.

Finally, the long-time support of all the shareholders is appreciated, and we are grateful for all the trust and care the industry leaders have shown us. We will continue be committed to pursuing robust growth and profit goals to give something back to our shareholders. We look forward to having the continued support of shareholders, and do feel free to give us advice.

Chairman TSAI, HSI-CHI

I. Date of incorporation: January 7, 1966

II. Company history:

1965	Founded Erchong Plant in Sanchong City specialized in machinery installation, leveling and shearing hot rolled steel coil and sales. With paid-in capital NT$3 million.
1969	Capital increased to NT$18,160 thousand. The plant was expanded to add slitting machines and forming machines, and the production of light shaped steel started.
1970	Capital increased to NT$26,000 thousand. Purchased 36,670 m2 land in Xizhi City, Taipei County. Xizhi Plant was completed at yearend.
1973	Capital increased to NT$100 million. Started importing electrical steel sheets and coils to be stripped and EI stamped. Founded Union Container Industries Co., Ltd. a joint venture established by Chun Yuan and Japanese firms, to manufacture steel containers.
1976	Capital increased to NT$182,500 thousand.
1978	Capital increased to NT$300 million.
1979	Capital increased to NT$375,000 thousand. Purchased 231,406 m^2 land in Longtan Township, Taoyuan County, as the site of a new plant.
1980	Capital increased to NT$450,000 thousand. Established another plant in Longtan Township with Japanese Tokai Centry Industry Co., Ltd. to manufacture plastic-made disposable lighters. Founded the Steel Structure Plant in Longtan Township.
1983	Capital increased to NT$548,000 thousand.
1985	Capital increased to NT$830,000 thousand. Established Taichung Plant for electrical steel, to produce the stacking iron cores of motors and suspension fans. Founded Kaohsiung Plant to process steel plates, occupying roughly 33,058 m^2.
1988	Capital increased to NT$1,448,000 thousand. Installed 5-foot rotary leveling and shearing machine in the Commercial Steel Division of the Xizhi Plant. Installed 2-tonne high-frequency induction furnace in the steel-forging factory, increasing production capacity to 900-tonne per month.
1989	Capital increased to NT$2 billion. Shares listed publicly on December 22. Founded Amalgamated Container Sdn. Bhd. with Malaysian Lion Group to manufacture steel containers.
1990	Capital increased to NT$2.4 billion. Die & Tooling Plant was founded under the Press Department to manufacture the molds to be pressed. Installed 4Hi/2Hi reversible cold rolling mill and bell-type annealing furnaces in the Rolling Plant under the Special Steel Strip Division. Expanded the Kaohsiung Steel-Processing Service Center.
1991	Capital increased to NT$2,640,000 thousand. Adjusted the organizational structure to cope with the forthcoming challenges so as to upgrade administration efficiency.
1992	Capital increased to NT$2,824,800 thousand.
1993	Investment to add a Tucheng Steel Sheet Plant. Investment to expand Kaohsiung Steel Sheet Plant and Special Steel Plant. Chun Yuan Investment (Singapore) Pte. Ltd. was established in Singapore. Capital increase of NT$500 million in cash and a capital increase from surplus of NT$282,480 thousand. The fund-raising of 1994 took effect. Capital after increases amounted to NT$3,607,280 thousand.
1994	Capital increase from surplus of NT$252,509 thousand. Through the re-invested enterprise Chun Yuan Investment (Singapore) Pte. Ltd., the Company indirectly invested in Shanghai Chun Yuan Steel Industry Co., Ltd. and Shenzhen Chun Yuan Steel Industrial Co.,Ltd.

Company Overview

1995	Capital increase from capital surplus of NT$231,587 thousand. Capital after increase amounted to NT$4,091,377 thousand.
1996	Capital increase from capital surplus of NT$122,741 thousand. Capital after increase amounted to NT$4,214,118 thousand.
1997	Capital increase from capital surplus of NT$210,706 thousand. Capital after increase amounted to NT$4,424,824 thousand. Founded Chun Shyang Shin Yeh Industry Co., Ltd., a joint venture established by Chun Yuan and Japanese Toyota Auto Body Co., Ltd. to manufacture automobile steel parts and molds.
1998	Capital increase from capital surplus of NT$309,738 thousand. Capital after increase amounted to NT$4,734,562 thousand. Established "Chun Yuan Investment Co., Ltd and "Chun Cho Investment Co., Ltd."
1999	Capital increase from capital surplus of NT$47,346 thousand. Capital after increase amounted to NT$4,781,908 thousand.
2000	Through the re-invested enterprise Chun Yuan Investment (Singapore) Pte. Ltd., the Company invested in Chun Yuan Investment (BVI) Co., Ltd. and through the latter re-invested in Shanghai Huateng Metal Processing Co., Ltd.
2002	Through the re-invested enterprises Chun Yuan Investment (Singapore) Pte. Ltd. and Shenzhen Chun Yuan Steel Industrial Co.,Ltd., the Company re-invested in Shenzhen Hongyuan Metal Industry Co., Ltd. The subsidiaries Chun Yuan Investment Co., Ltd. and Chun Cho Investment Co., Ltd. were merged. The treasury shares were written off for NT$532,683 thousand, and capital after merger amounted to NT$4,249,225 thousand.
2004	Capital increase from surplus of NT$212,461 thousand. Capital after increase amounted NT$4,461,686 thousand. Founded Taiwan Toyota Auto Body Conversion Co., Ltd., a joint venture established by Chun Yuan and the Japanese Toyota Auto Body Co., Ltd. to refit automobiles and to manufacture, sell, lease, and repair automobile steel parts.
2005	Capital increase from surplus of NT$446,169 thousand. Capital after increase amounted NT$4,907,855 thousand. Invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co., Ltd. Extended Chun Shyang Factory and founded the Special Steel Division Factory at the Longtan Plant.
2006	Capital increase from surplus of NT$245,393 thousand. Capital after increase amounted NT$5,153,248 thousand. Investment to add the Tainan Branch office. Investment to add the Mold R&D Center Purchased 19392 m2 land in Longtan Township, Taoyuan County, to expand the space utilized by the Longtan Plant.
2007	Capital increase from surplus of NT$386,494 thousand. Capital after increase amounted NT$5,539,741 thousand.
2008	Capital increase from surplus of NT$221,590 thousand. Capital after increase amounted NT$5,761,331 thousand.
2009	Capital increase from surplus of NT$172,840 thousand. Capital after increase amounted NT$5,934,171 thousand.
2010	Investment to add the Taichung Branch office.
2011	Capital increase from surplus of NT$415,392 thousand. Capital after increase amounted NT$6,349,563 thousand. Through the re-invested enterprise Chun Yuan Investment (Singapore) Pte. Ltd., the Company indirectly invested in Xiamen Chun Yuan Precision Mechatronic Co., Ltd.
2012	Capital increase from surplus of NT$126,991 thousand. Capital after increase amounted NT$6,476,554 thousand.
2013	Investment to add Special Steel Erchong Branch Office Constructed a new plant at the Longtan Plant.

2015	Installed 5-foot hot rolling leveling & shearing machine in the Commercials Steel Division of Xizhi Plant.
	Two luffing jib tower cranes were bought by the Construction Division.
	Replacement of grinders and upgrade of rolling mills' electronic control were completed by the Special Steel Strip Division.
2017	Investment to expand a storage plant at the Longtan Plant.
	Two luffing jib tower cranes were bought by the Construction Division.
2018	Investment to construct a new special steel plant at the Longtan Plant.
2019	Constructed new plant, office, and dormitory in Sinji industrial park in Tainan.
	Installed 5-foot cold rolling slitting machine at the Xizhi Plant.
2020	Investment to add BOX column production line by the Construction Division.
	Two luffing jib tower cranes were bought by the Construction Division.
2021	Investment to add BOX column production line by the Construction Division (Kaohsiung)

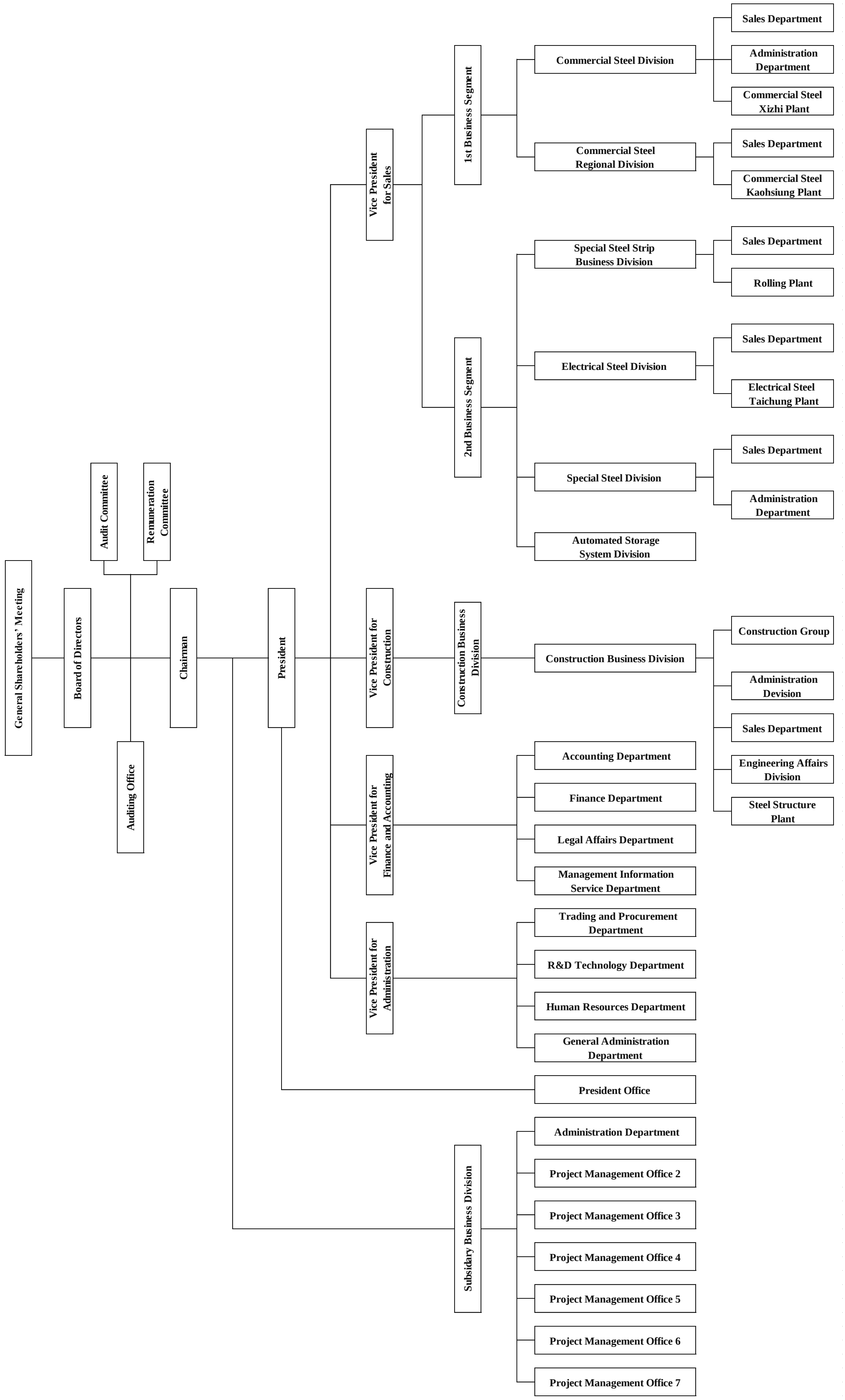
Mergers and acquisitions during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

During the current fiscal year up to the date of publication of the annual report, any instance in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changed hands: None.

During the current fiscal year up to the date of publication of the annual report, any change in managerial control, in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity: None.

I. Organizational system

(I) Company Organization Chart



(II) Major Business of Each Division

1. Commercial Steel Division
   Production and processing of various hot-rolled steel sheets, cold-rolled steel sheets, plated steel sheets and aluminum materials.
2. Commercial Steel Regional Division
   Production and processing of various hot-rolled steel sheets, cold-rolled steel sheets, plated steel sheets and aluminum materials.
3. Electrical Steel Division
   Production of EI sheets suitable for various types of transformers, ballasts, etc., as well as various motor stator and rotor cores for appliances, industrial, information and other products, and manufacture and sale of various molds.
4. Special Steel Division
   Provision of carbon and alloy tool steel and structural steel (round bars and plates) as special steel for molds, machinery, and automotive parts.
5. Special Steel Strip Business Division
   Specializing in the production of stainless steel, carbon steel, alloy steel, carbon tool steel, spring steel coil, steel strip, copper strip (brass, phosphor bronze, copper, etc.) and general cold- and hot-rolled steel coils for hardware, stationary, appliances, and computer peripherals.
6. Automated Storage System Division
   Provision of laser cutting, shearing, punching, pressing, welding, forming and other professional metal processing services and planning; design, manufacture, and installation of various mechanically and electronically controlled mobile cabinets, and light, medium and heavy material racks and other logistics storage equipment.
7. Construction Business Division
   Contracting various large-scale construction projects (buildings, plants, bridges and equipment).
8. Administration Units
   (1) Objective management, planning, establishment, and maintenance of operating strategies.
   (2) Assisting each division in developing new products using the existing workforce, technologies, and equipment, to increase revenue and the operating performance.
   (3) Instructing and promoting the Company’s information system management system, to ensure the Company effectively operates the planning, development, control and execution of the information system within one complete system.
   (4) Planning and maintaining the operation of the accounting functions of the Company, to ensure each financial statement of the Company is provided to the regulators, public, and shareholders in a timely and correct manner for them to know the state of the Company’s operations.
   (5) Planning and formulating the financial strategies, and adjusting the structures of dealings with banks and flexibly deploying long- and short-term funds, to obtain lower interests, save fund costs, and enhance the health of the Company.

(6) Establishing human resource policies and measures for the whole Company, to ensure the incorporation of national laws and regulations and the Company's development strategies.

(7) Planning the safety and health management system in each plant, to ensure the enhancement of occupational safety and environment quality.

(8) Planning and promoting the sales plans for exports to ensure that operating objectives are achieved, as well as planning and maintaining a system for reasonable procurement and price bargaining to ensure procurement processes and prices are reasonable.

(9) Establishing and planning relevant legal systems, and safeguarding the rights of the Company and affiliates with professional legal knowledge.

9. Auditing Office

Establishing and maintaining the Company's audit system, to enable each function to follow the Company's regulations.

II. Information on directors, supervisors, presidents, vice presidents, deputy vice presidents, and managers of divisions and branch units:

(I) Information of directors and supervisors

February 28, 2022

Title	Nationality or place of registration	Name	Gender/Age	Date of election or inauguration	Term	Date when first elected	Shareholding when elected		Current shareholding		Shareholding of spouses and underage children		Shareholding through others		Main experience/educational background	Positions concurrently served in the Company and other companies	Other managerial officers, directors, or supervisors to whom they are a spouse or relative within second degree of kinship			Remarks
							Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)			Title	Name	Relation	
Chairman	Republic of China	TSAI, HSI-CHI	Male 61 ∫ 70	June 21, 2019	3 years	March 30, 1989	24,610,799	3.80%	24,610,799	3.80%	8,200,746	1.27%	0	0%	Shih Shin High School of Commerce and Industry	President of Chun Yuan Steel Industry Director of Sinkang Industries Co., Ltd.	Director	TSAI, HSI-YU	Brother	Note 1
Director	Republic of China	LEE, WEN-LUNG	Male 71 ∫ 80	June 21, 2019	3 years	March 30, 1989	36,300,321	5.60%	36,300,321	5.60%	6,480,469	1.00%	0	0%	Department of Tourism, Hsing Wu College of Business	Director of Sinkang Industries Co., Ltd.	Director Director	WU, MEI-YING LEE, WEN-FA	Spouse Brother	-
Director	Republic of China	CHENG, YE-MING	Male 61 ∫ 70	June 21, 2019	3 years	March 30, 1989	31,179,211	4.81%	17,179,211	2.65%	1,042,407	0.16%	14,000,000	2.16%	Ming Cheng University , Japan department of law	Director of Sinkang Industries Co., Ltd.	Director	CHENG, I-HUNG	Brother	-
Director	Republic of China	TSAI, HSI-YU	Male 71 ∫ 80	June 21, 2019	3 years	April 29, 2001	17,844,010	2.76%	17,844,010	2.76%	10,453,871	1.61%	0	0%	Hsing Wu College of Business	-	Chairman	TSAI, HSI-CHI	Brother	-
Director	Republic of China	TSAI, CHENG-TING	Male 41 ∫ 50	June 21, 2019	3 years	June 16, 2016	7,148,202	1.10%	7,148,202	1.10%	0	0%	0	0%	City University of New York - Baruch College Master of Science In Finance	Deputy section head of Chun Yuan Steel Industry	-	-	-	-
Director	Republic of China	An Tien Investment Co., Ltd.	-	June 21, 2019	3 years	June 17, 2004	5,453,557	0.84%	5,453,557	0.84%	0	0%	0	0%	-	-	-	-	-	-
	Republic of China	Representative: LEE, WEN-FA	Male 61 ∫ 70	June 21, 2019	-	March 30, 1989	36,300,321	5.60%	36,300,321	5.60%	0	0%	0	0%	Department of Economics, Nihon University	Director of Sinkang Industries Co., Ltd.	Director Director	LEE, WEN-LUNG WU, MEI-YING	Brother Sister-in-Law	-
Director	Republic of China	Lian Teh Investment Company	-	June 21, 2019	3 years	June 21, 2019	7,021,445	1.08%	7,021,445	1.08%	0	0%	0	0%	-	-	-	-	-	-
	Republic of China	Representative: WU, MEI-YING	Female 61 ∫ 70	June 21, 2019	-	March 30, 1989	6,480,469	1.00%	6,480,469	1.00%	36,300,321	5.60%	0	0%	Department of Business Administration, National Chengchi University	-	Director Director	LEE, WEN-LUNG LEE, WEN-FA	Spouse Brother-in-law	-

Title	Nationality or place of registration	Name	Gender/Age	Date of election or inauguration	Term	Date when first elected	Shareholding when elected		Current shareholding		Shareholding of spouses and underage children		Shareholding through others		Main experience/educational background	Positions concurrently served in the Company and other companies	Other managerial officers, directors, or supervisors to whom they are a spouse or relative within second degree of kinship			Remarks
							Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)			Title	Name	Relation	
Director	Republic of China	Amity New Co., Ltd.	-	June 21, 2019	3 years	June 16, 2016	20,728,751	3.20%	20,728,751	3.20%	0	0%	0	0%	-	Chairman of Sinkang Industries Co., Ltd.	-	-	-	-
	Republic of China	Representative: CHENG, I-HUNG	Male 61 ∫ 70	June 21, 2019	-	June 19, 2001	10,240,873	1.58%	10,240,873	1.58%	0	0%	0	0%	Aoyama Gakuin University, Japan	President, Sinkang Industries Co., Ltd	Director	CHENG, YE-MING	Brother	-
Independent Director	Republic of China	HSU, LI-MING	Male 41 ∫ 50	June 21, 2019	3 years	June 16, 2016	0	0%	0	0%	0	0%	0	0%	Tamkang University Master of Business Administration	Accountant of RSM Taiwan Taiwan Independent Director, Sinkang Industries Co., Ltd.	-	-	-	-
Independent Director	Republic of China	LIN, WEI-LIANG	Male 71 ∫ 80	June 21, 2019	3 years	June 16, 2016	0	0%	0	0%	0	0%	0	0%	Department of Accounting and Statistics, Tamkang Arts and Science College	Managing Director, Taichung Commercial Bank Co., Ltd. Chairman of Taichung Bank Leasing Corporation Limited.	-	-	-	-
Independent Director	Republic of China	TSENG, YUNG-FU	Male 71 ∫ 80	June 21, 2019	3 years	June 16, 2016	0	0%	0	0%	0	0%	0	0%	Division of Legal Sciences, Department of Law, National Taiwan University	Independent Director of A.G.V. Products Corporation	-	-	-	-

Note 1:

The Company’s chairman became the president of the Company on June 24, 2016. Since the re-election of the chairman on June 21, 2019, the chairman concurrently serves as the president, an expediency during the transition period. In the future, proper nominees will be proposed to the Board of Directors for deliberation and appointment, or handled pursuant to the letter orders from the competent authorities. Currently, the Company has taken the following measures to enhance the functions of the Board of Directors and supervision:

1. Three independent directors are specialized in finance, accounting, and law, which enables them to efficiently perform their supervision duties.

2. Sufficient discussions among the independent directors take place in the Audit and Remuneration Committees to propose recommendations to the Board of Directors, and implement corporate governance.

3. The majority of directors do not concurrently serve as employees or managerial officers.

Major shareholders of juridical person shareholders

March 15, 2022

Name of juridical person shareholders	Major shareholders of juridical person shareholders
Amity New Co., Ltd.	Cheng, I-Hung 80%; Shen, Huei-Mei 10%; Cheng, Jie-Wen 5%; Cheng, Jie-Hsin 5%
An Tien Investment Co., Ltd.	Lee, Wen-Fa 38%; Lee, Tai-An 28.19%; Lee, Chien-Hsun 28.18%; Lee, Hsin-Pei 5.63%
Lian Teh Investment Company	Wu, Mei-Ying 14.97%; Lee, Wen-Lung 11%; Lee, Wen-Fa 11%; Lee, Tai-An 12.73%; Lee, Chien-Hsun 12.72%; Lee, Chu-Song 8%; Lee, Chi-Wei 8.11%; Lee Tai-Ting 8.11%; Lee, Ming-Chuan 8.10%; Lee, Hsin-Pei 5.24%

Information of directors

1. **Information disclosure for professional qualification and experience of directors and independent directors' independence:**

March 31, 2022

Conditions Name	Professional qualification and experience [Note 1]	Independence status	Number of other public companies where they concurrently serve as independent director
TSAI, HSI-CHI	Having five years work experience in commerce and finance, and experience require by the Company's business	N/A	0
LEE, WEN-LUNG	Having five years work experience in commerce and finance, and experience require by the Company's business		0
CHENG, YE-MING	Having five years work experience in commerce and law.		0
TSAI, HSI-YU	Having five years work experience in commerce and finance, and experience require by the Company's business		0
TSAI, CHENG-TING	Having five years work experience in commerce and finance, and experience require by the Company's business		0
LEE, WEN-FA[Note 2]	Having five years work experience in commerce and finance, and experience require by the Company's business		0
WU, MEI-YING[Note 3]	Having five years work experience in commerce and finance, and experience require by the Company's business		0
CHENG, I-HUNG[Note 4]	Having five years work experience in commerce and finance, and experience require by the Company's business		0
HSU, LI-MING	Having five years work experience in finance and accounting, and passed a national examination and been awarded a certificate as certified public accountant.	The Company's independent director, and in the annual independent director qualification review required by the competent authority, showing the conformity to the independence requirement, and meeting the requirement in Article 3 and 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
LIN, WEI-LIANG	Having five years work experience in commerce, finance and banking.		0
TSENG, YUNG-FU	Having five years work experience in commerce and law, and passed a national examination and been awarded a certificate as judge, public prosecutor, and attorney.		1

Note 1: During the current year up to the publication date of annual report, none of the director has any of the circumstances in the subparagraphs of Article 30 of the Company Act.
Note 2: Corporate represented by Lee, Wen-Fa: An Tien Investment Co., Ltd.
Note 3: Corporate represented by WU, MEI-YING: Lian Teh Investment Company
Note 4: Corporate represented by Cheng, I-Hung: Amity New Co., Ltd.

2. **The board of directors' diversity and independence:**

(1) The board of directors' diversity

The Company has formulated the director diversity guidelines in the Corporate Governance Best Practice Principles, covering the eight major abilities, including the ability to make judgments about operations; accounting and financial analysis ability; business management ability; crisis management ability; knowledge of the industry; an international market perspective; leadership ability, and decision-making ability; all of these are helpful the Company's development and operations. For the composition of the board members, at least one director has the expertise in law, finance, accounting, and industry knowledge, respectively, and at least one female director is included.

(2) The board of directors' independence

There are total eleven directors, and three of them are the independent directors; the Audit Committee is established to replace the supervisors. None of the board member has the circumstance set forth in Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act; for the spouse and relatives within 2nd degree of kinship among the directors, please refer to "(I) Information of Directors and Supervisors." In nutshell, the board of directors has its independence.

(II) Information on presidents, vice presidents, deputy vice presidents, and managers of divisions and branch units

February 28, 2022

Title	Nationality	Name	Gender	Date of election or inauguration	Shares Held		Shareholding of spouses and underage children		Shareholding through others		Main experience/educational background	Positions concurrently serving in other companies	Managerial officer who is a spouse or relative within the second degree of kinship			Remarks
					Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)			Title	Name	Relation	
President (concurrently served by the chairman)	Republic of China	TSAI, HSI-CHI	Male	Inaugurated on June 24, 2016	24,610,799	3.80%	8,200,746	1.27%	0	0%	Shih Shin High School of Commerce and Industry	Director of Sinkang Industries Co., Ltd. Vice Chairman of Chun Shyang Shin Yeh Industry Co., Ltd.	-	-	-	Note 1
Vice President	Republic of China	LIN, WEI-CHENG	Male	Inaugurated on June 24, 2016	258	0.00%	27,476	0.00%	0	0%	Taipei Junior College of Business	None	-	-	-	-
Vice President	Republic of China	HUNG, SHIH-MIN	Male	Inaugurated on June 24, 2016	440,695	0.07%	0	0.00%	0	0%	Feng Chia University	Director of Chun Yuan Construction Co., Ltd. Supervisor of Chun Shyang Shin Yeh Industry Co., Ltd.	-	-	-	-
Vice President	Republic of China	HUANG, CHUN-YUNG	Male	Inaugurated on July 3, 2019	50,390	0.01%	9,180	0.00%	0	0%	Chien-Kuo Senior High School	None	-	-	-	-
Associate Vice President	Republic of China	SONG, WEI-MIN	Male	Inaugurated on July 3, 2019	6,140	0.00%	129	0.00%	0	0%	St. John's Junior College of Engineering	None	-	-	-	-
Associate Vice President	Republic of China	HO, YING-HUA	Male	Inaugurated on July 3, 2019	20,488	0.00%	12,607	0.00%	0	0%	Taipei Junior College of Engineering	None	-	-	-	-
Associate Vice President	Republic of China	CHIANG, MING-CHI	Male	Inaugurated on June 24, 2016	2,220	0.00%	7,592	0.00%	0	0%	Chung Yuan Christian University	None	-	-	-	-
Accounting Officer (Manager)	Republic of China	LIN, YI-CHUN	Female	Inaugurated on November 10, 2020	0	0.00%	0	0.00%	0	0%	Shih Chien University	None	-	-	-	-
Finance officer (Manager)	Republic of China	HSIEH, YU-HSIA	Female	Inaugurated on June 24, 2016	0	0.00%	0	0.00%	0	0%	National Taiwan University	None	-	-	-	-

Note 1:

The Company's chairman became the president of the Company on June 24, 2016. Since the re-election of the chairman on June 21, 2019, the chairman concurrently serves as the president, an expediency during the transition period. In the future, proper nominees will be proposed to the Board of Directors for deliberation and appointment, or handled pursuant to the letter orders from the competent authorities. Currently, the Company has taken the following measures to enhance the functions of the Board of Directors and supervision:

1. Three independent directors are specialized in finance, accounting, and law, which enables them to efficiently perform their supervision duties.
2. Sufficient discussions among the independent directors take place in the Audit and Remuneration Committees to propose recommendations to the Board of Directors, and implement corporate governance.
3. The majority of directors do not concurrently serve as employees or managerial officers.

III. Remunerations to directors, supervisors, presidents, and vice presidents in the recent year

(I) Remunerations to directors and independent directors

Unit: NT$

Title	Name	Remunerations to Directors								Sum of A, B, C, and D as percentage of net income after tax (%)		Remuneration from concurrently serving as employees								Sum of A, B, C, D, E, F, and G as percentage of net income after tax (%)		Remuneration from investees other than subsidiaries or from parent company
		Wages (A)		Severance pay and pension (B)		Compensation for director (C)		Service expense (D)				Wages, bonuses, and special allowances, etc. (E)		Severance pay and pension (F)		Employee compensation (G)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Compan		All companies included in the financial statements		The Company	All companies included in the financial statements	
																Cash amount	Share amount	Cash amount	Share amount			
Chairman	TSAI, HSI-CHI	0	0	0	0	10,999,085	As left	3,026,000	As left	1.15%	As left	26,665,156	As left	0	0	222,638	0	222,638	0	3.36%	As left	132,708
Director	LEE, WEN-LUNG																					
Director	CHENG, YE-MING																					
Director	TSAI, HSI-YU																					
Director	TSAI, CHENG-TING																					
Director	An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA																					
Director	Lian Teh Investment Company Represented by: WU,MEI-YING																					
Director	Amity New Co., Ltd. Represented by: CHENG, I-HUNG																					
Independent Director	LIN, WEI-LIANG	0	0	0	0	4,124,658	As left	1,134,000	As left	0.43%	As left	0	As left	0	0	0	0	0	0	0.43%	As left	0
Independent Director	HSU, LI-MING																					
Independent Director	TSENG, YUNG-FU																					

1. Please state the remuneration policies, systems, standards and packages for independent directors, and the connection of the factors, such as responsibilities, risk and spent hours, with the amount of remuneration:
   The policy governing remunerations paid to the independent directors is specified in the Articles of Incorporation. The Board of Directors is authorized to determine it based on their engagement in and contributions to the corporate governance, and subject to the approval of the shareholders' meet
2. Other than the remuneration disclosed in the above table, the remuneration received by any of the Company's directors by providing services (e.g., as an advisor other than employee of the parent/ all companies included in the financial statement/reinvestees) in the most recent year: None.

Ranges of the directors' remunerations

Unit: NT$

Range of remunerations paid to each director of the Company	Name of director			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	Parent and all investees
Below NT$1,000,000	TSAI, HSI-CHI; LEE, WEN-LUNG; CHENG, YE-MING; TSAI, HSI-YU; TSAI, CHENG-TING; LIN, WEI-LIANG; HSU, LI-MING, TSENG, YUNG-FU; An Tien Investment Co., Ltd. Represented by: LEE,WEN-FA Amity New Co., Ltd. Represented by: CHENG,I-HUNG Lian Teh Investment Company Represented by: WU,MEI-YING	TSAI, HSI-CHI; LEE, WEN-LUNG; CHENG, YE-MING; TSAI, HSI-YU; TSAI, CHENG-TING; LIN, WEI-LIANG; HSU, LI-MING, TSENG, YUNG-FU; An Tien Investment Co., Ltd. Represented by: LEE,WEN-FA Amity New Co., Ltd. Represented by: CHENG,I-HUNG Lian Teh Investment Company Represented by: WU,MEI-YING	LEE, WEN-LUNG; CHENG,YE-MING; TSAI, HSI-YU; LIN, WEI-LIANG; HSU, LI-MING, TSENG, YUNG-FU; An Tien Investment Co., Ltd. Represented by: LEE,WEN-FA Amity New Co., Ltd. Represented by: CHENG,I-HUNG Lian Teh Investment Company Represented by: WU,MEI-YING	LEE, WEN-LUNG; CHENG,YE-MING; TSAI, HSI-YU; LIN, WEI-LIANG; HSU, LI-MING, TSENG, YUNG-FU; An Tien Investment Co., Ltd. Represented by: LEE,WEN-FA Amity New Co., Ltd. Represented by: CHENG,I-HUNG Lian Teh Investment Company Represented by: WU,MEI-YING
1,000,000 (inclusive) to 2,000,000 (exclusive)				
2,000,000 (inclusive) to 3,500,000 (exclusive)			TSAI, CHENG-TING	TSAI, CHENG-TING
3,500,000 (inclusive) to 5,000,000 (exclusive)				
5,000,000 (inclusive) to 10,000,000 (exclusive)				
10,000,000 (inclusive) to 15,000,000 (exclusive)				
15,000,000 (inclusive) to 30,000,000 (exclusive)			TSAI, HSI-CHI	TSAI, HSI-CHI
30,000,000 (inclusive) to 50,000,000 (exclusive)				
50,000,000 (inclusive) to 100,000,000 (exclusive)				
Over 100,000,000				
Total	11 people	11 people	11 people	11 people

(II) Remunerations to Presidents and Vice Presidents

Unit: NT$

Title	Name	Wages (A)		Severance pay and pension (B)		Bonuses and special allowances (C)		Employee compensation (D)				Sum of A, B, C, and D as percentage of net income after tax (%)		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Share amount	Cash amount	Share amount			
President (Concurrently serving)	TSAI, HSI-CHI	7,831,808	As left	-	As left	33,113,200	As left	409,376	-	409,376	-	3.39%	As left	44,236
Vice President	LIN, WEI-CHENG													
Vice President	HUNG, SHIH-MIN													
Vice President	HUANG, CHUN-YUNG													

Ranges of the President and Vice Presidents' Remunerations

Unit: NT$

Range of remunerations paid to each President and Vice President of the Company	Name of President and Vice President	
	The Company	The parent company and all investees
Below NT$1,000,000		
1,000,000 (inclusive) to 2,000,000 (exclusive)		
2,000,000 (inclusive) to 3,500,000 (exclusive)		
3,500,000 (inclusive) to 5,000,000 (exclusive)	LIN, WEI-CHENG; HUNG, SHIH-MIN	LIN, WEI-CHENG; HUNG, SHIH-MIN
5,000,000 (inclusive) to 10,000,000 (exclusive)	HUANG, CHUN-YUNG	HUANG, CHUN-YUNG
10,000,000 (inclusive) to 15,000,000 (exclusive)		
15,000,000 (inclusive) to 30,000,000 (exclusive)	TSAI, HSI-CHI	TSAI, HSI-CHI
30,000,000 (inclusive) to 50,000,000 (exclusive)		
50,000,000 (inclusive) to 100,000,000 (exclusive)		
Over 100,000,000		
Total	4 people	4 people

(III) Managerial officers receiving employee remunerations and state of distribution

March 18, 2022 Unit: NT$

	Title	Name	Share amount	Cash amount	Total	Sum as percentage of net income after tax (%)
Managerial Officer	President (Concurrently serving)	TSAI, HSI-CHI	0	662,302	662,302	0.05%
	Vice President	LIN, WEI-CHENG				
	Vice President	HUNG, SHIH-MIN				
	Vice President	HUANG, CHUN-YUNG				
	Associate Vice President	SONG, WEI-MIN				
	Associate Vice President	HO, YING-HUA				
	Associate Vice President	CHIANG, MING-CHI				
	Accounting Officer (Manager)	LIN, YI-CHUN				
	Finance Officer (Manager)	HSIEH, YU-HSIA				

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

Unit: NT$

Sum of remunerations as percentage of net income after tax (%) / Year	The Company		All companies in the consolidated reports	
	Total amount of remunerations directors, supervisors, presidents, and vice presidents	Sum as percentage of net income after tax (%)	Total amount of remunerations directors, supervisors, presidents, and vice presidents	Sum as percentage of net income after tax (%)
2020	33,742,885	6.57%	33,742,885	6.57%
2021	61,427,079	5.03%	61,427,079	5.03%
Description	The policy governing remunerations paid to the directors is specified in the Articles of Incorporation. The Board of Directors is authorized to determine the remunerations of the chairman and the directors based on their participation in the operations of the Company and the value of their contributions while considering the usual level in the same industry, and is subject to the approval of the shareholders' meeting. The payment method of the president and vice presidents' remunerations is handled pursuant to the Company's standards.			

IV. Status of Corporate Governance:

(I) Operation of the Board of Directors

1. The Board held eight (A) meetings during the most recent year; the attendance of directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	TSAI, HSI-CHI	8	0	100%	-
Director	LEE, WEN-LUNG	8	0	100%	-
Director	CHENG, YE-MING	6	2	75%	-
Director	TSAI, HSI-YU	8	0	100%	-
Director	TSAI, CHENG-TING	7	1	88%	-
Representative of juridical person director	An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA	8	0	100%	-
Representative of juridical person director	Lian Teh Investment Company Represented by: WU, MEI-YING	8	0	100%	-
Representative of juridical person director	Amity New Co., Ltd. Represented by: CHENG,I-HUNG	6	2	75%	-
Independent Director	TSENG, YUNG-FU	7	1	88%	-
Independent Director	LIN, WEI-LIANG	8	0	100%	-
Independent Director	HSU, LI-MING	8	0	100%	-

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors, and the Company’s resolution of said opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:
During 2021 and up to the publication date of the annual reports, total nine board meetings were held; please refer to Page 37 to 39 “(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report” for the description of resolutions; all independent directors approved the matters listed in Article 14-3 of the Securities and Exchange Act as they were unanimously without dissent.

(II) Other than the abovementioned matters, any resolution of the Board meeting to which a independent director has a dissenting or qualified opinion which is on record or stated in a written statement: None

II. Implementation of directors' recusals to proposals with personal interests; the name of director, proposal description, reason of recusal, and voting participation shall be specified:

The directors are self-disciplined, and recuse themselves whenever proposals touch upon their personal interests. There was no proposal requiring recusal during 2021.

III. TWSE or TPEx listed companies shall disclose the cycles and periods, scopes, methods, and descriptions of the self- (or peer) appraisal of the Board of Directors; and the implementation of the appraisal of the Board of Directors:

The Company has completed the 2021 board's performance appraisal. The implementation of the appraisal of the board of directors is described as shown in the table below:

IV. Objective of enhancing the Board's functions in the current and recent years (e.g., establishing the Audit Committee or enhancing information transparency) and the assessment of the implementation:

1. The Company has assigned the corporate governance officer in 2020, whose key functions include handling matters relating to Board meetings and shareholders meetings; producing minutes of Board meetings and shareholders meetings; assisting in onboarding and continuing education of directors; furnishing information required for business execution by directors; and assisting directors with legal compliance and other matters specified in the Articles of Incorporation and contracts.
2. The Company has completed the 2021 board's performance appraisal. and disclosed the appraisal outcomes on the Company's website in 2022.
3. It was advised to increase the communication meetings between the directors and the CPAs from once a year to twice a year.

2. Implementation of Board of Directors Appraisal

Appraisal Cycle	Annually
Appraisal Period	Appraise the performance of the Board of Directors from January 1, 2021 to December 31, 2021.
Appraisal Scope	Appraise the performance of the Board of Directors, directors, and functional committees (Audit Committee and Remuneration Committee included)
Appraisal Method	By self-assessment. The outcomes were reported at the 2nd meeting of the Board of Directors in 2022 as required, as the basis for review and improvement.
Appraisal Content	(I) The "Self-Assessment Questionnaire of the Board's Performance" is answered by the Chairman. The assessment includes five major aspects: participation in the operation of the Company, improvement of the quality of decision making of the Board of Directors, composition and structure of the Board of Directors, election of directors and continuing education, and the internal control, with a total of 26 questions. (II) The "Self-Assessment Questionnaire of the Board Member's Performance" is answered by each director. The six major aspects to be assessed include: grasp of the Company's objective and tasks, awareness of director's functions, participation in the operation of the Company, internal relationship and communication, specialty and continuing education of director, and internal control, with a total of 23 questions. (III) The "Self-Assessment Questionnaire of the Audit Committee's Performance" and the "Self-Assessment Questionnaire of the Remuneration Committee Performance" are answered by the chair of each functional committee. The five major aspects to be assessed include: participation in the operation of the Company, awareness of the duties of functional committees, improvement of the quality of decision making of functional committees, composition and member election of functional committees, and internal control, with a total of 22 and 18 questions, respectively.

(II) Operation of the Audit Committee or Engagement of Supervisors in the Board of Directors:

1. Operation of the Audit Committee:

✧ The Audit Committee held six (A) meetings during the most recent year; the attendance of independent directors is summarized as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	TSENG, YUNG-FU	5	1	83%	-
Independent Director	LIN, WEI-LIANG	6	0	100%	-
Independent Director	HSU, LI-MING	6	0	100%	-

Other items to be stated:

I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, independent directors' dissent, qualified opinion, or material recommendations, resolution of the Audit Committee and the Company's handling of said resolution:

(I) The matters referred to in Article 14-5 of the Securities and Exchange Act:

During 2021 and up to the publication date of the annual reports, total seven Audit Committee meetings were held; please refer to Page 38 to 39 "3. Key resolutions adopted by the Audit Committee" for the description of resolutions; the Audit Committee approved the matters listed in Article 14-5 of the Securities and Exchange Act as they were unanimously without dissent.

(II) Aside from said matters, resolutions not passed by the Audit Committee but receiving the consent of two thirds of the Board of Directors: None

II. Implementation of independent directors' recusals to proposals with personal interests; the name of director, proposal description, reason of recusal, and voting participation shall be specified: the Company's independent directors are highly disciplined and recuse themselves if any conflict of interest; there was no proposal requiring recusal during 2021.

III. Communication between independent directors and internal auditing officers as well as CPAs (including items discussed, means of communication and results, etc. regarding the Company's financial and business situation):

Please refer to Page 19 "2. Communication between the independent directors and internal audit officers" and Page 20 "3.Communication between the independent directors and CPAs."

2. Communication between the independent directors and internal audit officers:

Frequency	Date	Subject	Conclusion
2021 Q1	April 13, 2021	Audit items for the quarter	No advice nor comment
2021 Q2	August 6, 2021	Audit items for the quarter	No advice nor comment
2021 Q3	October 1, 2021	Audit items for the quarter	No advice nor comment
2021 Q4	January 5, 2022	Audit items for the quarter	No advice nor comment

3. Communication between the independent directors and CPAs

The Audit Committee consists of all independent directors. At least once per year, the CPAs report to the independent directors on the Company's financial position, the financial position of domestic/foreign subsidiaries, and overall operations, and audit the internal control. Shall there by any material adjustments or changes to laws or regulations that may impact the accounts, such matters will be fully communicated.

Summary of communication between the independent directors and CPAs

Frequency	Date	Communication key points	Advice and outcome
2019	November 6, 2019	Communication with the corporate governance unit in Q3 2019 - Reviewing the conclusions	No advice
2020	March 20, 2020	Communication with the corporate governance unit in Q4 2019 - Reviewing the conclusions	No advice

Since 2021, the meetings between the CPAs and independent directors, and between the CPAs and board members are held at least once per year, respectively.

Summary of communication with CPAs:

Date of meeting	Nature of meeting	Attendees	Participants	Communication key points	Advice
2021 March 19	Meeting before the Audit Committee meeting	CPA, Lin, Chih-Lung Independent Director, HSU, LI-MING Independent Director, TSENG, YUNG-FU Independent Director, LIN,WEI-LIANG	Vice President Hung, Shih-min Manager, Lin, Yi-chun HSIEH, YU-HSIA.	1. Explanation of key audit matters (KAM) 2. Type of audit opinions 3. Materiality of the period 4. Comparative analysis of the deviations between two periods 5. Other communication matter	None
2021 August 6	Meeting before the board meeting	CPA, Wang, Wu-Chang, Manager, YU, LI-HUA, Chairman, TSAI, HSI-CHI, Independent Director, HSU, LI-MING Independent Director, TSENG, YUNG-FU Independent Director, LIN,WEI-LIANG, Director, LEE,WEN-LUNG, Director, TSAI,HSI-YU, Director, TSAI,CHENG-TING, Director, LEE,WEN-FA, Director, CHENG,I-HUNG Director, WU,MEI-YING	Vice President Hung, Shih-min Manager, Lin, Yi-chun HSIEH, YU-HSIA.	1. Explanation of audit key points 2. Type of review opinions 3. Materiality of the period 4. Statement of income - explanation for the adjustment of self-assessed amount and audited amount 5. Other communication matter	None

4. Participation of supervisors in the Board of Directors: None.

(III) The operation of the corporate governance and any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Evaluation Item	Operation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	Summary	
I. Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		To establish a good corporate governance system, the Board of Directors has given approval for establishing the “Principles of Corporate Governance Best Practice” on December 30, 2019. The Principles are disclosed on MOPS.	None.
II. Shareholding Structure & Shareholders’ Rights (I) Does the Company have internal operation procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company has assigned dedicated staff to answer questions from shareholders, and handle the related affairs.	None.
(II) Does the Company possess a list of major shareholders and the ultimate controlling parties of these major shareholders?	V		(II) The Company has good interactions with major shareholders, and can grasp the changes of shareholding at any time.	
(III) Has the Company built and executed a risk management system and firewall between the Company and its affiliates?	V		(III) The Company and the affiliates are independent entities. The supervision of subsidiaries and management of transactions between related parties is specified in the internal control system and is put into actual practice.	
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(IV) The Company has established “Internal Control for Preventing Insider Trading” regulations to prohibit insider trading on undisclosed information.	
III. Composition and Responsibilities of the Board of Directors (I) Has the board of directors formulated the diversity policy, concrete management target, and implements such?	V		(I) The nomination and election of Board members is based on the company’s Articles of Incorporation, by adopting a candidate nomination system. According to the business mode and development plans of the Company, the Board members should have diversified skills related to the steel industry, management, accounting, and finance, to ensure the diversity and independence of directors. All board members have extensive experience in related industries. There is one female director among the members; each of the other directors has a relevant professional background, specializing in operational judgement capabilities, accounting and financial analysis, operation and management, crisis management, industry knowledge, view of the international market, leadership, and decision-making.	(I) None.

Evaluation Item	Operation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	Summary	
			There are three independent directors among the eleven directors to ensure the independence of the Board of Directors; each independent director has expertise and experience in accounting, law, management and financial analysis, as an implementation of diversification policies for the Board of Directors. The Company appreciates the composition of the expertise of the Board of Directors. The target share of law, finance, and accounting expertise is one-eleventh or more; industrial know-how expertise is half or more. The Company has achieved all these targets. (Note 1) The Board of Directors has the necessary professional knowledge, skills and literacy to perform its duties. With diversified background and practical experience, it can continue to strengthen the Company's governance and operational synergies. The diversification policy of the Board of Directors is disclosed on the website.	
(II) Other than the Remuneration Committee and the Audit Committee required by law, does the Company voluntarily set up other functional committees?		V	(II) Other than the Remuneration Committee and the Audit Committee which are required by law, the Company has not yet established other functional committees.	(II) The Company will set up other functional committees as necessary or required by laws and regulations.
(III) Has the Company established a methodology for evaluating the performance of its Board of Directors, does it carry out evaluations on an annual basis and report the results of the performance evaluation to the Board of Directors, and use the results as reference for directors' remuneration and nomination for re-election?	V		(III) In November 2020, the Company approved the establishment of the procedures for the Board's performance appraisal; the internal Board's performance appraisal is conducted annually, and the outcomes are disclosed on the MOPS and in the annual report. 1. The results of the 2021 Board performance appraisal: The results of all the performance appraisals of the Board members are "performed well" or above, and the performance appraisal results of the board of directors and each functional committees are both "operated well," showing good overall operations. 2. The outcomes were reported at the first meeting of the Board of Directors in 2022 as required, as the basis of review and improvement and as reference for nominations for re-election.	(III) The Company will apply the results of the 2021 individual director's performance appraisal to their remuneration, and discuss such in the meeting of the Remuneration Committee in October 2022.
(IV) Does the Company regularly evaluate its external auditors' independence?	V			

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Operation Status</th><th rowspan="2">Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>(IV) The independence of the CPAs is prudentially assessed through the following procedures:
1. Obtaining a non-biased independence statement of CPAs.
2. Controlling the same CPA not to provide certification services consecutively more than the years specified.
3. Verifying there is no financial benefit, business relationship, employment relationship with the CPAs, and thus the requirement of independence is met. The verification was submitted to the Audit Committee and the Board of Directors on March 19, 2021, for verification.</td><td>(IV) None.</td></tr>
<tr><td>IV. Does the TWSE/TPEx Listed Companies appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance with the law, handling matters related to Board meetings and shareholders' meetings according to the law, and recording minutes of Board meetings and shareholders' meetings)?</td><td>V</td><td></td><td>(I) The Company has appointed competent and appropriate corporate governance personnel, and at the 6th meeting of the Board of Directors on December 23, 2020, the Vice President of Finance and Accounting, Hung, Shih-Min, was appointed as the corporate governance officer to serve concurrently and take charge of affairs related to corporate governance.
(II) Regarding the annual key implementation tasks related to the corporate governance, and the continuing education of the corporate governance officer, the disclosure is made on the official website. Please refer to "Official Website/Investor Service/Corporate Governance/Corporate Governance Officer (http://www.cysco.com.tw/shareholder/directorate.htm)."</td><td>None.</td></tr>
<tr><td>V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a stakeholder section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?</td><td>V</td><td></td><td>The Company has appointed dedicated units and staff to communicate with different stakeholders. A stakeholder section is set up on the website. When needed, any stakeholder may contact the Company via telephone or email available in the section.</td><td>None.</td></tr>
<tr><td>VI. Has the Company appointed a professional registrar for its Shareholders' Meetings?</td><td></td><td>V</td><td>The shareholders' meetings are carried out by the Company itself, and all personnel in charge of shareholder affairs are qualified as required by law.</td><td>In the future, the Company may commission a professional registrar for the shareholders' meeting affairs, to meet the requirements of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Evaluation Item	Operation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	Summary	
VII. Information Disclosure				
(I) Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance?	V		(I) The Company has a website in place, and discloses information on the website for viewing by investors and the public.	(I) None.
(II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?	V		(II) The Company's website has a English version; a dedicated unit is assigned to update and disclose the Company's information. Other than the spokesperson and deputy spokesperson system established for external communication, investor conferences are also convened as required by law	(II) None.
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadlines?		V	(III) The Company handles such pursuant to the regulatory requirements.	(III) The Company will report and announce the annual financial statements, the first, second, and third quarter financial statements as well as the operating status of each month as needed and required by the law
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchasing of insurance for directors and supervisors by the Company)?	V		(I) The Company has organized regular corporate ethics trainings and promotion activities for new employees, as well as formulated relevant rewards and penalties for corporate ethics compliance in the employee reward and penalty system (II) The key resolutions adopted by the Board of Directors are disclosed on the Company's website, and updated regularly. (III) The Company has purchased liability insurance for directors.	None.
IX. The improvement status for the result of Corporate Governance Evaluation announced by the Taiwan Stock Exchange, as well as the prioritized enhancements for the matters and measures not yet improved. The Company's evaluation results for 2020 were between 51% to 65% of all evaluated companies. The improvements made in 2021 are as follows: 1. The Company uploads the English version agenda handbook and supplementary information for the shareholders' meeting 30 days prior to the convention of the meeting. 2. The Company uploads the English version annual report 16 days prior to the convention of the AGM. 3. The independence of CPAs are evaluated regularly, and the evaluation procedures are disclosed in annual reports in detailed. In the future, the Company will strengthen corporate social responsibility and corporate governance, by referring to the principles of corporate governance, to improve every aspect of the operations, maintain an effective mechanism of corporate governance, while implementing transparent information disclosure and promoting shareholders' interests.				

Note 1: Implementation of diversification policy for Board members

Name	Gender	Age				Professional skills								Professional background					
		41-50	51-60	61-70	71-80	Operational judgement skills	Accounting and financial analysis skills	Operation and management skills	Risk management skills	Industry knowledge	View of international market	Leadership skills	Decision-making skills	Law	Finance and accounting	Marketing	Finance	Economics	Business administration
TSAI, HSI-CHI	Male			V		V	V	V	V	V	V	V	V			V			
LEE, WEN-LUNG	Male				V	V	V	V	V	V	V	V	V						
CHENG, YE-MING	Male			V		V	V	V	V	V	V	V	V	V		V			
TSAI, HSI-YU	Male				V	V	V	V	V	V	V	V	V						
TSAI, CHENG-TING	Male	V				V	V			V	V		V		V				
An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA	Male			V		V	V	V	V	V	V	V	V					V	
Amity New Co., Ltd. Represented by: CHENG, I-HUNG	Male			V		V	V	V	V	V	V	V	V						
Lian Teh Investment Company Represented by: WU,MEI-YING	Female			V		V	V		V	V	V		V						V
LIN, WEI-LIANG	Male				V	V	V	V	V			V	V		V		V		
TSENG, YUNG-FU	Male				V	V		V	V	V		V	V	V					
HSU, LI-MING	Male	V				V	V	V	V			V	V		V				

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

(1) Information about the Remuneration Committee Member

Designation	Qualification / Name	Professional qualification and experience	Independence status	Number of companies where they also serve as member in the Remuneration Committee
Independent Director	HSU, LI-MING	Having five years work experience in finance and accounting, and passed a national examination and been awarded a certificate as certified public accountant.	The Company’s independent director, and in the annual independent director qualification review required by the competent authority, showing the conformity to the independence requirement, and meeting the requirement in Article 3 and 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
Independent Director	LIN, WEI-LIANG	Having five years work experience in commerce, finance and banking.		0
Independent Director	TSENG, YUNG-FU	Having five years work experience in commerce and law, and passed a national examination and been awarded a certificate as judge, public prosecutor, and attorney.		1

(2) Operation of the Remuneration Committee:

1. There are three members of the Remuneration Committee in total.

2. Current term:

The fourth term: from June 21, 2019 to June 2022 (same as the term of the Board of Directors). In the most recent year, the Remuneration Committee convened two (A) meetings. The qualifications and attendance of each member are described as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	HSU, LI-MING	2	0	100%	-
Member	LIN, WEI-LIANG	2	0	100%	
Member	TSENG, YUNG-FU	1	1	50%	

Other items to be stated:

I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, state the meeting date, term, contents of motions, resolution of the Board meeting, and the Company’s handling of the opinions of the Remuneration Committee (e.g., the remuneration passed by the Board exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

II. For the resolutions adopted by the Remuneration Committee to which a member has a dissenting or qualified opinion which is on record or stated in a written statement, state the meeting date, term, contents of motions, opinion of each member, and the treatment to such opinions: None.

(3) Subjects of the Remuneration Committee’s discussions, resolutions and the Company’s handling of the members’ opinions

Remuneration Committee	Proposal content and follow-up	Resolution	The Company’s handling of the members’ opinions
4th term 5th March 19, 2021	1. 2020 remunerations to directors 2. 2020 remunerations to managerial officers	All attending members unanimously approved proposals as they were, and submitted the proposals to the Board of Directors for approval.	Submitted the proposals to the Board of Directors, and approved by all attending directors unanimously
4th term 6th November 5, 2021	1. Calculation of the 2021 year-end bonus 2. 2022 directors’ service expenses and other fees 3. 2022 managerial officers’ wages and incentives	All attending members unanimously approved proposals as they were, and submitted the proposals to the Board of Directors for approval.	Submitted the proposals to the Board of Directors, and approved by all attending directors unanimously

(4) Information of the Nomination Committee and its operation: None.

(V) Promotion of sustainable development, and variance from the Sustainable Development Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

Promotion Item	Implementation			Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	Summary	
I. Does the company establish an exclusively (or concurrently) dedicated unit to promote sustainable development have executives appointed by the board of directors to handle the promotion under the board of directors' supervision?		V	The Company has formed a sustainability report preparation panel for actual working divisions and implementation of sustainability-related affairs with the support from the senior management.	The Company will, depending on the practical and regulatory requirement, establish an exclusively (or concurrently) dedicated unit to promote sustainable development have executives appointed by the board of directors to handle the promotion under the board of directors' supervision.
II. Does the Company follow the materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy	V		The Company issues sustainability reports, and discloses the management and current status of sustainable development indicators such as corporate governance, ethical management, economic aspects, environmental aspects, and social aspects, while establishing related risk management policies.	None.
III. Environmental Topics (I) Has the Company established an environmental management system designed in line with industry characteristics?	V		The Company has passed ISO 14001 environmental management system verification (certificate verification expires on June 19, 2023; Special Steel Tucheng Branch office / Taichung Branch office and Steel Structure Longtan Plant are not included in the scope of verification); and through the PDCA management action steps, the effective environmental management system is implemented, including risk and opportunity assessment of environmental protection policies and environmental issues; the applicable environmental laws and regulations are the Waste Disposal Act, the Air Pollution Control Act and the Water Pollution Control Act.	None.
(II) Does the Company dedicate in promoting energy utilization efficiency, and use renewable materials that have low impact to the environment.	V		The Company's environmental, health and safety policies are as follows: 1. legal compliance; 2. full participation; 3. green consumption; 4. zero disaster; 5. continuous improvement; 6. well-rounded communications; 7. performance improvement; and 8. sustainable operation; of which, "green consumption" - recyclable steels are used for packaging materials. "Continuous improvement" - Air compressors are replaced with new ones to save energy better.	None.

<table>
<tr><th rowspan="2">Promotion Item</th><th colspan="3">Implementation</th><th rowspan="2">Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(III) Has the Company assessed its potential risks and opportunities now and the future regarding climate change, and adopted related responding?</td><td>V</td><td></td><td>The potential risks of climate change to the Company are mainly short periods of intense rainfall, as well as the flooding and sultry heat in the plant resulting from global warming, which may directly impact the Company’s operations. Measures taken include: in the lower-lying Xizhi Plant area, a water level warning system is used to activate the pumping station, to reduce the flooding probability of the plant; For high temperatures during summer, some plants use ventilation fans to enhance air circulation, and the roofs of the Longtan/ Tainan/ Kaohsiung/ Plants were leased to energy companies for the installation of solar panels. Not only does it offer effective heat insulation, it also reduces the temperature of the plant, to prevent workers on site from suffering heat injuries, reduce physical discomfort, and implement energy-saving and carbon-reduction policies.</td><td>None.</td></tr>
<tr><td>(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the most recent two years, and set greenhouse gas reduction, water usage reduction and other waste management policies?</td><td>V</td><td></td><td>The Company aligns with the development direction of the global greenhouse gas reduction strategy, and takes into account of the sustainable energy development goals including resource efficiency, energy saving, and environmental protection. In accordance with the ISO 14001 environmental management system, the Company regularly counts resources/energy consumption and discloses it in the sustainability report (The 2021 Sustainability Report will be issued in June 2022); the effectiveness of PDCA is evaluated annually for resources/energy management, and the Company has passed ISO 14001 environmental management system verification (certificate verification expires on June 19, 2023; Special Steel Tucheng Branch office/ Taichung Branch office and Steel Structure Longtan Plant are not included in the scope of verification), and also formulates relevant management policies pursuant to the ISO 14001 environmental management system standards.
1. Greenhouse gas emissions of the Taipei office and each plant (branch offices) (Scope 1 plus Scope 2):
(1) 2020 - 11,302 (ton CO_2e)
For each ton of product, the GHG emission intensity (tons/ CO_2e) is 0.02471
(2) 2021 - 11,632 (ton CO_2e)
For each ton of product, the GHG emission intensity (tons/ CO_2e) is 0.02219
2. In addition to the Special Steel Taichung Branch office, the water consumption of other Plants (branch offices) under the Taipei office:
2020 - 92,894 (m3); 2021 - 87,162 (m3)
3. No hazardous industrial waste is produced; and the weight of general industrial waste in each plant (branch office):
2020 - 13,258 (tons); 2021 - 13,879 (tons)</td><td>None.</td></tr>
</table>

Promotion Item	Implementation			Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	Summary	
IV. Social Topic (I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		The Company complies with relevant labor laws and regulations, to establish personnel management regulations and other procedures for managing and protecting the legitimate rights of employees.	None.
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		The Company is well aware that the sustainable development of the Company requires an employee welfare policy in addition to the growth of financial performance: 1. Remunerations: The wages of new recruits are determined by measuring the supply and demand situation of the labor market, and the market level of wages, with the principle of being better to the basic salary stipulated by Taiwan's Labor Standards Act, while taking into account the job to be assigned, education, and relevant work experience, manpower demand in the market, and current wages of the same jobs or the same seniority. 2. Leave: The Company has set up the "Procedures for Applying for Leave by Employees," and all leave systems are based on the Labor Standards Act and related laws and regulations. 3. Benefits: The Company has established an employee welfare committee to handle various employee welfare related affairs, including departmental dinners, club activities, intellectual arts and cultural activities, parent-child activities, ball games, among other things. 4. Reflecting operation performance in the employees' remunerations: According to the Company's Articles of Incorporation, employees will be remunerated, and compensations and year-end bonuses will be distributed on the eve of the Mid-Autumn Festival and the Lunar New Year.	None.

Promotion Item	Implementation			The deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reason for any such variance
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy work environment, with regular safety and health training?	V		The Company has established and implemented the “Regulations Governing Occupational Health and Safety Management” to implement the ISO 45001 occupational health and safety management system (validation expires on June 19, 2023; Special Steel Tucheng Branch office and Taichung Branch office excluded) and the Taiwan Occupational Safety and Health. Management System (TOSHMS, the effective certificate expires on June 18, 2023; the Longtan Plant’s scale meets the regulations of “Regulations Governing Occupational Health and Safety Management” of MOL, the certification and passage were applied separately). In 2021, due to COVID-19 pandemic containment measures, the company-wide safety and health inspection was suspended, and replaced by the monthly self-inventory by each plant (branch office) and a total of 18 deficiencies were corrected. Various environment, health and safety promotional education and trainings and health checkups of employees are conducted regularly, to protect the health and safety of employees; in 2021, there were total 12 employees’ occupational disasters, with 12 people involved (traffic accidents excluded for both), accounted 1% in total employees.	None.
(IV) Has the Company established effective career development training plans?	V		The Company has introduced a three-module system of function/training/performance, and implemented a comprehensive function-based talent development program through an efficient digitized model of the management framework. By taking talent as the core capital, the Company has developed a training system in line with TTQS. 1. Inventory of professional functions and establishment of a learning map. 2. Training and cultivation of new recruits for their functions. 3. Elite talent management and succession program. 4. Establishment of a know-how map of metal materials.	None.
(V) Do the Company’s products and services comply with related regulations and international rules for customers’ health and safety, privacy, sales, and labelling, and have polices to protect consumers’ rights and consumer interest appeal procedures been established?	V		The Company has implemented the ISO 9001 quality management system and obtained the examination certificate, to provide clients with high-quality products and services. It also has a rigorous procurement process, as well as a good client complaint channel and handling mechanism.	None.

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<tr><th rowspan="2">Promotion Item</th><th colspan="3">Implementation</th><th rowspan="2">Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(VI) Does the Company establish supplier management policies and request suppliers to comply with related environmental, occupational safety and health or labor rights standards, and their implementation status?</td><td></td><td>V</td><td>The Company currently has not established supplier management policies or requested suppliers to comply with related environmental, occupational safety and health or labor rights standards, and their implementation status.</td><td>The Company will, in 2022, establish the supplier management policies, schedule to review the regulations for procurement, and request suppliers to comply with related environmental, occupational safety and health or labor rights standards, and their implementation status.</td></tr>
<tr><td>V. Does the Company refer to international reporting rules or guidelines to publish sustainability reports to disclose non-financial information of the Company? Has the said report acquired verification by a third-party certification unit or a statement of assurance?</td><td>V</td><td></td><td>The Company issued the first sustainability report in 2017, and the sixth edition will be released at the end of June, 2022. The sustainability reports have been prepared pursuant to the latest G4 Sector Disclosures—Mining and Metals, GRI Standards by the Global Reporting Initiative, as well as the guidance and structure specified in the “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies,” while applying the “core options” as the principle of the disclosure of the CSR reports. The sustainability reports are issued every year as required by the competent authorities. Although no external validation is carried out, the internal review and validation is conducted by referring to AA1000 Assurance Standards.</td><td>None.</td></tr>
<tr><td colspan="5">VI. If the Company has established its own sustainable development best practice principles based on the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation:
Since 2017, sustainability reports are issued every year as required by the competent authorities. However no other regulations are established. In the future, it will be handled as required by the situation and the law.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the Company’s promotion of sustainable development:
In 2021, the Company continued to implement the ISO 14001 Environmental Management System, the ISO 45001 Occupational Safety and Health Management System and the Taiwan Occupational Safety and Health Management System (TOSHMS), while periodically passing the verification of external institutions. Meanwhile, the Company held various environment, health and safety promotional education and trainings and health checkup for employees, to implement the environmental responsibility, and ensure the employees’ health and safety. The Company also sponsored the community development associations and the events in the neighborhoods of the Plants (the Longtan Plant sponsored NT$331,004 to install tap water equipment for residents at Delin Road); purchasing mouth and foot painters’ works for the design of the Company’s annual greeting cards, while partnering with the Hsinchu Blood Donation Center for a blood donation event, as the fulfillment of sustainable development responsibility. In addition, in accordance with the requirements of the competent authority, CSR reports have been issued since 2017, and the fifth issue (Sustainability Report 2021) will be issued at the end of June 2022. Through continuous communication with stakeholders, it will help to implement and effectively understand corporate social responsibility operations.</td></tr>
</table>

(VI) Fulfillment of Ethical Corporate Management, and variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

Evaluation Item		Operation Status			Variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
		Yes	No	Summary	
I.	Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I)	Does the company have a clear ethical corporate management policy approved by its Board of Directors, specified its ethical corporate management policies,measures, and the commitment of Board of Directors and the senior management on active implementation of such policies in its regulations and external documents?		V	The Company has not established any ethical management policies, but the current core culture is one of sincerity, confidence, diligence, and responsibility, and the Company must comply with the principles of ethical management: “Personnel Management Regulations” Employees are required to be careful with their conduct, be cautious in their words and deeds, and not abuse their own positions for personal gain. “Reward and Penalty Procedures for Employees” The procedures specify that corruption, theft or misappropriation of the Company’s funds, accepting bribes or commissions, or deliberately damaging the Company’s properties, will result in discharge or dismissal depending on the circumstances if allegation is proved true, to prevent corruption. In addition, through the annual internal control self-assessment, all functions, plants and subsidiaries need to conduct self-examination on their operating items, including compliance with laws and regulations, and make timely adjustments to the design and implementation of the internal control system, and implement self-supervision mechanisms. Chun Yuan Steel’s external donations or sponsorships are also handled pursuant to relevant laws and regulations, as well as the Company’s internal regulations.	The Company will, depending on the practical and regulatory requirements, establish ethical management policies approved by the Board of Directors, and expressively disclose the ethical management policies in regulations and external documents, in order to ensure that the Board of Directors and senior management actively fulfill each commitment. An assessment mechanism for unethical conduct risk is also established to analyze and assess business activities with higher unethical risks as specified in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” or within other business scopes. A program to prevent unethical conduct will be established accordingly to implement the related operational procedures, conduct guidelines, disciplinary actions, and the appeal system with periodical amendments, to meet the requirements of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(II)	Does the company have an assessment mechanism for the risk of unethical conduct; regularly analyze and evaluate business activities with a higher risk of unethical conduct within the business context; formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	V			
(III)	Has the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and appealing procedures, and periodically reviews and revises such policies?	V			

Evaluation Item	Operation Status			Variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary	
II. Implementing Ethical Management				
(I) Has the Company assessed the ethics records of whom it has business relationships with and included business conduct and ethics related clauses in business contracts?		V	(I) The Company conducts business with suppliers pursuant to contract provisions and government laws and regulations, but has not yet clearly established any term of ethical conduct.	(I) In the future, the Company will evaluate the ethical conduct history of its counterparties as needed and required by the law, and specify ethical conduct clauses in the commercial contracts to be entered.
(II) Has the Company set up a unit under the Board of Directors which is dedicated to promoting the corporate ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters and programs to prevent unethical conduct and monitor its implementation?		V	(II) The Company has not yet set up a dedicated (concurrent) unit to promote corporate ethical management yet.	(II) In the future, the Company will, depending on the practical and regulatory requirements, set up a unit under the Board of Directors which is dedicated to promoting the corporate ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters and programs to prevent unethical conduct and monitor its implementation.
(III) Has the Company established policies to prevent conflicts of interests, provided appropriate communication and complaint channels and implemented such policies properly?		V	(III) The Company has not yet established policies to prevent conflicts of interests, nor provided appropriate communication and complaint channels.	(III) In the future, the Company will, as needed and required by law, establish policies to prevent conflicts of interests, provide appropriate communication and complaint channels, and implement such policies properly.
(IV) To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct risks by internal auditors, and have its ethical conduct program audited by internal auditors or CPAs periodically?	V		(IV) The Company has an accounting system and internal control system in place. The accounting system is established pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Committee, the Business Entity Accounting Act, and the Regulation on Business Entity Accounting Handling as well as other relevant laws and regulations, while taking into account the Company's operating policies, actual business development, and needs of actual management, in line with the processing of the information system, to fully facilitate the functions of accounting to assist corporate management, and improve the Company's operating efficiency, and seek to fairly present the financial position, operation results, and cash flows. For the accounting system and internal control system, not only the internal audit unit regularly assesses risks, makes audit plans, and performs related audits accordingly, but also special audits will be performed as needed, and the audit results are reported to the Board of Directors regularly. During the audit of 2021, the CPAs found no major non-compliance or suspected non-compliance with laws and regulations, and no related party transactions outside of business norms were found.	(IV) The Company will, depending on the practical and regulatory requirements, establish the principles of ethical management in 2021, to set up an assessment mechanism for unethical conduct risks. The internal auditors will formulate related audit plans based the assessment of unethical conduct risks by internal auditors, and have the ethical conduct program audited by internal auditors or CPAs periodically.
(V) Does the Company organize internal and external ethical conduct training programson a regular basis?	V		(V) The Company teaches the core culture of sincerity, confidence, diligence, and responsibility in the "Orientation for New Recruits," as well as reiterates corporate governance, employee ethics and other ethical norms internally from time to time.	(V) None.

Evaluation Item	Operation Status			Variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary	
III. Implementation of Reporting Procedures (I) Has the Company established specific reporting and reward procedures, set up conveniently accessible reporting channels, and designated responsible individuals to handle reports received? (II) Has the Company established standard operating procedures for investigating the reports received, follow-up measures after investigations are completed, and ensuring such reports are handled in a confidential manner? (III) Does the Company adopt proper measures to prevent whistle-blowers from retaliation for their whistle-blowing?	V V V		To fully and concretely reward and punish employees as they deserve, the Company has established the Personnel Deliberation Committee, to establish related regulations including the Charter of the Personnel Deliberation Committee, and provides fair and objective review based on the “Reward and Penalty Procedures for Employees.” For any complaints filed by any employee, the members, attending staff and other related staff shall keep the deliberations fully confidential without disclosing to any third party.	None.
IV. Enhanced Information Disclosure (I) Does the company disclose its ethical corporate management best practice principles as well as information about the implementation of such guidelines on its website and the Market Observation Post System (“MOPS”)?		V	The Company has not established principles of ethical management, but disclosed on the Company’s website that the core culture of the Company consists of sincerity, confidence, diligence, and responsibility.	The Company will, depending on the practical and regulatory requirement, establish the Ethical Corporate Management Best Practice Principles, and disclose the content and effect of promotion for the established Ethical Corporate Management Best Practice Principles on the official website and MOPS.
V. If the Company has established its own ethical corporate management best practice principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation: The Company has not established the principles of ethical corporate management.				
VI. Other important information to facilitate better understanding of the Company’s ethical corporate management practices: (e.g., reviewing and amending the Company’s corporate management best practice principles): None.				

(VII) The Company’s Corporate Governance Best Practice Principles and Other Regulations:

To establish a good corporate governance system, the Board of Directors has given approval for establishing the “Principles of Corporate Governance Best Practice” on December 30, 2019. The Principles are disclosed on MOPS.

(VIII) Other information to facilitate better understanding of the Company’s operation of corporate governance: None.

(IX) Implementation of the internal control system

1. Statement of Internal Control

Chun Yuan Steel Industry Co., Ltd.

Statement of Internal Control

Date: March 16, 2022

Based on the findings of the self-assessment, the Company states the following with regard to its internal control system during the year 2021:

I. The Company is aware that the Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The Company has already established this system. Its goal is to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Regulations" hereafter). The criteria for internal control adopted by the Regulations identify five key components of internal control according to the process of managerial control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes several items. For the said items, please refer to the Regulations.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This statement is an integral part of the Company's Annual Report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement was passed by the Board of Directors in their meeting held on March 16, 2022, with none of the eleven attending directors (proxies included) expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Chun Yuan Steel Industry Co., Ltd.

Chairman: TSAI, HSI-CHI

President: TSAI, HSI-CHI

2. Certified public accountants (CPAs) retained to conduct a special audit of the company's internal control systems: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

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

1. Key resolutions adopted by the 2021 general shareholders' meeting (July 23， 2021):

(1) Ratifying the 2020 Business Report and Financial Statements by voting:
Approved as proposed; the reports and statements are filed to the competent authorities for reference, reported, and announced, pursuant to the Company Act and other laws and regulations.

(2) Ratifying the proposal for distribution of 2020 profits by voting:
Approved as proposed (on June 23, 2021, the board of directors resolved that the base date of distribution was July 17, 2021, and the distribution date was August 10, 2021).

(3) Approved the amendments to the "Rules of Procedure for Shareholders Meetings."
Approved as proposed;

2. Key resolutions adopted by the Board of Directors:

Date	Description of proposal
February 4, 2021 (Thursday) 2021 1st Board of Directors	1. Approved the BOX-LINE investment proposal of the 2nd Manufacturing Section, Steel Structure Plant, Construction Division (Kaohsiung).
March 19, 2021 (Friday) 2021 2nd Board of Directors	1. Approved the proposal of transferring share equity of Xiamen Chun Yuan Precision Mechatronic Co., Ltd. 2. Approved the recommendations from the first meeting of the Remuneration Committee. 3. Approved the 2020 proposal of the "Assessment for Effectiveness of Internal Control System" and the "Statement of Internal Control." 4. Approved the 2020 settlement statements. 5. Approved the proposal to replace the CPAs certifying the financial statements. 6. Approved the assessment of the independence of the assigned CPAs 7. Approved the amendments to the "Rules of Procedure for Shareholders Meetings." 8. Approved the explanations to the accounts receivable overdue for more than three months as of December 31, 2020. 9. Approved the proposal to add the short-term comprehensive credit facility from Entie Commercial Bank for NT$300 million. 10. Approved the proposal for the 2020 employees and directors' remuneration distribution. 11. Approved the proposal of profit distribution for 2020 12. Approved the affairs for convening 2021 general shareholders' meeting.
May 7, 2021 (Friday) 2021 3rd Board of Directors	1. Approved the proposal to add the short-term comprehensive credit facility from Zhongshan Branch, Bank of Taiwan 2. Approved the proposal to increase the short-term credit facility from Dah Chung Bills Finance Corp 3. Approved the proposal to increase the short-term comprehensive credit facility from Standard Charter Bank.
June 23, 2021 (Wednesday) 2021 4th Board of Directors	1. The proposal to change the date of the 2021 Annual General Meeting was approved. 2. Approved the distribution schedule for 2021 cash dividends. 3. Approved the explanations to the accounts receivable overdue for more than three months as of March 31, 2021. 4. Approved the proposal to add the short-term comprehensive credit facility from CTBC Bank. 5. Approved the proposal to add the short-term comprehensive credit facility from Yuanta Commercial Bank.
August 6, 2021 (Friday) 2021 5th Board of Directors	1. Approved the proposal for costs exceeding the budget of the construction of office and dormitory building in Special Steel Longtan Branch office 2. Approved the explanations to the accounts receivable overdue for more than three months as of June 30, 2021. 3. Approved the amendments to the Company's internal control system. 4. Approved the proposal to add the short-term comprehensive credit facility from Cathay United Bank. 5. Approved the proposal to add the short-term comprehensive credit facility from Export-lmport Bank of Roc 6. Approved the proposal to add the short-term comprehensive credit facility from Shanghai Commercial & Savings Bank. 7. Approved the proposal to add the mid-term comprehensive credit facility from Taishin Commercial Bank. 8. Approved the proposal to add the mid-term comprehensive credit facility from Yuanta Commercial Bank.
September 24, 2021 (Friday) 2021 1st extraordinary meeting of the Board of Directors	1. Approved the proposal of transferring share equity of Xiamen Chun Yuan Precision Mechatronic Co., Ltd.

Date	Description of proposal
November 5, 2021 (Friday) 2021 6th Board of Directors	1. Approve the proposal to dissolve and liquidate Shanghai Chun Yuan Steel Industry Co., Ltd. 2. Approved the proposal for costs exceeding the budget of the construction in Special Steel Tainan Xinji Plant 3. Approved to add the contracted amount from the related party, Chun Yuan Construction Co., Ltd. in the construction of Direct Sales of Special Steel Tainan Xinji Plant. 4. Approved the recommendations from the second meeting of the Remuneration Committee in 2021. 5. Approved the amendment to the questionnaire for the board performance evaluation. 6. Approved the explanations to the payable/receivable overdue for more than three months as of September 30, 2021. 7. Approved the proposal to add the short-term comprehensive credit facility from Hua Nan Commercial Bank. 8. Approved the proposal to add the short-term commercial paper limit from Mega Bill Finance Co., Ltd. 9. Approved the proposal to add the short-term commercial paper limit from International Bills Finance Corporation
December 24, 2021 (Friday) 2021 7th Board of Directors	1. Approved the “2022 Annual Audit Plan.” 2. Approved the proposal to amend the “Articles of Incorporation.” 3. Approved the proposal to add the short-term commercial paper limit from Ta Ching Bills Finance Corporation. 4. Approved the proposal to add the short-term commercial paper limit from Taiwan Bills Finance Corporation 5. Approved the proposal to add the short-term comprehensive credit facility from E-Sun Bank. 6. Approved the proposal to add the short-term comprehensive credit facility from Far Eastern International Bank. 7. Approved the renewal and extension of credit facility agreements with financial institutions for 2022.
March 16, 2022 (Wednesday) 2022 1st Board of Directors	1. Approved the amendments to “Procedures for Acquisition or Disposal of Assets.” 2. Approved the recommendations from the first meeting of the Remuneration Committee in 2022. 3. Approved the 2021 proposal of the “Assessment for Effectiveness of Internal Control System” and the “Statement of Internal Control.” 4. Approved the 2020 settlement statements. 5. Approved the assessment of the independence of the assigned CPAs 6. Approved the explanations to the payable/receivable overdue for more than three months as of December 31, 2021. 7. Approved the proposal for the number of candidates to be re-elected at the 2022 Annual General Meeting. 8. Approved the list of directors (including independent directors) candidates nominated by the board of directors. 9. Approved the proposal for the 2021 employees and directors’ remuneration distribution. 10. Approved the proposal of profit distribution for 2021 11. Approved the affairs for convening 2022 general shareholders’ meeting. 12. Approved the distribution schedule for 2022 cash dividends.

3. Key resolutions adopted by the Audit Committee

Date	Description of proposal
February 4, 2021 (Wednesday) 2021 1st Audit Committee meeting	1. Approved the BOX-LINE investment proposal of the 2nd Manufacturing Section, Steel Structure Plant, Construction Division (Kaohsiung).
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.
March 19, 2021 (Friday) 2021 2nd Audit Committee meeting	1. Approved the proposal of transferring share equity of Xiamen Chun Yuan Precision Mechatronic Co., Ltd. 2. Approved the 2020 proposal of the “Assessment for Effectiveness of Internal Control System” and the “Statement of Internal Control.” 3. Approved the 2020 settlement statements. 4. Approved the proposal to replace the CPAs certifying the financial statements. 5. Approved the explanations to the accounts receivable overdue for more than three months as of December 31, 2020.
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.
June 23, 2021 (Wednesday) 2021 3rd Audit Committee meeting	1. Approved the explanations to the accounts receivable overdue for more than three months as of March 31, 2021.
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.

Date	Description of proposal
August 6, 2021 (Friday) 2021 4th Audit Committee meeting	1. Approved the proposal for costs exceeding the budget of the construction of office and dormitory building in Special Steel Longtan Branch office 2. Approved the explanations to the accounts receivable overdue for more than three months as of June 30, 2021. 3. Approved the amendments to the Company's internal control system.
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.
September 24, 2021 (Friday) 2021 1st Extraordinary Audit Committee meeting	1. Approved the proposal of transferring share equity of Xiamen Chun Yuan Precision Mechatronic Co., Ltd.
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.
November 5, 2021 (Friday) 2021 5th Audit Committee meeting	1. Approve the proposal to dissolve and liquidate Shanghai Chun Yuan Steel Industry Co., Ltd. 2. Approved the proposal for costs exceeding the budget of the construction in Special Steel Tainan Xinji Plant 3. Approved to add the contracted amount from the related party, Chun Yuan Construction Co., Ltd. in the construction of Direct Sales of Special Steel Tainan Xinji Plant 4. Approved the explanations to the payable/receivable overdue for more than three months as of September 30, 2021.
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.
March 16, 2022 (Wednesday) 2022 1st Audit Committee meeting	1. Approved the amendments to "Procedures for Acquisition or Disposal of Assets." 2. Approved the 2021 proposal of the "Assessment for Effectiveness of Internal Control System" and the "Statement of Internal Control." 3. Approved the 2021 settlement statements. 4. Approved the assessment of the independence of the assigned CPAs 5. Approved the explanations to the payable/receivable overdue for more than three months as of December 31, 2021.
	Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.
	The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.

(XII) During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, directors or supervisors who have expressed dissenting opinions with respect to material resolutions passed by the Board of Directors, and said dissenting opinions have been recorded or prepared as written declarations: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None

March 31, 2022

Title	Name	Inauguration date	Discharge date	Reason of resignation or discharge

V. Information on CPA Professional Fees:

(I) The professional fees paid to the CPAs are as follows:

Unit: NT$thousand

Name of Accounting Firm	Name of CPA	CPA’s Audit Period	Audit Fee	Non-audit Fee (Note 1)	Total	Remarks
Crowe (TW) CPAs	Wang, Wu-Chang	January 1 to December 31, 2021	4,878	7	4,885	-
	Chen, Kui-Mei	January 1 to December 31, 2021				

Note: Non-audit professional fees include - NT$20,000 for travel expenses, NT$50,000 for the review report on the repatriation of overseas funds.

(II) Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: N/A.

(III) Reduction in audit fees by more than 10% compared with the previous year: N/A.

VI. Information about replacement of CPAs:

(I) About the former CPA

<table>
<tr><td>Date of replacement</td><td colspan="3">1. Approved by the Board of Directors on March 20, 2020
2. Approved by the Board of Directors on March 19, 2021</td></tr>
<tr><td>Reason and explanation for replacement</td><td colspan="3">Pursuant to Article 68 of the Statements on Auditing Standards No. 46, the CPAs in charge were rotated internally in the accounting firm:
1. From the first quarter of 2020, the original CPAs Lin, Chih-Lung, CPA and Lin, Mei-Ling, CPA were replaced by Lin, Chih-Lung, CPA and Chen, Kui-Mei, CPA.
2. From the first quarter of 2021, the original CPAs Lin, Chih-Lung, CPA and Chen, Kui-Mei, CPA were replaced by Wang, Wu-Chang, CPA and Chen, Kui-Mei, CPA.</td></tr>
<tr><td rowspan="3">Specify whether the client or CPA terminates or rejects the appointment</td><td>Counterparty
Status</td><td>Certified Public Accountant</td><td>Client</td></tr>
<tr><td>Terminate the appointment voluntarily</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td>No longer accepts (continues) the appointment</td></tr>
<tr><td>Issuance of the audit report opinions other than the audit report containing unqualified opinions in the most recent two years, and cause thereof</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="6">Disagreement with the Company</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial reports</td></tr>
<tr><td></td><td>Scope or steps of audit</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>None</td><td colspan="2"></td></tr>
<tr><td colspan="3">Description: N/A</td></tr>
<tr><td>Other disclosures
(To be disclosed under the subparagraphs 6.1(4) to (7) of Article 10 of the Standards)</td><td colspan="3">None</td></tr>
</table>

(II) About the successor CPA

Name of Accounting Firm	Crowe (TW) CPAs
Name of CPA	1. Chen, Kui-Mei 2. Wang, Wu-Chang
Date of Appointment	1. Approved by the Board of Directors on March 20, 2020 2. Approved by the Board of Directors on March 19, 2021
Consultation about the accounting treatment or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result	N/A
Written opinion from the successor CPA regarding the matters disagreed by the former CPA	N/A

(III) The former CPA's response to the items referred to in the subparagraphs 6.1 and 6.2(3) of Article 10 of the Standards: N/A

VII. Name of auditing firm or its affiliates at which the Company's chairman, president, or managers responsible for financial or accounting matters was an employee over the past year, their position and employment period: None.

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

(I) Changes in equity of directors, supervisors, managers and major shareholders holding 10% or more stake:

Unit: shares

Title	Name	2021		Current year up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	TSAI, HSI-CHI	0	0	0	0
Director	LEE, WEN-LUNG	0	0	(6,300,321)	0
Director	CHENG, YE-MING	0	0	0	0
Director	TSAI, HSI-YU	0	0	0	0
Director	TSAI, CHENG-TING	0	0	0	0
Director	An Tien Investment Co., Ltd.	0	0	0	0
Director	Lian Teh Investment Company	0	0	0	0
Director	Amity New Co., Ltd.	0	0	0	0
Independent Director	TSENG, YUNG-FU	0	0	0	0
Independent Director	LIN, WEI-LIANG	0	0	0	0
Independent Director	HSU, LI-MING	0	0	0	0
President	TSAI, HSI-CHI	0	0	0	0
Vice President	LIN, WEI-CHENG	0	0	0	0
Vice President (Concurrently serving as the corporate governance officer)	HUNG, SHIH-MIN	0	0	0	0
Vice President	HUANG, CHUN-YUNG	0	0	0	0
Associate Vice President	CHIANG, MING-CHI	0	0	0	0
Associate Vice President	SONG, WEI-MIN	0	0	0	0
Associate Vice President	HO, YING-HUA	0	0	0	0
Accounting Officer (Manager)	LIN, YI-CHUN	0	0	0	0
Finance officer (Manager)	HSIEH, YU-HSIA	0	0	0	0

(II) Equity transfer information: None

Name	Reason of Transfer	Date of Transaction	Counterparty of the Transaction	Relationship between the counterparty and the Company, directors, supervisors, managers and major shareholders holding more than 10% stake	Shares	Transaction price
LEE, WEN-LUNG	Disposal (Gifted)	2022.3.28	WU, MEI-YING	Spouse	6,300,321	23.25

(III) Equity pledge information: None.

IX. Relationship information, if among the top ten shareholders any one is a related party or a relative within the second degree of kinship of another:

Unit: shares, %
July 17, 2021

Name	Shareholding by oneself		Shareholding of spouses and underage children		Total shareholding through others		Related parties, or spousal relationship or relatives within second degree of kinship, among top ten shareholders, including their names and relationships.		Remarks
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Name (or Name)	Relationship	
LEE, WEN-LUNG	36,300,321	5.60%	6,480,469	1.00%	0	0.00%	LEE, WEN-FA LEE, CHU-SONG	Brothers Brothers	
LEE, WEN-FA	36,300,321	5.60%	0	0.00%	0	0.00%	LEE, WEN-LUNG LEE, CHU-SONG	Brothers Brothers	
TSAI, HSI-CHI	24,610,799	3.80%	8,200,746	1.27%	0	0.00%	Anxi Investment TSAI, HSI-YU KUO, HSIU-MEI	Chairman Brothers Brother and sister in law	
LEE, CHU-SONG	22,614,270	3.49%	0	0.00%	0	0.00%	LEE, WEN-LUNG LEE, WEN-FA	Brothers Brothers	
Amity New Co., Ltd.	20,728,751	3.20%	0	0.00%	0	0.00%	-	-	
Person in Charge: CHENG, I-HUNG							CHENG, YE-MING	Brothers	
Anxi Investment Co., Ltd.	18,887,007	2.92%	0	0.00%	0	0.00%	TSAI, HSI-CHI TSAI, HSI-YU KUO, HSIU-MEI	Chairman Director Supervisor	
Person in Charge: TSAI, HSI-CHI							TSAI, HSI-YU KUO, HSIU-MEI	Brothers Brother and sister in law	
TSAI, HSI-YU	17,844,010	2.76%	10,453,871	1.61%	0	0.00%	Anxi Investment TSAI, HSI-CHI KUO, HSIU-MEI	Director Brothers Spouse	
CHENG, YE-MING	17,179,211	2.65%	1,042,407	0.16%	14,000,000	2.16%	CHENG, I-HUNG Cheng, Yao-Ren	Brothers Father and son	
CHUN, MING-YAO Wenchuang Co., Ltd.	14,000,000	2.16%	0	0.00%	0	0.00%	-	-	
Person in Charge: Cheng, Yao-Ren							CHENG, YE-MING	Father and son	
KUO, HSIU-MEI	10,453,871	1.61%	17,844,010	2.76%	0	0.00%	TSAI, HSI-YU TSAI, HSI-CHI Anxi Investment	Spouse Brother-in-law Supervisor	

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

Unit: shares; %
March 31, 2022

Invested enterprise	Investment made by the Company		Investment by directors and managers or by directly or indirectly controlled enterprises		Comprehensive investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Chun Yuan Construction Co., Ltd.	20,729,909	26.33%	11,213,536	14.24%	31,943,445	40.58%
Chun Yuan Investment (Singapore) Pte. Ltd.	61,739,835	100.00%	-	-	61,739,835	100.00%
Chun Shyang Shin Yeh Industry Co., Ltd.	6,856,000	48.97%	3,000	-	6,859,000	48.99%

I. Capital and shares

(I) Source of share capital

1. Source of share capital

Unit: thousand shares/NT$thousand

February 28, 2022

Month/Year	Issuance Price	Authorized share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Shares paid with properties other than cash	Others
August 2007	10	560,000	5,600,000	553,974	5,539,741	Capital increase from surplus	None	None
August 2008	10	700,000	7,000,000	576,133	5,761,330	Capital increase from surplus	None	None
August 2009	10	700,000	7,000,000	593,417	5,934,171	Capital increase from surplus	None	None
August 2011	10	700,000	7,000,000	634,956	6,349,563	Capital increase from surplus	None	None
September 2012	10	700,000	7,000,000	647,655	6,476,554	Capital increase from surplus	None	None

Note: The effective date of the capital increase from surplus for 2007 was July 18, 2007, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 0960037644

Note: The effective date of the capital increase from surplus for 2008 was July 11, 2008, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 0970034893

Note: The effective date of the capital increase from surplus for 2009 was July 15, 2009, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 0980035444

Note: The effective date of the capital increase from surplus for 2011 was July 14, 2011, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 1000032663

Note: The effective date of the capital increase from surplus for 2012 was July 6, 2012, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 1010030014

Unit: shares

Type of Shares	Approved Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	647,655,390	52,344,610	700,000,000	Listed Shares

2. Information Related to Shelf Registration: N/A.

(II) Shareholder Structure

July 17, 2021

Shareholder Structure / Quantity	Government agencies	Financial institutions	Other juridical persons	Individuals	Foreign Institution and persons	Total
Persons	0	2	74	55,259	83	55,418
Shares Held	0	1,038	95,246,758	536,742,668	15,664,926	647,655,390
Shareholding percentage	0.00%	0.00%	14.71%	82.87%	2.42%	100.00%

(III) Distribution of Equity

1. Common shares:

July 17, 2021

Shareholding classes	Number of shareholders	No. of shares held	Shareholding Ratio
1 to 999	12,796	2,952,369	0.46%
1,000 to 5,000	34,681	67,999,286	10.50%
5,001 to 10,000	4,365	35,600,650	5.50%
10,001 to 15,000	1,093	13,937,219	2.15%
15,001 to 20,000	829	15,514,803	2.40%
20,001 to 30,000	560	14,502,232	2.24%
30,001 to 40,000	283	9,986,159	1.54%
40,001 to 50,000	184	8,670,488	1.34%
50,001 to 100,000	306	22,578,400	3.49%
100,001 to 200,000	134	19,314,438	2.98%
200,001 to 400,000	77	22,480,142	3.47%
400,001 to 600,000	26	13,045,831	2.01%
600,001 to 800,000	13	8,666,611	1.34%
800,001 to 1,000,000	11	9,955,051	1.54%
1,000,001 to 5,000,000	38	76,211,726	11.77%
5,000,001 to 11,000,000	13	97,775,295	15.10%
11,000,001 to 25,000,000	7	135,864,048	20.98%
25,000,001 to 37,000,000	2	72,600,642	11.21%
Total	55,418	647,655,390	100.00%

2. Preference shares: None.

(IV) List of Major Shareholders

July 17, 2021

Shares / Name of major shareholder	Shares Held	Shareholding Percentage
LEE, WEN-LUNG	36,300,321	5.60%
LEE, WEN-FA	36,300,321	5.60%

(V) Market value, net value, earnings, and dividends per share during the most recent two years

Year Item			2020	2021	Current year up to March 31, 2022
Market price per share	Highest		15.65	37.55	26.80
	Lowest		8.06	11.50	21.00
	Average		12.76	25.20	24.34
Net value per share	Before distribution		16.12	17.48	-
	Before distribution		15.62	16.18	-
Earnings per share	Weighted Average		647,655,390	647,655,390	-
	Earnings per Share		0.79	1.88	-
Dividend per share	Cash dividend		0.60	1.30	-
	Bonus dividend	Out of earnings	-	-	-
		Out of additional paid-in capital	-	-	-
	Accumulated unpaid dividends		-	-	-
ROI analysis	Price earnings ratio		16.15	13.40	-
	Price dividend ratio		25.52	19.38	-
	Cash dividend yield		3.92%	5.16%	-

Note: The publication date of the Company's annual report is March 31, 2022; therefore, the latest quarterly statements audited (reviewed) by the CPAs up to the publication date of the annual report are the 2021 statements.

(VI) Dividend policy and Implementation:

1. Dividend policy set forth in the Articles of Incorporation:

   The Company's industry is fully developed, with stable profitability and a robust financial structure. For many years, the Company has been committed to diversified and high value added steel products and investments in high technology industries, to expand operational foundations. When formulating the earnings appropriation, the Company's financial structure, shareholders' equity, and stable dividends are taken into account. Except for the funds needed, the actual distributed earnings shall be 50% or more of the distributable earnings, and the cash dividends shall be no less than 10% of the sum of cash and share dividends.

2. On March 16, 2022, the Board of Directors resolved to distribute cash dividends of NT$1.30 per share.

3. Material change in dividend policy: None.

(VII) The effects of stock grants proposed at this shareholders' meeting on business performance and earnings per share: None.

(VIII) Employees, directors and supervisors' remuneration:

1. Pursuant to the percentages or scopes of employees and directors' remunerations specified in the Articles of Incorporation:

   The profit before tax, without including the remunerations to employees and directors, shall be distributed at the following percentages if a surplus is left after deducting the accumulated loss:

   (1) Directors' remuneration: maximum 1%

   (2) Employees' remuneration: 2%

2. Distribution of remunerations to employees and directors approved by the Board of Directors:

Share dividends		Cash dividends (NT$/share)	Remuneration to employees (NT$)	Remunerations to Directors (NT$)	The estimated earnings per share after taking the distribution of remunerations to employees and directors into account (NT$)
Out of earnings (NT$/share)	Out of additional paid-in capital (NT$/share)				
-	-	1.30	30,247,488	15,123,743	1.88

Note 1: The Board of Directors approved to distribute NT$30,247,488 as the employees' remuneration (2%, fully in cash) and NT$15,123,743 as the directors' remuneration (1%, fully in cash) for 2021. The amounts are identical to the employees and directors' remunerations recognized in the 2021 financial statement.

Note 2: The proposed amount of share remuneration distributed to employees: 0.

Note 3: The percentage of the proposed amount of share remuneration distributed to employees accounted in the net profit after tax and the total amount of the employees' remuneration: 0%

3. The earnings from the previous year to be distributed as the remunerations to employees, directors, and supervisors:

	2020			
	Actual distribution resolved by the shareholders' meeting	Intended distribution approved by the Board of Directors	Difference	Reasons for difference
I. Distribution				
1.Cash remunerations to employees	NT$12,814 thousand	NT$12,814 thousand	NT$0	-
2.Share remunerations to employees				
(1) Shares	-	-	-	-
(2) Amount	-	-	-	-
(3)Percentage of the outstanding shares of the year	-	-	-	-
3.Remunerations to directors and supervisors	NT$6,407 thousand	NT$6,407 thousand	NT$0	-
II.Information about earnings per share (NT$)				
1.Original earnings per share	NT$0.79	NT$0.79	0	-
2.Estimated earnings per share (Note)	NT$0.79	NT$0.79	0	-

Note 1: The shareholders' meeting approved to distribute NT$12,813,985 as the employees' remuneration (fully in cash) and NT$6,406,992 as the directors' remuneration (1%, fully in cash) for 2020. The amounts are identical to the employees and directors' remunerations recognized in 2020 financial statement.

(IX) Status of a company repurchasing its own shares: None.

II. Issuance of corporate bonds: None.

III. Issuance of preference shares: None.

IV. Global depositary receipts: None.

V. Employee share subscription warrants: None.

VI. New restricted employee shares: None.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies : None.

VIII. Implementation of the Company's capital allocation plans: The Company has no uncompleted public issue or private placement of securities, nor issues and placements that were completed in the most recent 3 years that have not yet fully yielded the planned benefits.

Overview of Business Operations

I. Description of business

(I) Scope of business

1. Description of business and proportion of business

Description of business	Proportion of business
Steel sheets	45.80%
Engineering service revenue	32.85%
Special steel strips	7.04%
Special steel products	6.86%
Electrical steel	4.68%
Storage systems	1.77%
Revenue from processing	0.57%
Formed steel	0.43%

2. New products/new technologies planned

In order to satisfy clients and operate sustainably, the Company pursues revenue growth and creating income based on a spirit of growth and client service. New development plans include:

(1) Steel Sheet Business Division: market development projects of materials for electric vehicles, servers, and compressors, as well as bevel cutting machine equipment projects, and continual promotions for the plant production process optimization.

(2) Direct Sale Division: development of the automatic mechanism of the shearing machine, the project of the hot-rolling leveler equipment, and continual promotions for the plant production process optimization.

(3) Special Steel Strip Business Division: development of high value-added steel strip material products, improvement and correction project for the precision slitting equipment of the rolling plant, to improve the equipment utilization and productivity.

(4) Special Steel Business Division: Continue to invest to add new ultra-hard circular saw equipment to increase capacity and integrate the industrial value chain, such as sales of part materials for the clientele of as e-scooters and machine tools, and provide products with high quality and competitiveness, while promoting the deep processing technical services, to meet the supply of special steel bar products; improving quality and increasing the added value of products.

(5) Electrical Steel Business Division: market development projects for automotive motors and sports equipment, to provide the design of high-efficiency motors, and continuous development of new iron core molds into the market.

(6) Automated Storage System Division: snap beam welding automation equipment project, heavy frame pillar forming equipment project, and plant production process integration and optimization project, to improve production synergy.

(7) Construction Division: project of manufacturing process equipment for steel structure, and R&D of steel bridge construction method, to improve efficiency, shorten construction period, and increase technological competitiveness edges.

(II) Overview of the industry

1. Review of the steel industry

Looking back 2021, with the gradual slow down of the international pandemic, the demands for end products have gradually recovered. Major countries have successively expanded infrastructure construction, leading the demand for steel products to increase significantly. Moreover, the prices of raw materials have been rising, driving the market price and volume of steel to rise, and the production value of the steel industry also soaring swiftly.

With the injection of fiscal stimulus and pandemic controls in various countries, the revenge demands emerged in the markets; from the raw materials to the end market, the demands rebounded. However, the continuous variation of COVID-19 virus made the full international interactions were unachievable, with limited recovery. The International Monetary Fund (IMF) recently revised that the global economic growth rate in 2021 downwardly to 5.9% from the estimation of 6.0% announced previously.

In the steel market, as the pandemic in various countries has been kept in check, and end market demands rebounded, the demand for crude steel also increased. In 2021, the global crude steel output was 1,950.20 million tons. Observing the production in each region, the EU area increased by 16.3%, North America increased by 16.6%, South America increased by 16.5%; while in Asia, Vietnam increased by 18.6%, India increased by 17.7%, Japan increased by 15.7%, Taiwan increased by 11.0%, South Korea increased by 5.2%, and China decreased by 3.0%. The total production volume of global crude steel in 2021 increased by 3.7%.

Production volumes in the major steel-producing countries in 2021 Unit: million tons, %

Region	2020	2021	Percentage of the region	Comparing to 2020	Growth rate
28 EU countries	124.2	144.4	7.4%	20.2	16.3%
Other European countries	42.9	47.7	2.4%	4.8	11.2%
Commonwealth of Independent States	92.2	97.0	5.0%	4.8	5.2%
North Americas	100.5	117.2	6.0%	16.7	16.6%
South Americas	35.1	40.9	2.1%	5.8	16.5%
Africa	16.1	19.3	1.0%	3.2	19.9%
Middle East	36.8	37.2	1.9%	0.4	1.1%
Oceania	5.5	5.8	0.3%	0.3	5.5%
Asia	1,393.4	1,404.5	72.0%	11.1	0.8%
China	1,064.7	1,032.8	53.0%	-31.9	-3.0%
Taiwan	21.0	23.3	1.2%	2.3	11.0%
Japan	83.2	96.3	4.9%	13.1	15.7%
Korea	67.1	70.6	3.6%	3.5	5.2%
India	100.3	118.1	6.1%	17.8	17.7%
Thailand	4.5	5.6	0.3%	1.1	24.4%
Vietnam	19.9	23.6	1.2%	3.7	18.6%
Pakistan	3.8	5.3	0.3%	1.5	39.5%
Asia others	28.9	28.9	1.5%	0.0	0.0%
Other countries	34.0	36.2	1.9%	2.2	6.5%
Total of the major steel-producing countries	1,880.7	1,950.2	100.0%	69.5	3.7%

For the costs of steelmaking, the price of iron ore hit a peak during May due to the increased demands in the end markets, and the insufficient inventories resulted from the limited production at the early stage of the pandemic; since the latter half of the year, the carbon neutrality policy in China resulted in limited crude steel production, the demands for the crude steel materials decreased, and thus the iron ore became over supplied. In December 2021, the price of iron ore dropped to US$40.2/ton, down 25.3% year on year.

Price list of iron ore: 62% iron content Unit: USD/ton, %

Item/Year	December 2020	March 2021	June 2021	September 2021	December 2021
Iron ore - USD/ton	159.20	164.75	218.40	118.30	119.00
Compared to last year (base)		3.5%	37.2%	-25.7%	-25.3%
Compared to last quarter		3.5%	32.6%	-45.8%	0.6%

In regard to international coking coal, due to the trade restrictions between China and Australia, the price of domestic coal mines in China has risen rapidly; meanwhile, due to the price surge in oil and natural gas required for thermal power generation, the demand for alternative coking coal also rose simultaneously. The prices in the global coking coal market has surged due to factors such as a decline in production resulted from climate issued in Australia, Indonesia, and South Africa.

The Australian Newcastle index of monthly coal prices indicated that in Q2, the increase was 39.9% from the previous quarter; the increase in Q3 was even as much as 61.8%; since Q4, benefitted from the policy of increased production for securing supply in China, dropped by 30.4% quarter on quarter, but still increased 88.4% year on year. The index rose from 80.5 in December 2020 to 151.70 in December, 2021.

Australian Newcastle index of monthly coal prices unit: %

Item/Year	December 2020	March 2021	June 2021	September 2021	December 2021
Newcastle index	80.50	96.25	134.70	218.00	151.70
Compared to last year (base)		19.6%	67.3%	170.8%	88.4%
Compared to last quarter		19.6%	39.9%	61.8%	-30.4%

In 2021, for the international steel market, the steel mills’ costs greatly surged due to factors such as soaring freight rates and rising raw material prices; the demand side is also benefited from post-pandemic demand recovery and the effective support from the policies to expand infrastructure in various countries, while expecting that China’s carbon neutrality policy will limit steel production, steel prices continued the rise from 2020.

In the Taiwan steel market, China Steel and international steel prices are synchronized. From the comparison of China Steel's monthly wholesale prices, it is seen that the prices of major steel types such as hot-rolled, cold-rolled, electro-galvanized and electromagnetic steel have all increased from the steel prices in 2020. As the prices effectively reflect the costs, the overall operation of the steel industry in Taiwan was relatively optimistic in 2021.

Wholesale price of China Steel and qoq comparison: Unit: NT$/ton, %

Type of steel	Period	Item	December 2020	March 2021	June 2021	September 2021	December 2021
Hot-rolled coil	Monthly wholesale price	Monthly wholesale price for general materials	21,040	25,140	29,890	30,390	29,790
		Increase/decrease from last period		19.5%	18.9%	1.7%	-2.0%
	Quarterly Wholesale price	Automotive materials	21,460	22,660	25,460	28,360	29,860
		Increase/decrease from last period		5.6%	12.4%	11.4%	5.3%
		Medium carbon steel	22,340	23,840	26,640	29,540	31,040
		Increase/decrease from last period		6.7%	11.7%	10.9%	5.1%
		Tool steel	25,040	26,540	29,340	32,240	33,740
		Increase/decrease from last period		6.0%	10.6%	9.9%	4.7%
Cold rolled coil	Monthly wholesale price	Monthly wholesale price for general materials	23,480	27,880	33,130	33,630	33,030
		Increase/decrease from last period		18.7%	18.8%	1.5%	-1.8%
	Quarterly Wholesale price	Automotive materials	24,240	25,440	28,240	31,140	32,640
		Increase/decrease from last period		5.0%	11.0%	10.3%	4.8%
		Medium carbon steel	24,080	25,580	28,380	31,280	32,780
		Increase/decrease from last period		6.2%	10.9%	10.2%	4.8%
		Tool steel	29,680	31,180	33,980	36,880	38,380
		Increase/decrease from last period		5.1%	9.0%	8.5%	4.1%
Galvanized steel coils	Quarterly Wholesale price	General materials	25,650	26,850	29,850	32,750	34,750
		Increase/decrease from last period		4.7%	11.2%	9.7%	6.1%
Electrical steel coils	Monthly wholesale price	High-spec	28,190	35,090	38,790	39,290	39,790
		Increase/decrease from last period		24.5%	10.5%	1.3%	1.3%
		Mid- and low spec	28,090	34,490	36,590	36,890	37,390
		Increase/decrease from last period		22.8%	6.1%	0.8%	1.4%

For import and export, benefitted from the proper domestic pandemic control and the shifted international orders, Taiwan's export value in 2021 reached NT$12,501,800 million, an increase of 22.6% from 2020; the import also hit a new high in recent years, increased by 26.3%.

Value of Taiwanese imports/exports in the past five years Unit: NT$100 million

Item/Year	2017	2018	2019	2020	2021
Import value	78,344	85,871	88,354	84,606	106,841
Export value	96,058	100,691	101,819	101,987	125,018

Further focus on the import and export performance of Taiwan’s steel industry, due to the effective increase in demands, and the rising international steel prices, both import and export value grew: the total import value of Taiwan’s steel industry was NT$427.1 billion, up 54.5% from 2020. The export value was NT$616.7 billion, up 43.3% from 2020.

Value of Taiwanese steel industry imports/exports in the past five years Unit: NT$100 million

Item/Year	2017	2018	2019	2020	2021
Import value	2,848	3,336	2,974	2,764	4,271
Export value	5,281	5,726	5,134	4,303	6,167

2. Links between the industry upstream, midstream, and downstream

Upstream:
The upstream raw materials of the steel industry are steel billets and stainless steel billets, both needing to be manufactured through steelmaking procedures. Steelmaking methods may be divided into blast furnace steelmaking and electric furnace steelmaking. The major raw materials for blast furnace steelmaking are iron ore and coking coal (also known as metallurgical coal). The representative manufacturer is China Steel. The main raw material of electric furnace steelmaking is scrap steel. Because the raw materials and rate of energy self-sufficiency required for steelmaking are insufficient in Taiwan, scrap steel, crude steel and steel billets mostly rely on imports, so the development of domestic mid- and downstream industries is relatively limited.

Midstream:
The midstream products of the steel industry belong in the carbon steel category. The products include hot- and cold-rolled steel coils, rebars, wire rods, and bar rods. For stainless steel, there are cold- and hot-rolled stainless steel coils, stainless steel rods and wires, and stainless shaped steel, as well as cutting and processing and the pipe-making industry in the late stages.

Downstream:
The steel industry is the mother of industry, with various downstream applications, including all kinds of metal products, machinery equipment, transportation tools, molds, screws and nuts, steel wires and cables, and various steel materials required for industrial facilities and construction projects, such as stainless steel, pipe fittings, micro joining components, construction hardware, lock products, among other things.

3. Competition

The relevant market of Taiwan’s steel industry is a fully competitive market. Most steel types can be manufactured and produced by domestic steel mills, while other special steel can be imported by applying for approval and other methods. Various operators are unable to significantly differentiate themselves in terms of material acquisition. From the view of pricing/cost, suppliers have controlled pricing for a long time, while downstream clients have a good grasp on information about raw material prices. The margins of intermediate vendors are both compressed downward and upward, with almost zero profitability, and thus their overall operating conditions are difficult. In addition, the domestic economy is a small-scale thin market economy, which is vulnerable to fluctuations in the international market. Especially in the steel industry where oversupply is currently maintained, price cutting competition is easily seen in the industry, resulting in a very fierce market competition.

4. Future development trends

Looking into the 2022 economic outlooks, there are still bunch of variables to the economic situation. Affected by the interest rates raised by central banks, and rising raw material prices and economic sanctions resulted from the Russia-Ukraine war, the IMF estimates that the global economic growth rate in 2022 will be 4.4%; Due to multiple interest rate hikes by Fed to curb inflation, the expected economic growth rate in 2022 is 4.0% in the U.S.; in the Eurozone, the estimated economic growth rate in 2022 is 3.9%; for China, the estimated economic growth rate in 2022 is 4.8%.

Country	Global	U.S.	Mainland China	Eurozone	Japan
IMF	4.4%	4.0%	4.8%	3.9%	3.3%

As far as Taiwan is concerned, the return policy for Taiwanese companies has gradually shown effects, and the return of industries has also driven the growth of upstream and downstream industrial chains, with stable domestic demands. In terms of exports, the recovery of the global economy and the gradual relief of the spare parts shortage have enabled the end products to be manufactured, and export orders have continued to hit new highs. The Chung-Hua Institution for Economic Research forecasts that the economic growth rate of Taiwan in 2022 will be 3.67%.

From the perspective of the Taiwan steel industry in 2022, under the impact of the rising demands in post-pandemic recovery, the demands are high, supporting the rise in steel prices to maintain the growth of the steel market, even though the prices of iron ore and coking coal have successively hit new highs and led to an increase in the steel mills’ costs; however, the steel prices have risen to near the peak in recent years, the downstream industry is concerned about the reversal of steel prices, possibly slowing down the material procurement. In 2022, the steel industry still needs to operate cautiously.

In terms of major steel-using industries, the car market was active in 2021, and the sales of electric vehicles increased year by year in the backdrop where the sustainability-related issues such as carbon neutrality were gradually being valued. In 2022, changes in the electric vehicle industry should be specified as a follow-up item. In the machinery industry, while the impacts of the international exchange rate and high freight rates limit the profits, the Association of Machinery Industry still expects that the rigid demand for machinery equipment will continue to flourish in 2022 due to the shifted international industrial chains, and the return of Taiwanese companies to invest in Taiwan, and the export and overall production value are expected to continue to grow In the construction industry, despite the impact of rising material costs and lack of workforce in 2021, the mortgage balance hit a record high, thanks to rigid demand for owner-occupation and low mortgage interest rates. In addition, the momentum of infrastructure investment was relatively stable, and government public construction continued. The construction market was generally deemed active. Nonetheless, in 2022, the government plans the suppression of speculative real-estate transactions gradually, and the Central Bank raises the interest rates, so most construction companies have slower forecasts for housing market growth in the future.

(III) Overview of technologies and research and development work

By implementing the concepts of “seeking innovation and change,” “expanding the future,” “collective efforts,” and “pursuing goals,” the Company accelerates corporate growth and sustainable operations. In addition to actively contacting and collaborating with well-known domestic and foreign research institutions and enterprises, it also integrates related resources within the Company. The R&D Technology Department assists R&D units under each division for the extension or development of products, for the series promotions of equipment and technologies, upgrading, and reengineering of the main equipment of the plants, and automation/labor-saving improvements of production equipment to enhance competitiveness.

The innovation of R&D in the Company’s technical field is implemented through the promotion of R&D projects by divisions; the project meetings are held regularly, to maintain the momentum of new technological development. Patents are applied for the results of technological development as the Company’s intellectual property; the total number of patents as of the end of 2021 amounts to eight. The technical fields are mainly motor electrical steel sheets steel sheet design, bridges and building construction methods with steel structures. Business, technical information and trade secrets are safeguarded from leaking through the regulations of employee information security and employment contracts.

In 2021, the introduction of new technologies and new equipment, as well as the improvement of existing equipment, technologies and processes, are centered at the promotion of automation and labor-saving, to achieve the effect of improving production efficiency and the working environment. Successful examples of improvements are as follows:

1. Xizhi Plant, Commercial Steel Business Division: Improvement of the automation of steel coil packaging operations, and optimization of the material inventory system to improve productivity synergy; continue to promote labor-saving for plant production operations and improve operating process.
2. Kaohsiung Plant, Commercial Steel Regional Division: Replacement of the old cold-rolling leveler, evaluation of the additional hot-rolling leveling machine, and the increase in the steel coil reserves; continue to promote labor-saving production operations in the plant and improve the operation process; Tainan Branch office just commenced the official operation of the new plant, with additional slitting machine/leveling machine, to expand production capacity and satisfy the customer service.
3. Rolling Plant, Special Steel Strip Business Division: Continue to optimize the cloud-based monitoring system for equipment, and increase related applications; enhance the maintenance and services of main equipment; rectification of precision slitting equipment in terms of electro-machinery aspect, to improve productivity; continue to promote labor-saving production operations in the plant and improve the operation process.
4. Special Steel Business Division: Inventory the old circular sawing machine equipment in the business office, plan to evaluate the expansion of production capacity to meet customer needs; add automatic material accumulation equipment for finished products to improve the on-site handling process.
5. Taichung Plant, Electrical Steel Business Division: Continuously adjust the production process to optimize the configuration, while improving the efficiency of warehousing and transportation turnover to increase the synergy of production; reinforce the maintenance and services of precision high-speed punching machines to improve the equipment utilization and productivity.
6. Automated Storage System Division: Continue to develop and introduce automation equipment items such as the heavy-duty beam frame robotic arm welding, and back-pushed trolley robotic arm welding; optimize parts manufacturing methods to improve production synergies.
7. Steel Structure Plant, Construction Business Division: Develop MIS production planning and scheduling system, to improve the degree of integration for the task issuing by order system, and optimize the deployment of process equipment; build the box-column process equipment to increase capacity.

2021 and up to the annual report publication date, the Company’s research and development expenditures:

2021	January to December:	：NT$25.95 million
2022	January to March.	：NT$8.89 million

(IV) Long- and short-term business development plans

1. Short-term objectives

No matter how the economic situation changes, in the face of an ever-changing operating environment, the Company continues to grasp the movements of markets and clients, to improve the flexibility to react. By strengthening “client management,” “accounts management,” and “inventory control and management,” the existing clients are solidified and new clients are developed, to increase the market share, while actively expanding the new industries, markets (both internationally and domestically), and high value-added products. Materials are procured prudentially based on client needs. The procurement, sales and inventory situation are reviewed to realize “inventory management.” Rationalization of “operating costs” is implemented to effectively save costs and increase operating margins. Through “R&D and innovation” labor and time are saved, while the employees’ occupational injuries is reduced and also the efficiency is improved.

In Taiwan, divisions continue to take stock of various equipment capabilities, and replace old equipment as needed for processing, to satisfy the commitment to quality assurance of clients. On the other hand, “equipment investment” and “project investment” plans are implemented, such as: the Tainan Sinji Plant was formally onboard in 2021. In the future, the gradual enhancement of capacity is expected, to create a competitive advantage over peers, and achieves the operational goal of increasing revenue and profit. In Mainland China, the re-investment business department completely connected the sales network in the coastal areas of Mainland China, such as South China, East China, and North China, to provide more direct and convenient services to local customers.

2. Long-term objectives

Chun Yuan Steel is one of the largest steel cutting and processing and distribution companies in Taiwan. Its processing mainly cover shearing, cutting, punching, rolling, welding, folding and assembling. The major steel products include steel sheets, hot-rolled and cold-rolled steel, rolled, plated, electrical steel sheets, special steel strip/rod, and copper and aluminum alloys and other sheets. Services are provided to all industries, but mainly to the transportation industry, 3C and appliance industry, machinery industry, hardware furniture industry and steel structure engineering, a key role in the steel industry chain. Facing the volatility of the steel industry, the concept of “talent cultivation” is implemented. Every Chun Yuan employee always upholds an attitude of “sincerity, confidence, diligence, and responsibility,” and a working method of “seeking innovation and change, expanding the future, collective efforts, and pursuing goals,” to be cautious but expend their utmost effort, to fully implement the annual key tasks. Long-term business goals are to adhere to the concept of “developing related industries around metals,” to continuously build competitive advantages over peers, and to pursue the corporate mission of “respecting, serving, and satisfying clients, while improving the quality of employees’ lives and maximizing shareholders’ equity.” The Company will realize its vision of becoming the “professional provider of metal material solutions.”

II. Analysis of the market and the production and marketing situation

(I) Market analysis

1. Major industries the Company sells products to

Among the domestic industries demanding steel, for the automotive industry, domestic automotive sales volume in 2021 was 449,000 units, an decrease of 1.7% over the same period in 2020. Of this, domestic car sales increased by 2.8% year-on-year, and the market share rose by 2.5% to 55.3%; imported car sales declined by 6.7% year-on-year, and the market share fell to 44.7%. For 2022, Hotai Motors argued that while the automotive chip shortage still overshadowed the car market, the stable economic growth and the active demands of domestic travel are likely to drive purchase, plus the supply with full force of each car maker, the auto market scale is estimated to be 460,000 units, a up more than 2% from 2021.

In the machinery industry, although the world is still impacted by the pandemic, in 2021, the export value would reach US$27.8 billion, and the production value would be US$1.3 trillion, up 24% over 2020 and reaching a historic high. For 2022, the “Electrical & Machinery Equipment industry” PMI released by the National Development Council has been expanding for 18 consecutive months from September 2020 to February 2022. Taiwan Association of Machinery Industry expects that for 2022, the economies of major countries such as the United States, Europe, China, and Japan are expected to continue to show moderate growth. Furthermore, the impact from the disruption by the pandemic to the economy has gradually faded. It is estimated that the production value of machinery equipment and the export value in 2022 to both continue to hit new highs. The production value It is estimated to reach NT$1.5 trillion.

In the construction industry, the number of houses sold and transferred in 2021 continued the growth trend of the previous year, reaching 348,000, an eight-year high. Looking to 2022, the number of buildings sold and transferred during the first two months in the six major cities increased slightly by 0.2% but hitting a new year-on-year high for nearly 11 years, indicating that the fever of the real-estate market transactions continued the boom at the end of 2021. However, the Russia-Ukraine war has intensified the volatility in the international financial markets, with escalated efforts to suppress the speculative real estate transactions by the government, resulting in challenges to the subsequent growth of the real estate market. In terms of domestic investment, the Directorate-General of Budget, Accounting and Statistics revised up the whole year economic growth rate to 4.42%. The private investment is supported by the continual expansion of capacity by the leading semiconductor manufacturer, and offshore wind power and solar energy power are built continuously; thus it is expected the private investment will exceed NT$5 trillion, up 5.65% in 2022. The “Survey on the Economic Situation” released by the Taiwan Institute of Economic Research in February indicated that in terms of soaring material costs, the government has expanded traceability management to enhance the distribution of materials in various construction areas, and relieved the pressure of rising material costs through excise tax deduction/waiver and centralized procurement. As the new construction and renovation projects of commercial/ plant-office buildings are positive, the construction industry is expected to recovery in the next six months. In addition, the problem of labor shortage is still tight, and the prolonged construction period may increase the construction pressure and risks of the construction companies, which shall be closely monitored.

Looking to 2022, the "Taiwan Economy in a Snapshot" released by the National Development Council in March pointed out that the global economy is expected to maintain recovery, but the spread of virus variants, supply chain bottlenecks, inflationary pressures, and the disruption of the Russia-Ukraine war may suppress the strength for the global economic growth. There are potential risks in the global economy, however, and we need to pay extra attention to:

(1) Spreading COVID-19 virus variants:

The Omicron variants continue to spread, discouraging consumer confidence; the zero-virus policy in China has led to shutdowns, affecting economic activities; some countries have gradually lifted pandemic containment measures, which may accelerate the emergence of new variants.

(2) Supply chain bottlenecks stay, deepening inflationary pressures:

The major port congestions and labor shortages have been worsened by the spread of the Omicron variants; the Russia-Ukraine war has intensified the supply chain bottlenecks and added pressure to the rising global inflation.

(3) Geopolitical, climate change and other risks:

Russia and Ukraine are important sources of bulk materials in the world. The expansion of their military conflicts may impact the global supply of bulk materials such as energies, metals and grains. The climate changes have led to frequent disasters around the world as well as economic losses.

(4) Financial pressures in emerging economies

The U.S. Federal Reserve will gradually raise interest rates, possibly intensifying the pressure of capital outflow and currency depreciation in emerging markets; moreover, countries with high fiscal deficits may face high inflation and debt repayment pressure at the same time.

2. Future demand-supply and growth of the market

(1) Steel sheets:

The major downstream steel industries include machinery, shipbuilding and steel structure industries. In the construction industry, benefitted from the continued growth momentum from the economic growth, the private investment is prosperous. Although there are factors such as policy suppressing speculative transactions, labor shortages, and rising raw material costs, the overall construction industry is still expected to maintain a growth trend.

(2) Hot-rolled coils:

These are the substrates of cold-rolled steel coils and hot-dip galvanized steel coils; and cold-rolled steel coils are the materials for galvanized steel sheets such as electrical galvanized steel and electrical steel sheets, widely used in transportation, machinery, hardware parts, piping and manufacturing. Its application is versatile and global demand is strong. In 2022, domestic car sales will be benefited from the steady growth of the economy and strong demand for domestic travel, and the purchases are expected to be driven by the factors. Coupled with the recovery of the overall manufacturing industry, the demand for hot-rolled steel coils will show a growth trend; in the machinery industry, the disturbing impact from pandemic on the market demand is fading gradually. The world economic growth outlook is promising, and machinery exports and production value continue to hit new highs, indicating that the global economy is improving, with higher investment willingness, and rigid demand for machinery and equipment continues to boom.

(3) Cold-rolled coils and clad steel:

Domestic cold-rolled coils are self-sufficient, supplying the base material of plated steel sheets, and they satisfy the demands of appliances, transportation, optoelectronics, construction, and hardware. As the production of domestic computers, communication and consumer electronics and appliances has moved abroad, demand is not strong. The main demand will be focused on the emerging markets like China and Southeast Asia. However, it is still facing the pressure of competition from China's low-priced steel and tariff pressures from Taiwan's lack of foreign trade agreements.

(4) Electrical steel sheets:

The core material for various types of motors, transformers, generators and other electric energy conversion equipment. The main downstream industries are transformers/ballasts, fans and motors. As the industries of ceiling fans, EI sheets and motors have moved abroad to China and Southeast Asia, domestic demand has shrunk severely. With the rise of steel mills in China, quality is advancing every day, and these Chinese steel mills are taking advantage of low prices to compete for local and Southeast Asian markets. The stamping and assembling capabilities of downstream manufacturers are also becoming more mature, which is quite detrimental to Taiwan's export orders.

(5) Non-iron metals:

Aluminum alloy plate is light-weighted with good heat dissipation, and has been widely applied in PC/NB cases, keyboards, TFT-LCD backlight panels, heat sinks and mobile phone parts. The demand is expected to slow down as the effect from WFH and at home economics resulted from the pandemic. In the automotive market, aluminum alloy plates are getting considered in order to implement lightweight design. However, the cost of aluminum alloys is high, and only widely applied in the high-end cars. Domestically produced cars are still dominated by price competition, and thus demand does not tend to grow significantly. Overall, the expansion of domestic sales of this product is still difficult.

Copper products are mainly brass sheets, red copper sheets, and phosphor bronze sheets, which are widely used in computers, communication and consumer electronics and hardware terminals and connectors. The demand is stable and is deeply affected by exchange rate and LME futures fluctuations. In terms of long-term development trends, consumption growth in China and rising demand in the Indian market, as well as the development of home/automotive electronics and global electric vehicles, demands for copper products are expected to continue to grow.

(II) Positive and negative factors for future development, and the Company's response to such factors

Looking at the domestic and international steel markets, the favorable and unfavorable factors for the Company's future market development are as follows:

1. Positive factors

(1) The economic growth momentum continued and the global pandemic situation went up and down. Driven by the stimulus of governments, the economy is expected to continue to recover, driving the export orders; plus the, private consumption continues to recover, and domestic and foreign manufacturers' investments, the Directorate General of Budget, Accounting and Statistics, Executive Yuan predicts that the economic growth rate in 2022 is expected to exceed 4%, which is positive to the recovery of demand for downstream steel industries.

(2) Fixed investment has grown steadily, and the Directorate General of Budget, Accounting and Statistics, Executive Yuan estimates that companies continue to increase domestic investment, which will drive related supply chains to invest in Taiwan, and expand the clustering effect. With the investments of returned Taiwanese company, 5G network expansion by the telecom providers, accelerated green power investment, and transportation provider expand capacity, the investment momentum is expected to maintain. The growth rate of fixed investment in 2022 is estimated to be 5.87%.

(3) The Company sells to diversified industries, and the customer service aspects are wide, the products are diverse and high-quality, and the production and processing technology is deeply trusted by customers. The Company is able catch the market pulse and customer needs immediately and completely. The collaboration and supports to each other among the Company's departments, enable the one-stop shopping for customers, to fully exert the maximum value of the channels.

2. Negative factors

(1) Geopolitical conflicts increase operational risks; the Russia-Ukraine war has triggered sharp volatilities in international oil prices and raw material prices. Consumer and investment confidence will be impacted if inflation continues to deteriorate.

(2) The steel prices were pushed higher by the rising prices of international raw materials for steelmaking, increasing the operational risks of construction projects and storage rack projects. If steel material price change clauses are not included in the contracts entered, profit margins could be limited and shruken.

(3) Affected by the demands from returned Taiwanese businesses, and renovation of dangerous and old buildings and urban renewal, the construction industry is still facing shortages of labor, creating pressure on manpower deployment, costs and project schedules.

3. Responses

(1) The Company will leverage the long-term collaborative relationships with upstream steel mills, and in response to exchange rate trends, expand the acquisition of niche sources, to reduce material costs and serve long-term quality clients, to ensure revenue and profit.

(2) The Company precisely understands the needs of clients, handles materials prudently, undertakes proper procurement, sales and inventory management, operates with the most appropriate inventory, and effectively reduces the demand for working capital.

(3) Various cost-rationalization and cost-saving programs are implemented to strengthen competitiveness.

(4) The Company is closely integrated with overseas subsidiaries, and is expanding export clients in Southeast Asia, to diversify the excessive sales concentration in the transportation industry and China, and reduce the risk of operational fluctuations.

(5) The Company is expanding new industries and new clients, and is making every effort to develop customized products, to meet clients' demands for materials.

(6) The Company develops new products and new technologies, introduces new manufacturing processes and new equipment, and ensures that production and processing technologies and product quality continue to lead the industry.

(III) Usage and manufacturing processes of main products

Material	Production process	Product name	Usage
Hot-rolled coil	Cropping and flattening	Hot rolled steel sheets	Construction, machinery, and durable equipment
	Stripping	Hot rolled stripped coils	
	Stripping and rolling to form	Light shaped steel	Construction use
Cold rolled coil	Cropping and flattening	Cold-rolled steel sheet	Parts for common domestic tools and items, automotive components
	Stripping	Cold-rolled stripped coils	Automotive components, metal products, sports equipment
Enamel steel coils	Cropping, flattening, stripping	Enamel steel sheets, enamel steel stripped coils	Colorful cookers, pots and cups, basins, bathtubs, and walls
Plated steel coils	Cropping and flattening	Plated steel sheets	Parts of appliances, automotive gas tanks, exhaust pipes, air conditioner and refrigerator parts
	Stripping	Plated steel stripped coils	
Thick sheets	Cutting, welding, drilling, assembling	Welded H-shape steel	Steel construction, machinery, bridges, and other steel structures
		Welded H-shape honeycomb steel	
		Steel junction plates	
		Steel reinforced plates	
		Machinery parts	
		Steel construction	
Electrical steel sheets (coils)	Stripping, stamping	Motor cores, EI sheets	Motors, transformers, rectifiers
	Stripping	Electrical steel strips	
Special steel	Sawing	Sheets, bars, round steel, square steel, and angle steel	Machines, cars, parts, molds
High-carbon steel coils	Stripping, cold rolling, annealing, and tempering	Cold rolled high-carbon steel stripped coils	Stationery supplies, springs, and tool parts
Steel Sheet parts	Forming, assembling, and installing	Logistics equipment	Storage and management of materials, tapes, and files
		Light-, mid-, and heavy-duty material racks	
		3D automated storage systems	

(IV) Supply situation for major raw materials

Name	Major source	Supply situation
Steel sheets and coils	China Steel and Japan	Good
Steel sheets for construction	China Steel	Good

(V) Data of clients accounting for 10 percent or more of the total procurement (sales) amount in either of the two most recent fiscal years

1. Major suppliers in the two most recent years

Unit: NT$thousand

	2021				2020				2022 up to the previous quarter			
Item	Name	Amount	Percentage of net amount of purchased goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of purchased goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of purchased goods for the current year up to the previous quarter (%)	Relation to the issuer
1	China Steel	7,238,987	45	None	China Steel	4,816,735	43	None	-	-	-	-
2	Toyota Tsusho (Taiwan) Co., Ltd.	2,086,431	13	None	Toyota Tsusho (Taiwan) Co., Ltd.	1,648,265	15	None	-	-	-	-
3	Chung Hung Steel Corporation	1,614,789	10	None	Chung Hung Steel Corporation	1,083,032	10	None	-	-	-	-
	Others	5,311,770	33		Others	3,694,512	33		-	-	-	-
	Net amount of purchases	16,251,977	100		Net amount of purchases	11,242,544	100		-	-	-	-

1. Reason of changes: Procurement plans were adjusted to adapt to the changes of the supply-demand situation and prices.
2. The publication date of the Company’s annual report is March 31, 2022. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2021 statements.

2. Major clients in the two most recent years

Unit: NT$thousand

	2021				2020				2022 up to the previous quarter			
Item	Name	Amount	Percentage of net amount of sold goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of sold goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of sold goods for the current year up to the previous quarter (%)	Relation to the issuer
1	Toyota Tsusho (Taiwan) Co., Ltd.	2,201,103	17	None	Toyota Tsusho (Taiwan) Co., Ltd.	1,634,968	18	None	-	-	-	-
	Others	10,986,432	83		Others	7,417,837	82		-	-	-	-
	Net Amount of sales	13,187,535	100		Net Amount of sales	9,052,805	100		-	-	-	-

1. Reason of changes: Clients adjusted their procurement plans to adapt to the changes of the supply-demand situation and prices.
2. The publication date of the Company’s annual report is March 31, 2022. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2021 statements.

(VI) Production volume and value in the most recent two years

Unit: tons, NT$thousand

Year Production volume and value Major products	2021			2020		
	Capacity	Production volume	Production value	Capacity	Production volume	Production value
Steel sheets	420,000	281,499	8,678,477	420,000	256,703	5,987,987
Electrical steel	73,000	22,977	889,779	73,000	21,174	544,172
Special steel products	36,000	39,761	1,163,987	36,000	34,498	812,041
Special steel strips	53,000	32,181	1,180,900	53,000	26,214	833,354
Formed steel	64,000	0	0	64,000	0	0
Engineering service revenue		141,039	4,104,238		152,878	4,059,692
Storage systems	4,000	6,610	319,209	4,000	5,798	232,664
Total	650,000	524,067	16,336,590	650,000	497,265	12,469,910

(VII) Sales volume and value in the most recent two years

Unit: tons, NT$thousand

Year Sales volume and value Major products	2021				2020			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Steel sheets	273,319	9,000,907	1,997	70,153	250,706	6,200,230	1,313	27,852
Electrical steel	19,899	796,292	2,453	129,892	16,793	441,455	3,818	130,983
Special steel products	39,854	1,358,661	22	806	34,343	885,791	57	1,658
Special steel strips	21,615	968,445	8,975	426,799	17,567	689,150	7,834	299,185
Formed steel	2,675	84,976	0	0	2,967	78,032	0	0
Engineering service revenue	109,718	6,505,918	0	0	115,658	6,155,245	0	0
Storage systems	6,326	350,000	7	604	6,408	298,153	5	316
Revenue from processing	0	112,942	0	0	0	91,874	0	0
Total	473,406	19,178,141	13,454	628,254	444,442	14,839,930	13,027	459,994

III. Number of employees employed for the preceding two fiscal years, and during the current fiscal year up to the date of publication of the annual report

Year		2020	2021	Current year up to March 31, 2022
Employees	Clerk	640	638	627
	Technician	525	511	491
	Total	1,165	1,149	1,118
Average age		42	42	43
Average years in service		15	15	15
Distribution of academic background	PhD	0%	0%	0%
	Master	8%	8%	9%
	Bachelor	55%	56%	56%
	Senior high school	30%	29%	29%
	Junior high school or under	7%	7%	6%

IV. Disbursements for environmental protection

For 2021 and up to the publication date of the annual report, the Company has not been penalized due to environmental pollution and thus no losses were suffered.

V. Labor-Management Relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-capital agreements and measures for preserving employees' rights and interests.

1. The Company offers group welfare insurance to employees on the Company's cost, to ensure employees can work with a peace of mind.
2. Regular health checks for all employees are provided as required by law.
3. Regarding the retirement system, retirement procedures are established for employees, and monthly contributions to the pension reserve are made. A "Labor Pension Reserve Supervision Committee" has been established to take charge of the supervision and management of pensions. The monthly contributions are made to the Labor Insurance Bureau for employees who have selected the new pension system. Employees who have worked for 15 years or more and are 55 years of age, those who have worked for 25 years or more, or those who have worked for 10 years or more and are 60 years of age, are eligible to apply for retirement and receive a pension based on their seniority.
4. Moreover, the "Employee Welfare Committee" has been established to plan and organize various welfare activities such as trips abroad, holiday bonuses, parent-child activities, ball games, and club activities. It also handles subsidies to injured and sick employees, wedding and funeral subsidies, child education subsidies, employee compensations and other welfare systems.
5. In order to make full use of human resources and cultivate employees' knowledge and skills, the Company organizes various trainings (management and related to professional knowledge and skills) to enable employees to grow together with the Company.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor-capital disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

VI. Cyber Security Management

(I) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

1. The Company has established a corporate information security policy, which contains relevant information security management regulations, and has been disclosed on the official website (www.cysco.com.tw → investor section → corporate governance). The “Security Commitment Statement” are signed by all employees to ensure that all employees are fully aware of the Company's information security policies and regulations.
2. In addition to the management, the Company also continues to invest in cyber security equipment, such as: Web Security Gateway , New Generation Firewall (NGFW), among other things, to combine with the Company's existing endpoint security protection, strengthen the cyber security, and reduce the probability of information security incidents.

(II) Losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken

During 2021 and up to the date of publication of the annual report, the Company has not had any major cyber security incident; but in order to reduce the probability of occurrence, the Company will continue to reinforce the information security framework, to ensure the security of the information and communication systems.

VII. Important contracts:

Date: March 31, 2022

Nature of contract	Counterparty	Commencement date and expiration date	Major content	Restrictive terms
Joint venture agreement	Toyota Auto Body Co., Ltd.	Entered on May 7, 1997	Name of Company: Chun Shyang Shin Yeh Industry Co., Ltd. Major business: Engaging in the manufacture, sale, lease and repair of automotive sheet metal parts, stamping parts, molds, jigs and inspection measuring tools. Location of Establishment: Taoyuan County, Taiwan Province (at that time). The capital is NT$One Hundred Forty Million, and the Company owns 48.97%. There are five seats of directors and the Company occupies two.	None

I. Condensed balance sheets, statements of comprehensive income, names of the CPAs and auditor's opinion for the most recent five fiscal years

(1) Condensed Balance Sheet and Statement of Comprehensive Income

(I) Condensed Balance Sheet: Consolidated

Unit: NT$thousand

Year Item		Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2022 (Note 2)
		2021	2020	2019	2018	2017	
Current assets		16,449,439	11,849,214	10,935,889	11,534,330	11,004,718	
Property, plant and equipment		4,721,403	4,622,846	4,737,201	4,700,168	4,633,936	
Intangible assets		3,676	3,689	3,661	3,726	3,766	
Other assets		1,969,105	1,795,724	1,528,948	1,550,747	1,676,405	
Total assets		23,143,623	18,271,473	17,205,699	17,788,971	17,318,825	
Current liabilities	Before distribution	10,235,983	6,297,518	5,616,917	5,904,967	5,204,021	
	After distribution	-	6,686,111	5,811,214	6,267,654	5,527,849	
Non-current liabilities		1,057,592	978,845	971,432	984,112	999,053	
Total liabilities	Before distribution	11,293,575	7,276,363	6,588,349	6,889,079	6,203,074	
	After distribution	-	7,664,956	6,782,646	7,251,766	6,526,902	
Equity attributable to owners of the parent		11,324,092	10,437,860	10,068,934	10,321,712	10,519,587	
Share capital		6,476,554	6,476,554	6,476,554	6,476,554	6,476,554	
Additional paid-in capital		162,071	161,701	160,927	160,584	160,209	
Retained earnings	Before distribution	5,061,285	4,220,464	3,901,852	4,007,314	3,946,953	
	After distribution	-	3,831,871	3,707,555	3,644,627	3,623,125	
Other equities		(375,818)	(420,859)	(470,399)	(322,740)	(64,129)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		525,956	557,250	548,416	578,180	596,164	
Total Equity	Before distribution	11,850,048	10,995,110	10,617,350	10,899,892	11,115,751	
	After distribution	-	10,606,517	10,423,053	10,537,205	10,791,923	

Note:

1. All abovementioned financial data has been audited and certified by the CPAs.
2. The publication date of the Company's annual report is March 31, 2022. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2021 statements.

(II) Condensed Statement of Comprehensive Income: Consolidated

Unit: NT$thousand

Year / Item	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2022 (Note 2)
	2021	2020	2019	2018	2017	
Operating income	26,320,660	19,228,310	16,735,011	18,510,589	17,266,107	
Operating gross income	2,367,273	1,345,690	951,712	1,015,210	1,124,049	
Operating income	1,362,212	542,403	164,589	217,297	351,103	
Non-operating income and expense	198,953	128,834	131,899	96,373	201,217	
Profit before tax	1,561,165	671,237	296,488	313,670	552,320	
Continuing operations Current period net profit	1,245,260	522,395	232,444	243,999	401,683	
Loss from discontinuing operations	-	-	-	-	-	
Current period net profit (loss)	1,245,260	522,395	232,444	243,999	401,683	
Other comprehensive income recognized for the period (Profit after tax)	60,891	88,866	(139,031)	(163,380)	(32,466)	
Total comprehensive income in the current period	1,306,151	611,261	93,413	80,619	369,217	
Net profit attributable to owners of the parent	1,220,618	513,917	240,782	249,742	387,151	
Net profit attributable to uncontrolled equity	24,642	8,478	(8,338)	(5,743)	14,532	
Total comprehensive income attributable to the owner of parent	1,274,455	562,449	109,742	120,814	312,456	
Total comprehensive income attributable to uncontrolled equity	31,696	48,812	(16,329)	(40,195)	56,761	
Earnings per share	1.88	0.79	0.37	0.39	0.60	

Note:

1. All abovementioned financial data has been audited and certified by the CPAs.
2. The publication date of the Company's annual report is March 31, 2022. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2021 statements.

(III) Condensed Balance Sheet: Parent only

Unit: NT$thousand

Item	Year	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2022
		2021	2020	2019	2018	2017	
Current assets		11,895,170	8,541,363	7,893,650	8,128,379	7,425,707	
Property, plant and equipment		4,236,021	3,981,141	3,990,042	3,944,114	3,869,977	
Intangible assets		1,950	1,950	1,950	1,950	1,950	
Other assets		4,530,700	4,221,263	3,935,155	4,021,131	4,159,355	
Total assets		20,663,841	16,745,717	15,820,797	16,095,574	15,456,989	
Current liabilities	Before distribution	8,294,972	5,341,290	4,792,893	4,802,913	3,952,488	
	After distribution	-	5,729,883	4,987,190	5,165,600	4,276,316	
Non-current liabilities		1,044,777	966,567	958,970	970,949	984,914	
Total liabilities	Before distribution	9,339,749	6,307,857	5,751,863	5,773,862	4,937,402	
	After distribution	-	6,696,450	5,946,160	6,136,549	5,261,230	
Equity attributable to owners of the parent		-	-	-	-	-	
Share capital		6,476,554	6,476,554	6,476,554	6,476,554	6,476,554	
Additional paid-in capital		162,071	161,701	160,927	160,584	160,209	
Retained earnings	Before distribution	5,061,285	4,220,464	3,901,852	4,007,314	3,946,953	
	After distribution	-	3,831,871	3,707,555	3,644,627	3,623,125	
Other equities		(375,818)	(420,859)	(470,399)	(322,740)	(64,129)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before distribution	11,324,092	10,437,860	10,068,934	10,321,712	10,519,587	
	After distribution	-	10,049,267	9,874,637	9,959,025	10,195,759	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

(IV) Condensed Statement of Comprehensive Income: Parent only

Unit: NT$thousand

Year / Item	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2022
	2021	2020	2019	2018	2017	
Operating income	19,806,395	15,299,924	12,670,484	13,999,424	12,838,362	
Operating gross income	1,769,242	993,822	709,883	750,418	819,114	
Operating income	1,088,199	426,280	146,983	188,358	258,160	
Non-operating income and expense	378,804	195,198	141,012	116,330	214,016	
Profit before tax	1,467,003	621,478	287,995	304,688	472,176	
Continuing operations Current period net profit	1,220,618	513,917	240,782	249,742	387,151	
Loss from discontinuing operations	-	-	-	-	-	
Current period net profit (loss)	1,220,618	513,917	240,782	249,742	387,151	
Other comprehensive income recognized for the period (Profit after tax)	53,837	48,532	(131,040)	(128,928)	(74,695)	
Total comprehensive income in the current period	1,274,455	562,449	109,742	120,814	312,456	
Net profit attributable to owners of the parent	-	-	-	-	-	
Net profit attributable to uncontrolled equity	-	-	-	-	-	
Total comprehensive income attributable to the owner of parent	-	-	-	-	-	
Total comprehensive income attributable to uncontrolled equity	-	-	-	-	-	
Earnings per share	1.88	0.79	0.37	0.39	0.60	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

(2) Names and audit opinions of CPAs in the most recent five years

Year of Certification	Name of CPA	Audit Opinions
2017	Lin, Chih-Lung; Lin, Mei-Ling	Standard unqualified opinions
2018	Lin, Chih-Lung; Lin, Mei-Ling	Unqualified opinions
2019	Lin, Chih-Lung; Lin, Mei-Ling	Unqualified opinions
2020	Lin, Chih-Lung; Chen, Kui-Mei	Unqualified opinions
2021	Wang, Wu-Chang and Chen, Kui-Mei	Unqualified opinions

II. Financial analyses for the most recent five fiscal years

(I) Financial Analysis: Consolidated

Year / Analysis item		Financial analysis in the most recent five years (Note 1)					Current year up to March 31, 2022 (Note 2)
		2021	2020	2019	2018	2017	
Financial structure (%)	Debt ratio	48.80	39.82	38.29	38.73	35.82	
	Ratio of long-term capital to property, plant and equipment	242.79	231.29	229.57	236.75	253.84	
Solvency (%)	Current ratio	160.70	188.16	194.70	195.33	211.47	
	Quick ratio	102.37	130.00	136.53	135.71	150.22	
	Interest coverage ratio	25.71	16.58	6.55	5.89	13.10	
Operating ability	Receivables turnover rate (times)	4.88	4.27	3.49	3.82	4.04	
	Average collection days for receivables	75	85	105	96	90	
	Inventory turnover rate (times)						
	General inventory	3.88	3.62	3.73	4.07	4.66	
	Construction contracted	0.33	0.40	0.29	0.33	0.23	
	Average days for sale						
	General inventory	94	101	98	90	78	
	Construction contracted	1,105	915	1,271	1,101	1,573	
	Payables turnover rate (times)	15.18	12.25	14.81	16.13	16.30	
	Property, plant and equipment turnover rate (times)	5.02	3.76	3.32	3.78	3.58	
	Total asset turnover rate (times)	1.14	1.05	0.97	1.00	1.00	
Profitability	Return on assets (%)	6.26	3.14	1.57	1.68	2.65	
	Return on equity (%)	10.90	4.83	2.16	2.22	3.59	
	Ratio of income before tax to paid-in capital (%)	24.10	10.36	4.58	4.84	8.53	
	Net profit margin (%)	4.73	2.72	1.39	1.32	2.33	
	Earnings per share (NT$)	1.88	0.79	0.37	0.39	0.60	
Cash flow (Note 3)	Cash flow ratio (%)	-	6.61	18.12	-	-	
	Cash flow adequacy ratio (%)	19.59	47.76	87.21	83.85	103.65	
	Cash reinvestment ratio (%)	-	1.22	3.70	-	-	
Leverage (Note 3)	Operating leverage	6.37	13.59	28.20	25.03	13.26	
	Financial leverage	1.05	1.09	1.48	1.42	1.15	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

2. The publication date of the Company's annual report is March 31, 2022. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2021 statements.

3. If the cash flow and leverage is negative, it is indicated with "-".

Explanation of reasons for changes in each financial ratio during the most recent two years (increase/decrease of 20%)	
Debt ratio	The ratio rose due to an increase in total liabilities and total assets.
Quick ratio	The ratio declined as inventories and current liabilities rose.
Interest coverage ratio	The net profit before tax and interest increased, so the ratio increased.
Payables turnover rate (times)	The sales costs increased, so the ratio increased.
Average days for sale - construction contracted	The construction contracted increased greater than the rise of the construction costs, so the inventory turnover rate of construction contracted decreased, and the average days for sale increased
Property, plant and equipment turnover rate (times)	The net amount of sales increased, so the ratio increased.
Return on assets (%)	The net profit after tax increased, so the ratio increased.
Return on equity (%)	The net profit after tax increased, so the ratio increased.
Ratio of income before tax to paid-in capital (%)	The net profit before tax increased, so the ratio increased.
Net profit margin (%)	The net profit after tax increased, so the ratio increased.
Earnings per share (NT$)	The net profit attributed to the parent company increased, so the ratio increased.
Cash flow ratio (%)	The cash inflow from operations during the term decreased from the same period last year, so the ratio decreased.
Cash flow adequacy ratio (%)	The cash flow from operating activities and inventories increased in the recent five years, so the ratio decreased.
Cash reinvestment ratio (%)	The cash inflow from the operation during the term decreased from the same period last year, so the ratio decreased.
Operating leverage	The operating profit increased, so the ratio decreased.

(II) Financial Analysis: Parent only

Analysis item	Year	Financial analysis in the most recent five years (Note 1)					Current year up to March 31, 2022
		2021	2020	2019	2018	2017	
Financial structure (%)	Debt ratio	45.20	37.67	36.36	35.87	31.94	
	Ratio of long-term capital to property, plant and equipment	256.04	253.03	256.40	264.89	287.06	
Solvency (%)	Current ratio	143.40	159.91	164.69	169.24	187.87	
	Quick ratio	89.79	109.18	111.81	115.14	132.18	
	Interest coverage ratio	51.45	26.71	12.27	13.06	30.13	
Operating ability	Receivables turnover rate (times)	5.33	4.96	3.87	4.26	4.39	
	Average collection days for receivables	68	74	94	86	83	
	Inventory turnover rate (times)						
	General inventory	3.32	3.20	3.25	3.73	4.33	
	Construction contracted	0.33	0.40	0.29	0.33	0.23	
	Average days for sale						
	General inventory	110	114	112	98	84	
	Construction contracted	1,105	915	1,271	1,101	1,573	
	Payables turnover rate (times)	11.92	9.96	12.49	14.40	15.00	
	Property, plant and equipment turnover rate (times)	4.24	3.47	2.96	3.39	3.20	
	Total asset turnover rate (times)	0.96	0.91	0.80	0.87	0.83	
Profitability	Return on assets (%)	6.65	3.27	1.64	1.71	2.67	
	Return on equity (%)	11.22	5.01	2.36	2.40	3.66	
	Ratio of income before tax to paid-in capital (%)	22.65	9.60	4.45	4.70	7.29	
	Net profit margin (%)	6.16	3.36	1.90	1.78	3.02	
	Earnings per share (NT$)	1.88	0.79	0.37	0.39	0.60	
Cash flow (Note 2)	Cash flow ratio (%)	-	8.30	11.72	-	-	
	Cash flow adequacy ratio (%)	16.42	45.04	68.04	81.01	119.12	
	Cash reinvestment ratio (%)	-	2.18	1.81	-	-	
Leverage (Note 2)	Operating leverage	7.43	16.46	29.93	27.47	16.85	
	Financial leverage	1.03	1.06	1.21	1.15	1.07	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.
2. If the cash flow and leverage is negative, it is indicated with “-”.

Explanation of reasons for changes in each financial ratio during the most recent two years (increase/decrease of 20%)	
Interest coverage ratio	The net profit before tax and interest increased, so the ratio increased.
Average days for sale - construction contracted	The construction contracted increased greater than the rise of the construction costs, so the inventory turnover rate of construction contracted decreased, and the average days for sale increased
Property, plant and equipment turnover rate (times)	The net amount of sales increased, so the ratio increased.
Return on assets (%)	The net profit after tax increased, so the ratio increased.
Return on equity (%)	The net profit after tax increased, so the ratio increased.
Ratio of income before tax to paid-in capital (%)	The net profit before tax increased, so the ratio increased.
Net profit margin (%)	The net profit after tax increased, so the ratio increased.
Earnings per share (NT$)	The net profit after tax increased, so the ratio increased.
Cash flow ratio (%)	The cash inflow from the operation during the term decreased from the same period last year, so the ratio decreased.
Cash flow adequacy ratio (%)	The cash flows from operating activities decreased in the recent five years, so the ratio decreased.
Cash reinvestment ratio (%)	The cash inflow from the operation during the term decreased from the same period last year, so the ratio decreased.
Operating leverage	The operating profit increased, so the ratio decreased.

Formula of the analysis items are as follows:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities / Total assets.
   (2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current Liabilities) / Net property, plant and equipment.
2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
   (3) Interest coverage ratio = Income before income tax and interest expenses / Current interest expenses.
3. Operating Ability
   (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
   (2) Average collection days for receivables = 365 / Receivables turn over rate.
   (3) Inventory turnover rate = Cost of sales / Average inventory.
   (4) Average days of sale = 365 / Inventory turnover rate.
   (5) Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of sale / Average payables (including accounts payable and notes payable arising from business operations) for each period.
   (6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment.
   (7) Total asset turnover rate = Net sales / Average total assets.
4. Profitability
   (1) Return on assets = [Net income + Interest expenses (1 - Tax rate)] / Average total assets.
   (2) Return on equity = Net income / Average total equity.
   (3) Net profit margin = income after tax / net sales.
   (4) Earnings per share = (profit and loss attributable to owners of the parent - dividends on preferred shares) / weighted average number of issued shares.
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 / (Capital expenditures + Inventory increase + Cash dividends) for the most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment value + Long-term investment + Other non-current assets + Working capital).
6. Leveraging:
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

III. Audit Committee's report for the most recent year's financial statement

Report of the Audit Committee

The Board of Directors prepared the Company's 2021 financial statements (including consolidated and individual financial statements), business reports and surplus earnings distribution proposal, among which the financial statements (including consolidated and individual financial statements) were audited by Wang Wu Chang and Chen Kui Mei, CPAs of Crowe (TW) CPAs and an audit report has been issued. The aforesaid various reports and financial statements prepared by the Board of Directors have been audited by this Audit Committee and no non-conformity was found. We therefore prepare this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

The Audit Committee has the responsibility to conduct the Company's business operations with loyalty and due care of a good administrator.

The attesting CPAs, Wang Wu Chang and Chen Kui Mei, communicated the following matters with the Audit Committee:

1. The planned scope and timing of the audit and major findings from the audit.
2. Matters regarding the independence of the accounting firm to which the CPAs belong.
3. Key audit matters.

For your review and decision.

To: Regular meeting of shareholders of Chun Yuan Steel Industry Co., Ltd., 2022

Chun Yuan Steel Industry Co., Ltd.

Audit Committee

Convener: HSU, LI-MING

16 March, 2022

IV. Financial statement for the most recent year

Chun Yuan Steel Industry Co., Ltd.
Declaration Statement
December 31, 2021

March 16, 2022

According to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, for the year of 2021 (from January 1, 2021 to December, 2021), the affiliated companies of Chun Yuan Steel Industry Co., Ltd. which should be included when preparing the Consolidated Financial Statements of Affiliated Enterprises are the same as those which shall be included in the Consolidated Financial Statements of the parent and subsidiaries prepared under No.10 of International Financial Reporting Standards, and all of the related information which shall be disclosed in the Consolidated Financial Statements of Affiliated Enterprises had been disclosed in the above Consolidated Financial Statements of the parent and subsidiaries. Therefore, separate Consolidated Financial Statements of Affiliated Enterprises are not prepared.

Declared herein

Chun Yuan Steel Industry Co., Ltd.

Legal Representative：Tsai, Hsi Chi

Crowe

國富浩華聯合會計師事務所
Crowe (TW) CPAs
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Independent Auditors' Report

To Chun Yuan Steel Industry Co., Ltd.

Opinion

We have audited the Consolidated Financial Statements of Chun Yuan Steel Industry Co., Ltd. and Subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2021 and 2020, and notes to the Consolidated Financial Statements (including a summary of significant accounting policies).

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, 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, International Financial Reporting Standards, International Accounting Standards and interpretations recognized, published and made effective by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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; we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements of the Group for the year ended December 31, 2021 are stated as follows：

A. Valuation of inventory

For the accounting policies regarding inventories, please refer to Note IV-8 of the Consolidated Financial Statements；Regarding accounting estimates and assumptions of inventory impairment assessment, please refer to Note V-2 (7) of the Consolidated Financial Statements.

Crowe

Illustration of key audit matter：

As of December 31, 2021, the net balance of inventories of the Group was NT$5,677,725 thousand (net of NT$142,842 thousand of allowance for inventory valuation loss), which mainly consist of steel plates and structural steel materials, etc. Due to either changes in economic environment, advancements in manufacturing technology, or fluctuation in the price of raw materials, the products in stock may be obsolete or no longer meet the market demand, and drastic changes in the demand for and selling prices of related products may result. Since inventory valuation is relevant to significant judgement and estimates, it is regarded as a key audit matter.

Audit procedures in response：

By performing test of internal controls, we obtained understanding of the Group's assessment method for estimating impairment of its inventories and the design and implementation of the related control system. In addition, we have also performed the following major audit procedures：Assessed reasonableness of accounting policy for inventory valuation；Reviewed inventory aging reports, analyzed changes in inventory aging and evaluated if the inventory valuation had been carried out according to the accounting policy；Obtained understanding and assessed reasonableness of the basis of net realizable value adopted by the management, selected samples and agreed to the related supporting document for testing accuracy of the amounts, and assessed if the management had made proper disclosure regarding subsequent inventory evaluations.

B. Revenue recognition

For the accounting policies regarding recognition of construction revenue, please refer to Note IV-18 of the Consolidated Financial Statements；For the related revenue disclosures, please refer to Note VI-23.

Illustration of key audit matter：

Revenue is an important index used by enterprises and investors for assessing financial and business performance. The sources of the Group's revenue are divided mainly in two categories, revenue from sales of merchandise and construction revenue. Selling prices are affected by fluctuations in market prices of materials；Construction revenue are mainly from provision of construction-related services and are recorded according to the degree of completion during the period of construction contract. The degree of completion is computed based on the percentage of cost incurred up to the reporting date for each construction contract out of the estimated total cost of the respective construction contract. Due to complexity in estimating the total cost of contract items, which often involves judgements and would affect the degree of completion and revenue recognition of constructions, recognition of revenue is regarded as a key audit matter.

Audit procedures in response：

By performing test of internal controls, we obtained understanding of the Group's assessment method for recognizing construction revenue and the design and implementation of the related control system.

In addition, we have performed the following key audit procedures：

1.Tested whether or not the timing of revenue recognition by the company is correct, perform analysis on the top ten sales customers, compared changes, and assess if there is any material abnormality.

2.Reviewed major contracts to understand specific terms and risks of the respective contracts and assessed accuracy of revenue recognition.

3.Obtained summarized schedules of construction costs and performed the related substantive procedures, including agreeing the sampled current-period cost incurred to the related document, extra/deducted works agreed to supporting document, recomputing the construction revenue according to the degree of completion and confirming that the revenue has been properly booked.

C. Evaluation on expected credit loss of notes and accounts receivable

As of December 31, 2021, the net balance of notes and accounts receivable was NT$6,284,885 thousand (net of NT$115,780 thousand of expected credit loss), which accounted for 27% of the total consolidated assets and was material to the consolidated financial statements of the Group. Since the expected credit-loss valuation of the notes and accounts receivable, whose sign of impairment and historical rate of loss involve significant judgement by management, we consider that evaluation on expected credit loss of notes and accounts receivable to be a key audit matter.

Our audit procedures performed include (but not limited to) the following：

1.Tested the internal controls used by the management for managing notes and accounts receivable, such as sampling and testing for understanding of the controls regarding granting of credit lines and collection of overdue accounts by responsible personnel.

2.Considered the historical experience on occurrences of expected credit loss, assessed appropriateness of the recognition policy for loss allowance, including identification for client risks and analysis of historical bad-debt ratio.

3.Verified aging intervals of notes and accounts receivables and analyzed whether or not the changes in aging were reasonable, accompanied by confirmation of accounts and understanding of subsequent receipts.

4.We also considered appropriateness of the disclosures regarding notes and accounts receivables and the related risks, as in Note V and Note VI to the Consolidated Financial Statements of the Group.

Other matters

Chun Yuan Steel Industry Co., Ltd. had prepared the 2021 and 2020 Consolidated Financial Statements, along with the independent auditors' report with unqualified opinion issued, available for reference.

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

Management is responsible for preparation and fair presentation of the Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and interpretations recognized, published and made in effect by the Financial Supervisory Commission, and for maintaining necessary internal controls relating to preparation of the Consolidated Financial Statements, to ensure that the Consolidated Financial Statements 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, to cease operations, or has no practical alternative but to do so.

Those charged with governance (including board of supervisors) of the Group are responsible for overseeing the Group's financial reporting process.

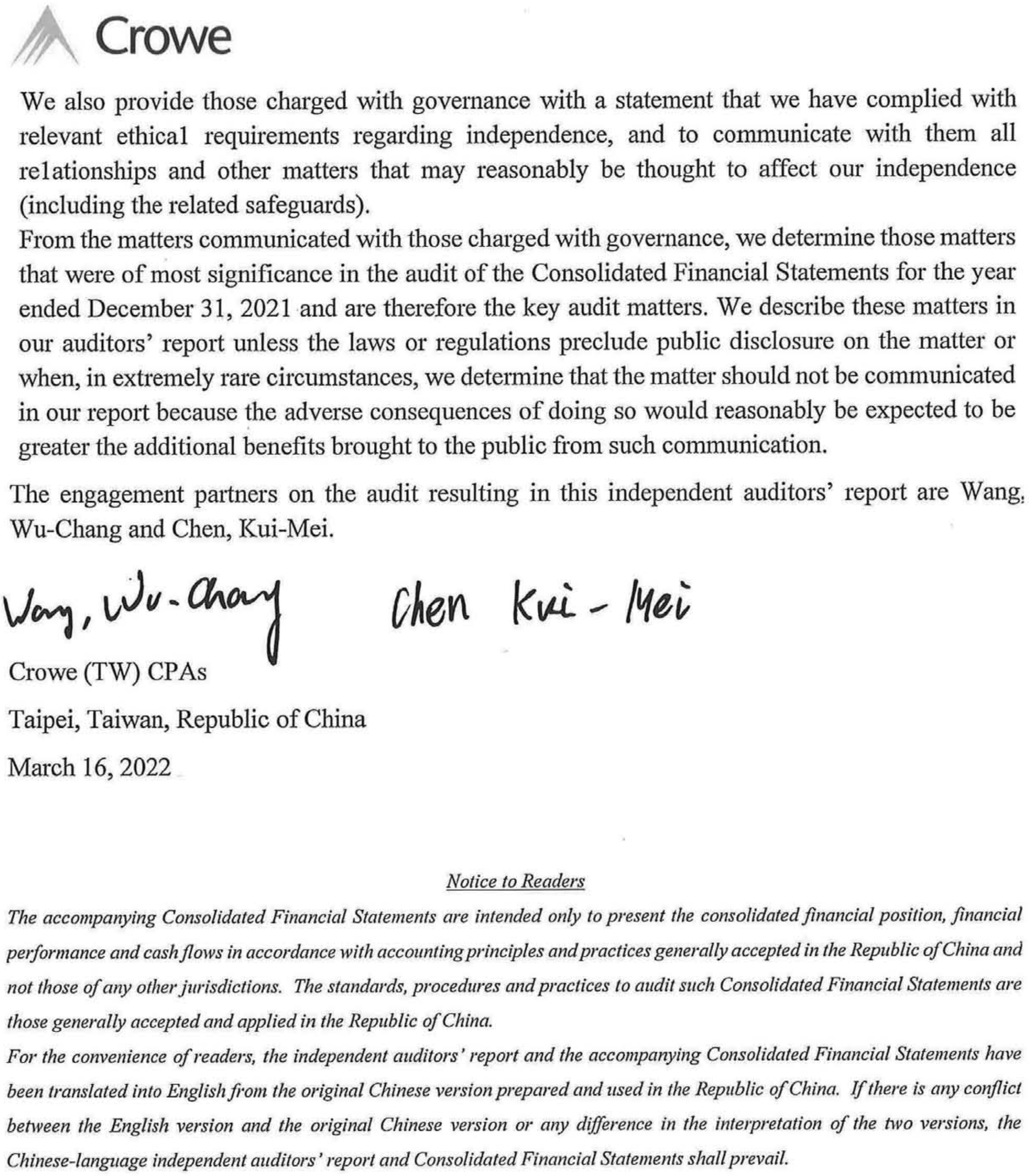
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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 based on 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under 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, determine whether any material uncertainty exists in the 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 related notes) and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieve fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the guidance, supervision and performance for the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope, timing of the audit and significant audit findings (including any significant deficiencies in internal control that we have identified 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 affect our independence (including the 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 the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wang, Wu-Chang and Chen, Kui-Mei.

Wang, Wu-Chang Chen Kui-Mei

Crowe (TW) CPAs

Taipei, Taiwan, Republic of China

March 16, 2022

Notice to Readers

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 accepted and 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.

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2021 and 2020

Unit：Thousand NTD

		December 31, 2021		December 31, 2020	
Code	Assets	Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note VI-1)	$ 656,017	3	$ 503,059	3
1110	Financial assets measured at FVTPL – current (Note VI-2)	108,803	–	65,114	–
1139	Financial assets for hedging - current (Note VI-3)	–	–	2,632	–
1140	Contract assets - current (Note VI-23)	2,750,072	12	2,383,549	13
1150	Notes receivable, net (Note VI-4)	1,485,066	6	907,994	5
1170	Accounts receivable, net (Note VI-5)	4,798,425	21	3,536,721	20
1180	Accounts receivable - related parties, net (Note VI-5, 7)	1,394	–	63,692	–
1200	Other receivables	55,646	–	42,385	–
1210	Other receivables - related parties (Note VII)	3,002	–	822	–
1220	Current-period income tax assets	4,111	–	–	–
130x	Inventories, net (Note VI-6)	5,677,725	25	3,415,181	19
1410	Prepayments	292,945	1	247,460	1
1476	Other financial assets - current (Note VI-7)	580,281	3	657,775	4
1479	Other current assets - other	35,952	–	22,830	–
11xx	Total Current Assets	16,449,439	71	11,849,214	65
	Noncurrent Assets				
1517	Financial assets measured at FVTOCI – noncurrent (Note VI-8)	533,719	2	398,710	2
1550	Investments accounted for using equity method (Note VI-9)	519,584	2	488,528	3
1600	Property, plant and equipment (Note VI-10)	5,316,278	23	5,176,993	29
1755	Right-of-use assets (Note VI-11)	64,041	1	91,354	–
1780	Intangible assets	3,676	–	3,689	–
1840	Deferred income tax assets (Note VI-28)	165,286	1	186,829	1
1915	Prepayments for equipment	38,871	–	31,687	–
1920	Guarantee deposits paid	12,532	–	11,322	–
1990	Other noncurrent assets - other	40,197	–	33,147	–
15xx	Total Noncurrent Assets	6,694,184	29	6,422,259	35
1xxx	Total Assets	$ 23,143,623	100	$ 18,271,473	100

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Code	Liabilities and Equity	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note VI-13)	$ 6,112,682	26	$ 3,501,345	20
2110	Short-term notes payable (Note VI-14)	1,428,878	6	741,855	4
2130	Contract liabilities - current (Note VI-23)	609,884	3	240,525	1
2150	Notes payable	101,067	1	31,765	-
2160	Notes payable - related parties (Note VII)	54,727	-	39,611	-
2170	Accounts payable	1,042,511	5	1,006,285	6
2180	Accounts payable - related parties (Note VII)	8,457	-	39,549	-
2200	Other payables	564,162	2	518,604	3
2230	Current-period income tax liabilities	201,266	1	112,700	1
2250	Provisions - current (Note VI-15)	39,109	-	38,626	-
2280	Lease liabilities - current (Note VI-11)	12,182	-	13,437	-
2320	Long-term liabilities due within 1 year or 1 operating cycle (Note VI-16)	50,000	-	-	-
2300	Other current liabilities	11,058	-	13,216	-
21xx	Total Current Liabilities	10,235,983	44	6,297,518	35
	Noncurrent Liabilities				
2540	Long-term borrowings (Note VI-16)	87,500	1	-	-
2570	Deferred income tax liabilities (Note VI-28)	809,342	3	810,010	4
2580	Lease liabilities - noncurrent (Note VI-11)	14,438	-	18,353	-
2640	Defined benefit liability, net - noncurrent (Note VI-17)	119,605	1	126,017	1
2645	Guarantee deposits received	26,707	-	24,465	-
25xx	Total Noncurrent Liabilities	1,057,592	5	978,845	5
2xxx	Total Liabilities	11,293,575	49	7,276,363	40
	Equity				
	Equity attributable to owners of the parent				
3100	Share capital (Note VI-18)	6,476,554	28	6,476,554	35
3200	Capital surplus (Note VI-19)	162,071	1	161,701	1
3300	Retained earnings (Note VI-20)	5,061,285	22	4,220,464	23
3310	Legal reserve	1,716,590	7	1,665,300	9
3320	Special reserve	1,324,287	6	1,324,287	7
3350	Unappropriated retained earnings	2,020,408	9	1,230,877	7
3400	Other equity (Note VI-21)	(375,818)	(2)	(420,859)	(2)
3410	Exchange differences on translation of foreign financial statements	(276,124)	(1)	(260,235)	(1)
3420	Unrealized gains (losses) on financial assets measured at FVTOCI	(99,694)	(1)	(160,624)	(1)
31xx	Total equity attributable to owners of the parent	11,324,092	49	10,437,860	57
36xx	Non-controlling interest (Note VI-22)	525,956	2	557,250	3
3xxx	Total Equity	11,850,048	51	10,995,110	60
	Total Liabilities and Equity	$ 23,143,623	100	$ 18,271,473	100

(The accompanying notes form an integral part of the consolidated financial statements)

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

Unit：Thousand NTD

		Year of 2021		Year of 2020	
Code	Item	Amount	%	Amount	%
4000	Operating revenue (Note VI-23)	$ 26,320,660	100	$ 19,228,310	100
5000	Operating costs	(23,953,387)	(91)	(17,882,620)	(94)
5900	Gross profit (loss) from operations	2,367,273	9	1,345,690	6
	Operating expenses				
6100	Selling expenses	(481,000)	(2)	(408,767)	(2)
6200	Administrative expenses	(480,029)	(2)	(382,648)	(2)
6450	Loss or recovery gain on expected credit impairment	(44,032)	-	(11,872)	-
6000	Total operating expenses	(1,005,061)	(4)	(803,287)	(4)
6900	Operating income (loss)	1,362,212	5	542,403	2
	Non-operating income and expenses				
7100	Interest income	13,580	-	13,599	-
7010	Other income (Note VI-24)	124,609	1	135,221	1
7020	Other gains and losses (Note VI-25)	73,488	-	1,456	-
7050	Finance costs (Note VI-26)	(63,180)	-	(43,071)	-
7070	Share of profits of subsidiaries, associates, and joint ventures under equity method	50,456	-	21,629	-
7000	Total non-operating income and expenses	198,953	1	128,834	1
7900	Net income (loss) before income tax	1,561,165	6	671,237	3
7950	Income tax (expense) benefit (Note VI-28)	(315,905)	(1	(148,842)	(1)
8200	NET INCOME (LOSS)	1,245,260	5	522,395	2
	Other comprehensive income (loss) (Note VI-29)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan	3,039	-	(744)	-
8316	Unrealized measurement gains or losses on equity instruments at FVTOCI	60,737	-	9,106	-
8321	Remeasurements of defined benefit plan - associates and joint ventures	396	-	(264)	-
8326	Unrealized measurement gains or losses on equity instruments at FVTOCI - associates and joint ventures	5,554	-	1,992	-
8360	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	(8,823)	-	78,754	-
8371	Exchange differences on translation of foreign financial statements - associates and joint ventures	(12)	-	22	-
8300	Other comprehensive income (loss), net	60,891	-	88,866	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,306,151	5	$ 611,261	2
8600	Net income (loss) attributed to：				
8610	Owners of the parent (net income/loss)	$ 1,220,618	5	$ 513,917	2
8620	Non-controlling interest (net income/loss)	24,642	-	8,478	-
		$ 1,245,260	5	$ 522,395	2
8700	Total comprehensive income or loss attributed to：				
8710	Owners of the parent (comprehensive income or loss)	$ 1,274,455	5	$ 562,449	2
8720	Non-controlling interest (comprehensive income or loss)	31,696	-	48,812	-
		$ 1,306,151	5	$ 611,261	2
	EARNINGS PER SHARE (NTD)				
9750	Basic earnings per share (Note VI-30)	$ 1.88		$ 0.79	
9850	Diluted earnings (loss) per share (Note VI-30)	$ 1.88		$ 0.79	

(The accompanying notes form an integral part of the consolidated financial statements)

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

Unit：Thousand NTD

	Equity attributable to owners of the parent									
			Retained Earnings			Other Equity Items				
	Share capital - common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized measurement gains (loss) on FVTOCI equity instruments	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
Balance, January 1, 2020	$ 6,476,554	$ 160,927	$ 1,641,221	$ 1,324,287	$ 936,344	($ 298,677)	($ 171,722)	$ 10,068,934	$ 548,416	$ 10,617,350
Appropriation and distribution of earnings：										
Record legal reserve	-	-	24,079	-	(24,079)	-	-	-	-	-
Cash dividends – common shares	-	-	-	-	(194,297)	-	-	(194,297)	-	(194,297)
Other changes in capital surplus	-	774	-	-	-	-	-	774	-	774
Net income (loss) in 2020	-	-	-	-	513,917	-	-	513,917	8,478	522,395
Other comprehensive income (loss) in 2020	-	-	-	-	(1,008)	38,442	11,098	48,532	40,334	88,866
Total comprehensive income (loss) in 2020	-	-	-	-	512,909	38,442	11,098	562,449	48,812	611,261
Increase (decrease) in non-controlling interest	-	-	-	-	-	-	-	-	(39,978)	(39,978)
Balance, December 31, 2020	$ 6,476,554	$ 161,701	$ 1,665,300	$ 1,324,287	$ 1,230,877	($ 260,235)	($ 160,624)	$ 10,437,860	$ 557,250	$ 10,995,110
Balance, January 1, 2021	$ 6,476,554	$ 161,701	$ 1,665,300	$ 1,324,287	$ 1,230,877	($ 260,235)	($ 160,624)	$ 10,437,860	$ 557,250	$ 10,995,110
Appropriation and distribution of earnings：										
Record legal reserve	-	-	51,290	-	(51,290)	-	-	-	-	-
Cash dividends – common shares	-	-	-	-	(388,593)	-	-	(388,593)	-	(388,593)
Other changes in capital surplus										
Other changes in capital surplus	-	370	-	-	-	-	-	370	-	370
Net income (loss) in 2021	-	-	-	-	1,220,618	-	-	1,220,618	24,642	1,245,260
Other comprehensive income (loss) in 2021	-	-	-	-	3,435	(15,889)	66,291	53,837	7,054	60,891
Total comprehensive income (loss) in 2021	-	-	-	-	1,224,053	(15,889)	66,291	1,274,455	31,696	1,306,151
Disposal of subsidiary	-	-	-	-	-	-	-	-	(28,416)	(28,416)
Increase (decrease) in non-controlling interest	-	-	-	-	-	-	-	-	(34,574)	(34,574)
Disposal of FVTOCI equity instruments	-	-	-	-	5,361	-	(5,361)	-	-	-
Balance, December 31, 2021	$ 6,476,554	$ 162,071	$ 1,716,590	$ 1,324,287	$ 2,020,408	($ 276,124)	($ 99,694)	$ 11,324,092	$ 525,956	$ 11,850,048

(The accompanying notes form an integral part of the consolidated financial statements)

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

Unit：Thousand NTD

Item	Year of 2021	Year of 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	$ 1,561,165	$ 671,237
Adjustment items		
Income/gain or expense/loss items not affecting cash flows		
Depreciation expense	269,198	277,045
Amortization expense	15,499	17,604
Loss (gain) on expected credit impairment	44,032	11,872
Net loss (gain) on FVTPL financial assets or liabilities	(42,015)	(2,014)
Interest expense	63,180	43,071
Interest income	(13,580)	(13,599)
Dividend income	(8,115)	(9,488)
Share of loss (profit) of associates and joint ventures under equity method	(50,456)	(21,629)
Loss (gain) on disposal of property, plant and equipment	(4,261)	(13,063)
Loss (gain) on disposal of investments	(3,809)	(7)
Gain from disposal of subsidiary	(23,884)	-
Total income/gain or expense/loss items	245,789	289,792
Changes in operating assets / liabilities		
Net changes in operating assets		
(Increase) Decrease in contract assets	(366,524)	(329,123)
(Increase) Decrease in notes receivable	(568,562)	153,303
(Increase) Decrease in accounts receivable	(1,314,181)	(134,541)
(Increase) Decrease in accounts receivable - related parties	62,298	(61,833)
(Increase) Decrease in other receivables	(16,618)	(11,387)
(Increase) Decrease in other receivables - related parties	(2,180)	1,341
(Increase) Decrease in inventories	(2,262,140)	(274,121)
(Increase) Decrease in prepayments	(45,507)	(121,721)
(Increase) Decrease in other current assets	(13,169)	(5,488)
(Increase) Decrease in other operating assets	158	14,752
Total net changes in operating assets	(4,526,425)	(768,818)
Net changes in operating liabilities		
Increase (Decrease) in contract liabilities	369,359	(53,243)
Increase (Decrease) in notes payable	69,302	17,264
Increase (Decrease) in notes payable - related parties	15,115	2,952
Increase (Decrease) in accounts payable	36,236	263,913
Increase (Decrease) in accounts payable - related parties	(31,091)	13,930
Increase (Decrease) in provisions	483	(1,111)
Increase (Decrease) in other payables	156,086	53,920
Increase (Decrease) in other payables - related parties	-	(259)

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Increase (Decrease) in other current liabilities	473	1,381
Increase (Decrease) in defined benefit liability, net	(3,373)	(5,605)
Total net changes in operating liabilities	612,590	293,142
Total net changes in operating assets / liabilities	(3,913,835)	(475,676)
Total Adjustment items	(3,668,046)	(185,884)
Cash generated (used) by operating activities	(2,106,881)	485,353
Interest received	16,935	12,858
Dividends received	27,901	35,267
Interest paid	(58,695)	(45,012)
Income tax refunded (paid)	(250,557)	(71,990)
Net cash generated (used) by operating activities	(2,371,297)	416,476
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of FVTOCI financial assets	(81,676)	-
Returned capital from FVTOCI financial assets	12,207	19,088
Acquisition of FVTPL financial assets	(166,298)	(303,000)
Disposal of FVTPL financial assets	168,432	303,007
Cash received from disposal of subsidiary	67,904	-
Acquisition of property, plant and equipment	(393,175)	(367,753)
Disposal of property, plant and equipment	8,543	72,840
Increase in guarantee deposits paid	(1,209)	(75)
Increase in other financial assets	-	(151,312)
Decrease in other financial assets	77,494	-
Increase in prepayments for equipment	(136,048)	(81,325)
Increase in other prepayments	(22,930)	(18,573)
Net cash flows generated (used) by investing activities	(466,756)	(527,103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,611,337	195,902
Increase in short-term notes receivable	687,023	91,884
Increase in long-term borrowings	137,500	-
Increase in guarantee deposits received	2,242	465
Lease principal repayment	(16,602)	(18,176)
Distribution of cash dividends	(388,593)	(186,141)
Change in non-controlling interest	(34,574)	(39,978)
Net cash flows generated (used) by financing activities	2,998,333	43,956
Effects on cash and cash equivalents due to fluctuations in exchange rates	(7,322)	66,316
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,958	(355)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	503,059	503,414
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 656,017	$ 503,059

(The accompanying notes form an integral part of the consolidated financial statements)

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
（in Thousand NTD unless otherwise stated）

I. General Information

Chun Yuan Steel Industry Co., Ltd. (the “Company”) was approved and founded on January 7, 1966, with initial registered capital of NT$3,000,000. After several capital increases, the current capital is NT$6,476,553,900, which is divided into 647,655,390 registered common shares, with NT$10 par value each share. The main business activities of the Company are manufacturing, processing and trading of steel plates, silicon steel sheets, container parts, special steel materials, H-beam steel and undertaking of steel structure constructions, etc. For the main business activities of the Company and its subsidiaries (together, the “Group”), please refer to illustrations in Note IV-3(2). In addition, the Company does not have ultimate parent company.

The accompanying Consolidated Financial Statements are expressed in the Company’s functional currency, New Taiwan Dollars.

II. The Authorization of the Consolidated Financial Statements

The accompanying Consolidated Financial Statements were approved and authorized for release by the Board of Directors on March 16, 2022.

III. Application of New Standards, Amendments, and Interpretations

1. Effects from application of the International Financial Reporting Standards, International Accounting Standards, and the related interpretations and announcements recognized and issued into effect by the Financial Supervisory Commission (“FSC”) applicable for 2021 (together “IFRSs”)：

The following summarizes the newly published, amended or revised International Financial Reporting Standards that are recognized by FSC and effective for 2021：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 ” Extension of the Temporary Exemption from Applying IFRS 9”	June 25, 2020 (Effective from the announcement date)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”	April 1, 2022 (Note)

Note：FSC has allowed earlier adoption by companies effective from January 1, 2021. After assessment, the above standards and interpretations do not have material impact on the financial position and financial performance of the Group.

2. Effects from not yet adopting the newly published, amended or revised International Financial Reporting Standards that have been endorsed and issued into effect by FSC：

The following summarizes the newly published, amended or revised International Financial Reporting Standards that are recognized by FSC and effective in 2022：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 ” Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 2)
Amendments to IFRS 37 ” Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 3)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 4)
IFRS 2018-2020 Annual Improvements	January 1, 2022 (Note 5)

Note 1：Unless stated otherwise, the above Newly Issued/Amended/Revised Standards or Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2：Companies should adopt the above amendments retrospectively, however, only for property, plant and equipment items that reach the necessary location and condition required by the operations expected by the management upon the earliest starting date of the reporting period (January 1, 2021) expressed in the financial statements during the first adoption of the amendments.

Note 3：The amendments apply to contracts with unfulfilled obligations as of January 1, 2022.

Note 4：The amendments apply to business combinations with the acquisition dates in the annual reporting periods starting after January 1, 2022.

Note 5：The amendments to IFRS 9 apply to exchange or contract revisions of financial liabilities which take place in the annual reporting periods starting after January 1, 2022; the amendments to IAS 41 apply to fair-value measurements in the annual reporting periods starting after January 1, 2022; the amendments to IFRS 1 retrospectively apply to annual reporting periods starting after January 1, 2022.

(1) Amendments to IFRS 16 "Property, Plant and Equipment — Proceeds before Intended Use"

These amendments regulate that, in order for property, plant and equipment to reach the sales proceeds of produced items that meet the necessary location and condition required by the operations expected by the management. The aforementioned produced items shall be measured according to IAS 2 "Inventories", and the sales proceeds and cost are recorded in profit or loss according to the applicable standards.

These amendments apply to property, plant and equipment that meet the necessary location and condition required by the operations expected by the management on or after January 1, 2021 (earliest starting date of the reporting period). During the Group's first adoption of the amendments, it will record the accumulated amount of the effects from first adoption of these amendments, as adjustment to the beginning balance of retained earnings (or other component of equity, if applicable) on the earliest starting date of the reporting period, and restate the information of the comparison period.

(2) Amendments to IFRS 37 "Onerous Contracts — Cost of Fulfilling a Contract"

These amendments clearly regulate that, when assessing whether or not a contract is onerous, the "Cost of Fulfilling a Contract" shall include the incremental cost (such as direct labor and materials) for the contract fulfillment and other allocated costs directly related the contract fulfillment (such as depreciation expenses from the property, plant and equipment items used for the contract fulfillment).

(3) Amendments to IFRS 3 "Reference to the Conceptual Framework"

These amendments update the index for conceptual frameworks and add the rules requiring that the acquirers shall apply IFRIC 21 "Levies" to determine where or not there exist obligation items that generate payment liabilities for levies on the acquisition date.

(4) 2018-2020 Annual Improvements

2018-2020 Annual Improvements include revision of several standards, regarding the amendments of IFRS 9, in order to assess whether or not there is material difference on exchange or revision of clauses of financial liabilities, when comparing whether or not there is 10% difference in the present value of cash flows (including net amount of expenses received and paid when signing new contracts or revising clauses) between the old and new contracts, the aforementioned expenses received and paid shall only include the expenses received and paid between the borrower and lender.

After assessment by the Group, the above standards and interpretations do not have material impact on the financial position and financial performance of the Group.

3. Effects from the International Financial Reporting Standards issued by IASB but not yet been endorsed and issued into effect by FSC：

   The International Financial Reporting Standards newly issued, revised or amended by IASB but not yet been endorsed by FSC are summarized as following：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Pending for determination by IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - 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
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

As of the issuance date of these Consolidated Financial Statements, the Group still continues to assess the effects on the Group’s financial position and financial performance from the above standards and interpretations, the related assessment results will be disclosed upon completion.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

1. Statement of Compliance

The accompanying Consolidated Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and issued into effect by FSC.

2. Basis of Preparation

(1) Except for the following material items, these Consolidated Financial Statements have been prepared under the historical cost convention：

A. Financial assets and financial liabilities (including derivative instruments) measured at Fair Value Through Profit or Loss (“FVTPL”).

B. Financial assets measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).

C. Liabilities on cash-settled share-based payment arrangements measured at fair value.

D. Defined benefit liabilities recognized based on the present value of defined benefit obligation, net of the pension fund assets.

(2) The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note V.

3. Basis of Consolidation

(1) Principles for preparing the consolidated financial statements：

A. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

B. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

C. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

E. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(2) The subsidiaries in the consolidated financial statements：

Investor	Subsidiaries	Main Businesses	Percentage of Ownership	
			2021.12.31	2020.12.31
The Company	Chun Yuan Investment (Singapore) Pte Ltd . (“Chun Yuan Singapore”)	General investment activities	100.00%	100.00%
Chun Yuan Singapore	Shenzhen Hong Yuan Metal Industry Co., Ltd. (“Shenzhen Hong Yuan”)	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates	66.75%	66.75%
	Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel	70.12%	70.12%
	Shanghai Chun Yuan Steel Industry Co., Ltd. (“Shanghai Chun Yuan”)	Manufacturing of corner fitting for ocean-freight cargo containers	80.00%	80.00%
	Chun Yuan Investment (BVI) Co, Ltd. (“BVI Chun Yuan”)	Engage in various business investments	100.00%	100.00%
	Xiamen Chun Yuan Precision Mechatronic Co., Ltd. (“Xiamen Chun Yuan”)	Manufacturing of new types of mechanical and electrical components, fine blanking dies, and other related metal products	-	61.00%
BVI Chun Yuan	Shanghai Huateng Metal Processing Co., Ltd. (“Shanghai Huateng”)	Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates	80.59%	80.59%
	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. (“Qingdao Chun Yuan”)	Manufacturing of new types of mechanical and electrical components, fine blanking dies, and other related metal products	95.00%	95.00%
	Shenzhen Chun Yuan	Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel	8.40%	8.40%
Shenzhen Chun Yuan	Shenzhen Hong Yuan	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates	18.63%	18.63%

A. Increase or decrease in consolidation subsidiaries：The subsidiary of the Group, Chun Yuan Investment (Singapore) Pte Ltd., had disposed all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. on November 26, 2021. Therefore, Xiamen Chun Yuan is no longer the Company’s subsidiary since that date.

B. Subsidiaries not included in the consolidated financial statements：none

C. Adjustments and treatments for subsidiaries with different accounting period：none

D. Significant restrictions：Due to local foreign exchange controls, the cash and bank deposits in Mainland China by the amount of NT$471,659 thousand and NT$386,864 thousand as of December 31, 2021 and 2020, respectively, are restricted from transferring out of Mainland China (except for normal dividends).

E. The parent company’ s securities held by subsidiaries：none

F. Subsidiaries that have non-controlling interests that are material to the Group：After assessment by the Group, non-controlling interests held by the subsidiaries are not material.

4. Foreign Currency Exchange

(1) Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars (NT$), which is the Company’s functional currency.

(2) In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity’s functional currency (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. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

(3) For the purpose of preparing consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

5. Classification standards for Current and Noncurrent Assets and Liabilities

(1) Assets that meet one of the following criteria are classified as current assets：

A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

B. Assets held mainly for trading purposes.

C. Assets that are expected to be realized within twelve months from the balance sheet date.

D. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All assets that do not meet any of the above criteria are classified as non-current assets.

(2) Liabilities that meet one of the following criteria are classified as current liabilities：

A. Liabilities that are expected to be paid off within the normal operating cycle.

B. Liabilities arising mainly from trading activities.

C. Liabilities that are to be paid off within twelve months from the balance sheet date. (Even when long-term refinance or payment rearrangement agreements have been formed after the balance sheet date and before issuance date of the financial statements, the liabilities are current liabilities).

D. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

All liabilities that do not meet any of the above criteria are classified as non-current liabilities.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months.).

7. Financial instruments

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

Financial assets and financial liabilities are initially recognized at fair value. Upon initial recognition, except for financial assets and liabilities classified as measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition (or issuance) of financial assets (or financial liabilities) shall be added to (or deducted from) the fair value of the financial assets (or financial liabilities). The transaction costs directly attributable to financial assets and liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

A. Measurement type

Transaction date accounting is adopted for recording customary transactions of financial assets.

The financial assets held by the Group are classified as financial assets measured at Fair Value Through Profit or Loss (“FVTPL”), financial assets measured at amortized cost, and investments in equity instruments measured at Fair Value Through Oher Comprehensive Income (“FVTOCI”).

(A) Financial assets at fair value through profit or loss (“FVTPL financial assets”)

FVTPL financial assets include either financial assets mandatorily measured at FVTPL or designated as measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments that are not designated as measured at FVTOCI and investments in debt instruments that are not classified as measured at amortized cost or FVTOCI.

FVTPL financial assets are measured at fair value, the generated dividends and interests are recognized as other income and interest income, respectively, and the subsequent gains or losses from re-measurements are reported in other gains and losses. Regarding the method for determining fair value, please refer to Note XII.

(B) Financial assets measured at amortized cost

If the invested financial assets by the Group meet both of the following two criteria, those assets are classified as Financial assets measured at amortized cost ：

a. The purpose of holding the financial assets is to receive contractual cash flows；and

b. The contractual provisions of the investments generate cash flows on specified date(s), and such cash flows are fully for payment of the principals and the interests from the outstanding principals.

After initial recognition of the financial assets measured at amortized cost, they are subsequently measured at amortized cost computed based on the total book value determined by effective interest method, net of any impairment loss. Any foreign exchange gain or loss is recorded in profit or loss.

Except for the following two conditions, interest income is computed using the total book value of the financial assets, multiplied by the effective interest rate：

(a) For purchased or originated credit-impaired financial asset, interest income is computed using the amortized cost of the financial assets, multiplied by the credit-adjusted effective interest rate.

(b) For financial assets that are not purchased or originated credit-impaired but later become credit-impaired, interest income is computed using the amortized cost of the financial assets, multiplied by the effective interest rate.

(C) Equity instrument investments measured at FVTOCI

Upon initial recognition, the Group made an irrevocable choice to designate the equity instrument investments, that are not held for trading, recognized for business combination or with consideration, as measured at FVTOCI.

Equity instrument investments measured at FVTOCI are measured at fair value, and the subsequent changes in fair value are reported in other comprehensive income and accumulated in other equity. Upon disposal of the investments, the accumulated gains or losses are transferred to retained earnings, without reclassification to profit or loss.

The dividends from equity instrument investments measured at FVTOCI are recorded in profit or loss when the Group's rights to receive dividends are established, unless the dividends clearly represent recovery for part of investment cost.

B. Impairment of financial assets

(A) On each balance sheet date, based on the projected credit loss, the Group assesses impairment loss for its financial assets measured at amortized cost (including accounts receivable), investments in debt instruments measured at FVTOCI, lease receivable, and contract assets.

(B) According to the expected credit loss in the existing period, loss allowances are recognized for accounts receivable, contract assets, and lease receivable. For other financial assets, first evaluates whether or not their credit risks increase significantly after their initial recognition, if not significantly increase, then use 12-months projected credit loss to recognize loss allowance；If significantly increased, then use the projected credit loss in the existing period to recognize loss allowance.

(C) Projected credit loss is the weighted average credit loss using risk of default as the weight. 12-month projected credit loss represents the projected credit loss generated from defaults of the financial instruments within 12 months after the reporting date, and projected credit loss during the existing period represents projected credit loss generated from all possible defaults of the financial instruments during the projected existing period.

(D) Through allowance accounts, impairment losses adjust and reduce book value of all financial assets, but allowance loss for debt instruments measured at FVTOCI is recorded in other comprehensive income, without reducing their book value.

C. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met：

(A) The contractual right to receive cash flows from the financial asset is lost.

(B) The contractual rights to receive cash flows from the financial asset have been transferred, and the Group has transferred almost all risks and rewards of ownership of the financial asset.

(C) The Group neither retains nor transfers almost all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

Upon writing off the whole financial asset measured at amortized cost, the difference between their book value and consideration received is recognized in profit or loss ; Upon writing off the whole debt instrument measured at fair value through other comprehensive income or loss, the difference between their book value and the consideration received (plus the summary of any accumulated gains or losses already recognized in other comprehensive income) is recognized in profit or loss ; Upon writing off the whole investment in equity instruments measured at fair value through other comprehensive income or loss, the accumulated profit or loss is transferred directly to retained earnings and will not be reclassified to profit or loss.

(2) Equity instrument

Debt and equity instruments issued by the Group are classified as financial liabilities or equity according to substance of the agreements and definition of financial debt and equity instruments. An equity instrument refers to any contract(s) that represents the residual equity (assets minus all liabilities) of an enterprise. Equity instruments issued by the Group are recorded at the amount of acquisition proceeds, after deducting the direct issuance cost.

(3) Financial liabilities

A. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized costs using effective interest method：

(A) Financial liabilities measured at fair value through profit or loss refer to financial liabilities held for trading or financial assets assigned as measured at fair value through profit or loss upon initial recognition. Financial liabilities classified as held for trading refer to those that are mainly held for short-term repurchase and derivatives that are not financial guarantee contracts or assigned as effective hedge instruments. When financial liabilities meet one of the following conditions, the Group will assign them as measured at fair value through profit or loss upon initial recognition：

a. Are mixed (combined) contracts；or

b. May be eliminated, materially reduced in measurement, or inconsistent in recognition；or

c. Are instruments, with written risk management policies, managed and with performances assessed based on fair value.

(B) Financial liabilities measured at fair value through profit or loss are initially measured at fair value, with related transaction costs are recorded in the current period, and subsequently measured at fair value. The changes in fair value are recorded in the current period.

(C) For financial liabilities assigned as measured at fair value through profit or loss, since the amount of change in fair value generated from changes in credit risks is recorded other comprehensive income, they are not reclassified to profit or loss later on. The changes in fair value of remaining liabilities are reported profit or loss. However, if the above accounting treatments trigger or intensify inappropriate accounting proportion, then all gains or losses of the liabilities are recorded in profit or loss.

B. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

8. Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

9. Investments accounted for using equity method

(1) Associates refer to all entities over which the Group has influence but without control, generally refer to direct or indirect holding of 20% or more of the voting shares. Equity method is adopted for the investments in associates and are recognized at cost upon acquisition.

(2) The share of profit or loss, after acquisition of the associates by the Group, is recognized in profit or loss in the current period, and the share of other comprehensive income or loss is recognized in other comprehensive income or loss. If the Group’s share of loss from an associate equal or exceeds its interests in the associate (including any other unsecured receivables), the Group would not further recognize loss, unless the Group has legal obligation or constructive obligation to pay, or had made the payment on behalf of the associate.

(3) The unrealized gains or losses generated from the transactions between the Group and the associates had been eliminated proportionate to the shareholding ratios in the associates; Unless there is evidence showing that the transferred assets are impaired, the unrealized losses are also eliminated. Necessary adjustments had been made to the accounting policies of the associates had been, in order to be consistent with the policies adopted by the Group.

(4) When an associate issue new shares, if the Group does not purchase or acquire new shares proportionately and leads to change in shareholding ratio but the Group still maintains material influence, the increase/decrease in the net equity amount is adjusted in “Additional paid-in capital” and “Investments accounted for using equity method”. If the shareholding ratio reduces, in addition to the above adjustment, the previously recorded relating gains or losses in other comprehensive income or loss, where the gains or losses shall be reclassified to

profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction.

(5) If the Group losses material influence over the associate, the remaining investment in the original associate is remeasured at fair value, and the difference between the fair value and the book value is recorded in the current-period profit or loss.

(6) When the Group disposes of an associate, if it losses material influence over the associate, for all of the amounts that were previously recognized in other comprehensive income that were related to the associates, the accounting treatments are the same as if the Group directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities, would be reclassified to profit or loss, then when the material influence the associates is lost, the gains or losses would be reclassified from equity to profit or loss. If the Group still has material influence over the associates, then only transfer out, proportionately according to the above approach, the previously recognized amount in the other comprehensive income or loss.

(7) When the Group disposes of an associate, if it losses material influence over the associate, the additional paid-in capital related to the associate is transferred to profit or loss ; If the Group still maintains material influence over the associate, then transfer to profit or loss according to the disposal ratio.

10. Property, plant and equipment

(1) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

(2) Subsequent costs are included in the asset’s carrying amount or Recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance are recognized in profit or loss as incurred.

(3) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting

Estimates and Errors', from the date of the change. The useful lives of the various assets are as following：

Buildings 3 years～60 years
Machinery equipment 2 years～16 years
Transportation equipment 4 years～14 years
Miscellaneous equipment 3 years～10 years

(4) An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

11. Leases

The Group assesses whether or not a contract is a (or contains) lease on the date when the contract is formed. For contracts that contain lease component and one or more additional lease or non-lease components, based on the corresponding stand-alone price of each lease component and the summarized stand-alone prices of non-lease components, the Group allocates the proceeds of the contract to the respective lease components.

A. When the Group is a lessee

Except for leases with low-value underlying assets or short-term leases with expense recognition on straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all other leases on the starting date of the leases.

Right-of-use assets

Right-of-use assets are initially recognized at cost (including the initial measurement amount of lease liabilities, lease payments before the starting date of lease after subtracting the incentives received, the initial direct cost and estimated cost of recovering the underlying assets), then subsequently measured at the amount of costs after subtracting the accumulated depreciation and accumulated impairment losses, and then adjust the remeasurement amount of the lease liabilities.

Except for right-of-use assets which meet the definition of Investment property, right-of-use asset is listed as a stand-alone item in the consolidated balance sheet. Depreciation for right-of-use asset is recognized on straight-line basis, beginning from the starting date of the lease to either reaching the economic useful life or the lease period, whichever is earlier. But if, upon expiry of the lease period, the Group will obtain ownership to the underlying asset, or if the cost of the right-of-use asset reflects exercising purchase for the right-of-use asset, then recognize depreciation from the starting date of the lease until reaching the economic useful life of the underlying asset.

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantial fixed payments, variable lease payments determined by indices or fee rates, expected amount of payment by lessee under residual-value guarantee, price of reasonably expected execution price for purchasing the right-of-use asset, and expected termination penalty from execution of option to terminate the lease by the lessee during the lease period, less the lease incentive received). If the implied interest rate of the lease can be easily determined, lease payments are discounted using the interest rate. If the interest rate cannot be easily determined, then use the incremental borrowing rate of the lessee.

Lease liabilities are subsequently measured at amortized costs using the effective interest method, and interest expenses are allocated among the lease periods.

If there is change in future lease payment due to change in assessment of lease period and purchase option of underlying asset, change in expected amount of payment by lessee under residual-value guarantee, or change in indices or fee rates used to determine lease payments, the Group will re-measure the lease liabilities and adjust the right-of-use assets accordingly. But if the book value of right-of-use assets has been reduced to zero, then recognize the remaining remeasurement amount in profit or loss. Lease liabilities are listed as a standalone item in the consolidated balance sheet.

Variable lease payments not determined by indices or fee rates under lease agreements are recorded as expenses in the period as they occur.

B. When the Group is a lessor

If almost all risks and returns attached to the underlying asset of a lease have been transferred, then classify the lease as finance lease; Otherwise, classify as operating lease.

When a lease contains both land and building factors, the Group assesses the respective factors and classified the lease into either finance lease or operating lease and allocates the lease payments (including any one-time advance payment) among the land and building proportionate to the fair value of the lease rights of the land and building on the contract formation date. If the lease payments could not be reliably allocated to the two factors, then the whole lease is classified as finance lease. However, if both of the two factors clearly meet the operating lease standards, then the whole lease is classified as operating lease.

12. Impairment of non-financial assets

The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

13. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as interest expense. Provisions are not recognized for future operating losses.

14. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render their services.

(2) Pensions

A. Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

B. Defined benefit plan

(A) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current or prior period(s). The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the obligation.

(B) Remeasurements of defined benefit plans are recognized in other comprehensive income as incurred and are recorded as retained earnings.

(C) Past-service costs are recognized immediately in profit or loss.

(3) Employees compensation and directors and supervisors remuneration

Employees compensation and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

(4) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

15. Share capital

Ordinary shares are classified as equity. The classification of special shares is based on assessment of the specified rights attached to the special shares against the substance of the contractual agreements and the definition of financial liabilities and equity. When the special shares show basic features of those of financial liabilities, then they are classified as liability, otherwise they are classified as equity. The incremental costs directly attributed to the issuance of new shares or subscription rights are listed as deduction item(s) in equity.

16. Share-based payments
    (1) The share-based payment agreements in equity and the obtained employees services are measured based on the fair value of the equity instruments given on the payment date and are recorded as compensation costs during the vesting periods, and equity is adjusted respectively. The fair value of equity instruments should reflect the effects on the market prices under vested conditions or non-vested conditions. The recorded compensation costs are adjusted along with the expected satisfaction of service conditions and the compensation quantity of non-market price vesting conditions, until that the final recorded amount is recorded at the vested quantity on the vesting date.
    (2) The share-based payment agreements in cash, based on the fair value of liability assumed, are recorded as compensation costs and liability during the vesting period and measured at fair value of the equity instruments on each balance sheet date and payment date, with any changes recorded in profit or loss in the period when occurred.

17. Income tax
    (1) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
    (2) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
    (3) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred

tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

(4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(5) Current income tax assets and liabilities are offset against each other and the Allowance for impairment loss reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(6) A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, personnel training and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

18. Revenue recognition

The Group use the following steps and principle to record revenue from contracts with customers：

(1) Identify contract(s) with a customer；

(2) Identify the performance obligations in the contract；

(3) Determine the transaction price；

(4) Allocate the transaction price to the performance obligations in the contract；and；

(5) Recognize revenue when (or as) the entity satisfies a performance obligation.

After the Group identifies the contractual obligations with the customers, the transaction prices are allocated to the respective contractual obligations, and revenue is recognized when the respective contractual obligations are fulfilled.

A. Sale of goods

The Group records revenue when the control of goods are transferred to the customers. Transferring control of good means delivery of goods to the customers, and there is no un-fulfilled obligation that will affect acceptance of the goods by the customer. Delivery time means that customers have accepted the goods according to the transaction terms, the risk of obsolete and loss has been transferred to the customer, and the Group has objective evidence considering that all acceptance criteria have been satisfied.

The Group records accounts receivable upon delivery of goods, because that is the time when the Group has unconditional rights to receive the consideration.

When sending materials for processing, since the control of the ownership of the processing products is not transferred, no revenue is recognized upon delivering of materials.

B. Construction revenue

The Group undertakes steel-structure construction contracts and records revenue with passage of time. Since the input costs of construction contracts are directly related to the completion progress of the contractual obligations, the Group measures the completion progress based on the ratio of actual input costs over the expected total cost. The Group records contract assets during the progress of the construction and transfer to accounts receivable upon issuance of bills. If the construction receipts exceed the recognized revenue amount, the difference is recorded as contract liability. The purpose of the construction reserved funds withheld by the customers according to the contractual terms is to ensure that the Group completes all contractual liabilities, and the Group records the funds as contract assets before fulfillment of the contracts.

If the result of the contract fulfillment could not be reliably measured, then only records construction revenue to the extent of expected recoverable costs that has been generated.

19. Borrowing cost

Borrowing costs that can be directly attributed to acquisition, building or production of assets meeting certain criteria are part of the cost of the assets, until almost all the activities necessary for the assets to reach the expected condition for use or sale have been completed.

For certain borrowings, before they meet certain criteria for capital expenditures, if the investment income is earned from temporary investment, then the investment income is subtracted from the borrowing cost that meet certain criteria.

Except for the above, all other borrowing costs are recorded in profit or loss in the current period.

20. Derivative financial instruments and hedge accounting

The derivative financial instruments are forward exchange contract signed by the Group for managing exchange risk of the Group. The signed derivative financial instruments are initially recorded at fair value and subsequently remeasured at fair value by the end of reporting periods, and the generated gains or losses are directly recorded in profit or loss in the period occurred. However, for designated derivatives that are effective hedge instruments, the timing for them in profit loss will depend on the nature of hedging relationships. When the fair value of derivative financial instruments is positive, they are recorded as financial assets; When the fair value is negative, record as financial liabilities.

When the Group cancels the designated hedging relationships, and the maturity, sale, contract termination, execution of the hedging instruments no longer meet the definition of hedge accounting, then hedge accounting is prospectively stopped.

The Group has assigned several derivatives as fair-value hedges for recorded assets, liabilities or confirmed commitments ; When a hedge transaction starts, the relationship between the hedge instrument and the hedged item, the Group’s risk management goal and the strategy for executing various hedging transactions are documented. Right after hedging begins, on a continuing basis, the Group also records and assesses whether or not the adopted derivative instruments for hedging transactions can highly and effectively offset the fair-value changes in the hedged items.

When the remaining period of the hedged items exceed 12 months, the total fair value of the derivative financial instruments is classified as either noncurrent financial asset or liability ; When the remaining period of the hedged items is within 12 months, the total fair value of the derivative financial instruments is classified as either current financial asset or liability ; For derivative instruments held for trading, they are classified as either current financial assets or liabilities.

Fair-value changes in derivative instruments that are assigned and are fair value hedges, along with any fair-value changes of the hedged assets or liabilities attributed to hedged risks, are recorded as “Finance costs” in profit or loss in the period occurred. And the gains or losses related to ineffective portion are recorded as “Other gains and losses” in profit or loss in the period occurred.

21. Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. If government grants are used to compensate expenses or losses that have occurred, or are granted to the Group for immediate financial support purpose and without related cost, then those grants are recorded in profit or loss in the periods when receivable. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method or recorded as an deduction item to the book value of the asset, and the subsidies are recorded in profit or loss through reduction of depreciation expenses over the useful lives of the assets.

The interest rates of the government loans obtained by the Group are lower than those in the market, the difference in the computed interest between the government loans and the market are recognized as government subsidies.

V. Major Sources of Critical Accounting Judgments, Estimates and Uncertainties

Critical accounting judgements, estimations, and assumptions adopted in developing the accounting policies when the Group prepares these consolidated financial statements are as following：

1. Critical judgements adopted by the accounting policies

(1) Business model determination for classification of financial assets

According to the reflected level of groups of financial assets jointly managed for achieving certain business purposes, the Group assesses the business model to which its financial assets belong. This assessment requires consideration on all relevant evidence, including measurement method for assets performance, risks that affect performance and the approach for determining compensation for the related managers, and requires utilization of judgements. The Group continues to assess whether its judgement for business model is appropriate or not. For this purpose, the Group monitors its financial assets measured at amortized cost that are written off before maturity date and investments in debt instruments measured at FVTOCI, understands whether or not the reason of disposal is consistent with the goal of business model. If it is found that the business model has changed, the Group would reclassify the financial assets according to IFRS 9 and prospectively apply after the reclassification date.

(2) Revenue recognition

According to IFRS 15, the Group determines whether or not the control over the specified goods or services had been obtained by the Group prior to transferring the goods or services to the customers and determines if the Group would be a principal or an agent in the transaction. If it is determined that the Group is an agent in the transaction, then recognize net transaction amount as revenue.

If any one of the following conditions applies, the Group would be a principal：

A. Before the goods or other assets are transferred to the customers, the Group had obtained the control over the goods or services from another party; or

B. The Group controls the rights to the services provided by another party and has the ability to direct the party to provide the services to the customers on behalf of the Group ; or

C. The Group obtains control over the goods or services from another party, combining with other goods or services, to provide specified goods or services to the customers.

Indices used to determine whether or not the Group had obtained control over the goods or services prior to transferring the goods or services to the customers include (but not limited to)：

(A) The Group bears the main responsibility for the commitment to provide the specified goods or services.

(B) The Group bears the risk of the inventories before and after the goods or services are transferred to the customers.

(C) The Group has the discretionary power to determine the price.

(3) Lease period

When determining lease period, the Group considers all relevant facts and conditions that generate economic incentives to exercise (or not to exercise) options, including any anticipated changes to the facts or conditions from the starting date to the execution date of the options. Factors considered include contractual terms and conditions during the contractual period of the options, material leasehold improvement conducted during the contractual period (or expected contractual period), importance of the target assets to the Group's operations, etc. When there is material change in material event or condition within the Group's controlling scope, re-assess the lease period.

2. Critical accounting estimates and assumptions

(1) Revenue recognition

Sales revenue is recognized when the control of goods or services are transferred to the customers and the contractual obligations are satisfied, and the related expected sales return, discount or other similar allowances are subtracted. The sales return and allowances are estimated based on historical experience and other known reasons, and the Group periodically reviews reasonableness of the estimates.

(2) Estimated impairment on financial assets

The assessments of impairment loss on accounts receivable, debt instruments and financial guarantee contracts are based on the Group's assumptions regarding default rate and expected loss ratio. The Group considers past experience, current market condition and prospective information to make the assumptions and choose the input value for the impairment loss assessment. If the future actual cash flows are less than expected, material impairment loss may result.

(3) Fair value measurement and evaluation procedures

When there are no market quotes in an active market for the assets and liabilities measured at fair value, the Group, according to applicable laws and regulations or its own judgement, determines whether or not to outsource the evaluation work and determine the proper fair-value evaluation technique. If level one input value could not be obtained when estimating the fair value, the Group refers to the financial condition and operating results of the investees, latest transaction prices, quotes in inactive market for the same equity instrument, quotes for similar instruments in active market, evaluation multipliers for comparable companies and other information and determine the input value. If, in the future, the actual changes in input value differ from the expected value, changes in fair value may result. To monitor if the fair-value measurement is appropriate or not, the Group periodically updates the various input value based on market conditions.

(4) Impairment assessment of tangible and intangible assets

In the course of impairment assessments, the Group determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Group’s strategy might result in material impairment of assets in the future.

(5) Impairment assessment for investments accounted for using equity method

When there is sign showing that a particular investments under equity method may already been impaired and the carrying amount could not be recovered, the Group immediately performs impairment assessment on the investment. The Group evaluates the recoverable amount according to the discounted present value of expected future cash flows either from operations of the investee company or from disposal of the investee company, including analyzing reasonableness of the related assumptions.

(6) Realizability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. The Group’s management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred income tax assets.

(7) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value.

(8) Net defined benefit pension plan assets

When calculating the present value of defined pension obligations, the Group uses judgments and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate. Changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligations.

(9) Incremental borrowing interest rate of lessee

When determining the lessee’s incremental borrowing interest rate used for discounting lease payments, the risk-free rate under the same currency and relevant period is used as reference benchmark, along with consideration on the lessee’s credit risk premium and specific lease adjustment (factors such as pledge of assets).

VI. Description of Significant Accounting Items

1. Cash and cash equivalents

Item	December 31, 2021	December 31, 2020
Cash and petty cash	$ 2, 333	$ 2, 381
Checking account	66, 922	80, 581
Demand deposits	528, 385	291, 850
Time deposits	58, 377	128, 247
Total	$ 656, 017	$ 503, 059

Note：(1) The Group conducts businesses with financial institutions with good credit quality, and the Group conducts business with many financial institutions to diversify credit risks. The expected possibility of default is quite low.

(2) The Group does not have any cash and cash equivalents pledged to others.

2. Financial assets measured at FVTPL - current

Item	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss		
Domestic publicly traded shares	$ 108, 803	$ 65, 114

(1) The Group does not pledge any of its financial assets measured at FVTPL.

(2) Please refer to Note XII for the related credit risk management and assessment methods.

3. Financial assets for hedging - current

Item	December 31, 2021	December 31, 2020
Derivative financial assets for hedging - current		
Forward exchange contract – fair value hedge	$ -	$ 2, 632

(1) The purpose for adopting hedge accounting is to reduce effects from inconsistent accounting treatments for the hedged items and the hedging instruments. In order to avoid exposure to the foreign-exchange effects from procurement contracts that are not recorded but are confirmed and committed, the Group engages in forward contracts to purchase Australian dollars in advance according to 1 : 1 hedging ratio and control the exchange rates within the Group's tolerable scope.

(2) Transaction information for hedge accounting adopted by the Group：

A. December 31, 2021：None.

B. December 31, 2020：

	December 31, 2020				Year of 2020	
Hedging instrument	Nominal amount (dollar)	Book value of assets	Book value of liabilities	Record changes in fair-value of ineffective hedging basis	Average price or rate	Valuation gain or loss on FVTPL financial assets/liabilities due to ineffective hedging
Fair-value hedging：						
Exchange risk						
Forward exchange transaction	AUD 4,934,800	$ 2,632	$ －	$ －	$20.59	$ －

Hedged item	Book value of assets	Accumulated adjustments on book of assets due to fair-value hedging	Book value of liabilities	Accumulated adjustments on book of liabilities due to fair-value hedging	Record changes in fair-value of ineffective hedging basis	Profit or loss recorded due to ineffective hedging
Fair-value hedging：						
Exchange risk						
Forward exchange transaction	$ －	$ －	$2,632 (Note)	$2,632	$ －	$ －

Note：Recorded as other current liabilities.

4. Notes receivable, net

Item	December 31, 2021	December 31, 2020
Measured at amortized costs		
Notes receivable	$ 1,499,247	$ 916,503
Notes receivable – related parties	－	－
Less：Allowance for losses	(14,181)	(8,509)
Notes receivable, net	$ 1,485,066	$ 907,994

(1) As of December 31, 2021 and 2020, the Group has no notes receivable pledged to others.

(2) For disclosures relating to loss allowance for notes receivable, please refer to Note VI-5.

5. Accounts receivable, net

Item	December 31, 2021	December 31, 2020
Measured at amortized costs		
Accounts receivable	$ 3, 616, 223	$ 2, 610, 177
Construction accounts receivable	1, 220, 591	956, 833
Accounts receivable - related parties	1, 394	3, 225
Construction accounts receivable - related parties	－	60, 467
Less：Allowance for losses	(38, 389)	(30, 289)
Accounts receivable, net	$ 4, 799, 819	$ 3, 600, 413

(1) The Group offers average 90 days credit period for accounts receivables from sale of goods. The credit standards are established based on the industrial characteristics, business scale and profitability of the transaction parties.

(2) The Group does not pledge any of its accounts receivable to others.

(3) A. The Group’s accounts receivable are measured at amortized costs.

B. The Group adopts the simplified method in recognizing allowance for the uncollectable notes and accounts receivable based on the expected credit loss during the existing period. The expected credit loss during the existing period is the loss rate established after considering the customer’s past default records, its present financial and economic conditions, and consideration on business prospect and external credit ratings for adjusting historical and present information. Since the Group’s past credit loss experience shows that there was no significant difference in the types of loss among the different groups of customers, the provision matrix does not further distinguish these customer groups but only sets the expected rate of credit loss based on number of overdue days of the accounts receivable and actual conditions.

The Group’ s loss allowances (including related parties) for notes and accounts receivable (including overdue receivables) measured according to the provision matrix are as following：

December 31, 2021	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	$ 6,337,455	$ 52,570	$ 6,284,885
Overdue 1～30 days (Note)	0%-1%	－	－	－
Overdue 31～180 days (Note)	0%-1%	－	－	－
Overdue 181～365 days and over (Note)	100%	63,210	63,210	－
		$ 6,400,665	$ 115,780	$ 6,284,885

December 31, 2020	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	$ 4,547,205	$ 38,798	$ 4,508,407
Overdue 1～30 days (Note)	0%-1%	－	－	－
Overdue 31～180 days (Note)	0%-1%	－	－	－
Overdue 181～365 days and over (Note)	100%	34,750	34,750	－
		$ 4,581,955	$ 73,548	$ 4,508,407

Note：Based on the company’s actual aging analysis schedule.

Expected rates of credit loss for the Group’ s above aging intervals (excluding abnormal accounts where 100% loss should be recognized): 0%～1% for accounts that are not overdue or overdue within 180 days ; 100% for accounts overdue 181～365 days and over.

A. Movements in loss allowance for notes and accounts receivable (including related parties) ：

Item	Year of 2021	Year of 2020
Beginning balance	$ 73,548	$ 62,519
Plus：Record impairment loss	44,032	11,872
Less：Reversed for uncollectible accounts	(1,632)	(981)
Foreign exchange difference	(168)	138
Ending balance	$ 115,780	$ 73,548

The Group does not hold any collateral or credit enhancement for its accounts receivable.

B. With regards to credit risk mnagement and assessment method, please refer to Note XII.

6. Inventories and cost of goods sold

Item	December 31, 2021	December 31, 2020
Finished goods	$ 1,081,357	$ 776,426
Work in progress	127,997	77,193
Raw materials	4,368,550	2,480,148
Supplies	17,519	8,794
Inventory in transit	82,302	72,620
Total	$ 5,677,725	$ 3,415,181

(1) Operating costs：

Item	Year of 2021	Year of 2020
Cost of sold inventories	$ 17,958,393	$ 12,140,699
Construction cost	6,204,593	5,928,300
Processing cost	109,326	95,975
Loss (gain) for market price decline (recovery) of inventories	98,869	(18,495)
Gain on inventory counts	2	(8)
Income from sale of scraps	(417,796)	(263,851)
Total operating costs	$ 23,953,387	$ 17,882,620

(2) The Group either reduces the book value of its inventories to their net realizable value, or records gains due to price recovery of inventories and consumption of stock. In the years of 2021 and 2020, the Group recorded NT$98,869 thousand and (NT$18,495) thousand of loss for market price decline (gain from price recovery) of inventories, respectively.

(3) The Group does not pledge any of its inventories.

7. Other financial assets - current

Item	December 31, 2021	December 31, 2020
Time deposits over 3 months	$ 476,435	$ 569,567
Funds repatriated under the Repatriated Offshore Funds Act	79,718	62,884
Restricted time deposits	23,158	24,354
Court deposits for false sequestration or provisional injunction of court	970	970
Total	$ 580,281	$ 657,775

(1) For the restricted and pledged time deposits and receivable court deposits for false sequestration or provisional injunction, please refer to Note VIII.

(2) Since the Group's time deposits with original maturity date over three months do not meet the definition of cash equivalents, these time deposits are classified under Other financial assets – current and, due to immaterial discount effects from short holding period, measured at investment amount. As of December 31, 2021 and 2020, the range of market interest rates for time deposits with original maturity date over three months was 0.25%~2.10% and 0.34%~1.065%, respectively.

8. FVTOCI financial assets - noncurrent

	December 31, 2021	December 31, 2020
Noncurrent items：		
Equity instruments		
Domestic investments		
Listed stocks		
Clientron Corp.	$ 324	$ 165
TBI Motion Technology Co., Ltd.	4,995	5,530
China Ecotek Corporation	119,481	104,079
Newmax Technology Co., Ltd.	1,712	2,265
Subtotal	126,512	112,039
Unlisted stocks		
Wabo Global Trading Corporation	7,654	9,512
Tech Alliance Corp.	1,915	7,813
Ascentek Venture Capital Corporation	-	4,516
Pro-Ascentek Investment Corporation	61,096	-
Subtotal	70,665	21,841
Foreign investments		
Unlisted stocks		
Chung Mao Trading (BVI) Corporation	1,275	1,275
China Steel and Nippon Steel Vietnam Joint Stock Company	304,934	242,411
United Steel International Development Corporation	25,948	21,144
Shenzhen Zongmao International Trading Co., Ltd.	4,385	-
Subtotal	336,542	264,830
Total	$ 533,719	$ 398,710

(1) The Group makes the above stock investments based on medium-to-long term strategic purposes and expects to earn profits through long-term investments. Since the management of the Group considers that, if short-term fluctuations in

fair value of such investments are recorded in profit or loss, it will be inconsistent with the aforementioned long-term investment planning. Therefore, the Group had chosen to designate such investments as measured at FVTOCI.

(2) As of December 31, 2021 and 2020, the Group did not pledge any of its FVTOCI financial assets.

(3) For the related credit risk management and evaluation methods, please refer to Note XII.

9. Investments accounted for using equity method

Investees	December 31, 2021	December 31, 2020
Individually immaterial associates	$ 519, 584	$ 488, 528

(1) Associates：

A. The Group’s shares of individually immaterial associates are listed below：

Company name	Year of 2021	Year of 2020
Net income (loss)	$ 134, 315	$ 55, 684
Other comprehensive income (loss) (net of tax)	1, 462	(921)
Total comprehensive income (loss)	$ 135, 777	$ 54, 763

B. The Group’s shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

C. In years of 2021 and 2020, the cash dividends that the Group received from the associates accounted for using equity method were NT$19,786 thousand and NT$25,779 thousand

D. None of the Group’s held investments accounted for using equity method is used as collateral or pledged.

10. Property, plant and equipment

	December 31, 2021	December 31, 2020
Self-use	$ 4, 992, 492	$ 4, 852, 409
Rent out as operating lease	323, 786	324, 584
Total	$ 5, 316, 278	$ 5, 176, 993

(1) Regarding amount of capitalized interests, please refer to Note VI-26.

(2) After the Group performed impairment assessment, as of December 31, 2021 and 2020, there was no sign of impairment.

(3) The Group does not pledge any of its property, plant and equipment.

Self-use

Item	December 31, 2021	December 31, 2020
Land (note)	$ 2,794,882	$ 2,664,975
Buildings	2,265,618	2,366,880
Machinery equipment	4,590,880	4,475,192
Other equipment	594,893	575,900
Unfinished construction or equipment pending for inspection	594,875	554,147
Total cost	10,841,148	10,637,094
Less：Accumulated depreciation	(5,837,631)	(5,773,660)
Accumulated impairment	(11,025)	(11,025)
Total	$ 4,992,492	$ 4,852,409

Note：Including land improvements.

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2021.01.01 balance	$2,664,975	$2,366,880	$4,475,192	$575,900	$554,147	$10,637,094
Addition	-	-	27,129	32,249	333,797	393,175
Transferred to assets rented out as operating lease	(7,626)	-	-	-	-	(7,626)
Disposal	-	-	(77,686)	(9,556)	-	(87,242)
Reclassify	137,533	79,195	196,164	5,608	(292,959)	125,541
Foreign exchange difference	-	(6,188)	(12,144)	(483)	(110)	(18,925)
Disposal of subsidiary	-	(174,269)	(17,775)	(8,825)	-	(200,869)
2021.12.31 balance	$2,794,882	$2,265,618	$4,590,880	$594,893	$594,875	$10,841,148
Accumulated depreciation and impairment						
2021.01.01 balance	$ 22,539	$1,734,925	$3,522,014	$505,207	$ -	$5,784,685
Depreciation expense	1,645	61,965	157,325	21,680	-	242,615
Disposal	-	-	(67,139)	(9,388)	-	(76,527)
Foreign exchange difference	-	(4,211)	(9,495)	(409)	-	(14,115)
Disposal of subsidiary	-	(64,272)	(15,998)	(7,732)	-	(88,002)
2021.12.31 balance	$ 24,184	$1,728,407	$3,586,707	$509,358	$ -	$5,848,656

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2020.01.01 balance	$2,674,634	$2,499,711	$4,589,255	$588,104	$310,938	$10,662,642
Addition	-	956	31,078	7,790	327,929	367,753
Transferred to assets rented out as operating lease	(9,659)	(130,483)	(84,554)	-	-	(224,696)
Disposal	-	(23,371)	(225,836)	(28,408)	-	(277,615)
Reclassify	-	6,563	137,331	7,317	(84,958)	66,253
Foreign exchange difference	-	13,504	27,918	1,097	238	42,757
2020.12.31 balance	$2,664,975	$2,366,880	$4,475,192	$575,900	$554,147	$10,637,094
Accumulated depreciation and impairment						
2020.01.01 balance	$ 20,894	$1,803,590	$3,597,534	$506,654	$ -	$5,928,672
Depreciation expense	1,645	62,747	154,412	25,723	-	244,527
Disposal	-	(23,237)	(166,505)	(28,096)	-	(217,838)
Transferred to assets rented out as operating lease	-	(116,938)	(84,549)	-	-	(201,487)
Reclassify	-	-	(205)	-	-	(205)
Foreign exchange difference	-	8,763	21,327	926	-	31,016
2020.12.31 balance	$ 22,539	$1,734,925	$3,522,014	$505,207	$ -	$5,784,685

Assets rented out as operating lease

Item	December 31, 2021	December 31, 2020
Land	$ 306,034	$ 298,408
Buildings	344,483	344,483
Machinery equipment	84,554	84,554
Total cost	735,071	727,445
Less：Accumulated depreciation	(411,285)	(402,861)
Total	$ 323,786	$ 324,584

	Land	Buildings	Machinery equipment	Total
Cost				
2021.01.01 balance	$ 298, 408	$ 344, 483	$ 84, 554	$ 727, 445
Addition	–	–	–	–
Disposal	–	–	–	–
From self-use assets	7, 626	–	–	7, 626
2021.12.31 balance	$ 306, 034	$ 344, 483	$ 84, 554	$ 735, 071
Accumulated depreciation and impairment				
2021.01.01 balance	–	318, 312	84, 549	402, 861
Depreciation expense	–	8, 424	–	8, 424
Disposal	–	–	–	–
From self-use assets	–	–	–	–
2021.12.31 balance	$ –	$ 326, 736	$ 84, 549	$ 411, 285

	Land	Buildings	Machinery equipment	Total
Cost				
2020.01.01 balance	$ 288, 749	$ 214, 000	$ 84, 554	$ 587, 303
Addition	–	–	–	–
Disposal	–	–	–	–
From self-use assets	9, 659	130, 483	–	140, 142
Reclassify	–	–	–	–
2020.12.31 balance	$ 298, 408	$ 344, 483	$ 84, 554	$ 727, 445
Accumulated depreciation and impairment				
2020.01.01 balance	$ –	$ 188, 580	$ 84, 549	$ 273, 129
Depreciation expense	–	12, 794	–	12, 794
From self-use assets	–	116, 938	–	116, 938
Disposal	–	–	–	–
2020.12.31 balance	$ –	$ 318, 312	$ 84, 549	$ 402, 861

The Group rents out land, offices and factories, with leasing periods from 1~3 years. All operating lease contracts include clauses that, when lessees exercise the lease-renewal rights, the rents are adjusted according to market rates. When the lease periods are ended, the lessees do not have bargain purchase option toward the assets.

The total lease receivable amounts for the property, plant and equipment rented out as operating leases in the future are as below：

	December 31, 2021	December 31, 2020
1st year	$ 54,619	$ 14,291
2nd year	53,551	–
3rd year	13,388	–
Total	$ 121,558	$ 14,291

As of December 31, 2021 and 2020, the market value of the Group's assets rented out as operating leases are still higher than their net book value and are not impaired.

11. Leases

(1) Right-of-use assets

Item	December 31, 2021	December 31, 2020
Land	$ 42,973	$ 65,767
Buildings	38,084	40,090
Transportation equipment	3,467	3,467
Total cost	84,524	109,324
Less: Accumulated depreciation	(20,483)	(17,970)
Accumulated impairment	–	–
Net amount	$ 64,041	$ 91,354

Cost	Land	Buildings	Transportation equipment	Total
2021.01.01 balance	$ 65,767	$ 40,090	$ 3,467	$ 109,324
Increase in this period	–	13,639	–	13,639
Decrease in this period	(937)	(15,645)	–	(16,582)
Exchange effects	(489)	–	–	(489)
Disposal of subsidiary	(21,368)	–	–	(21,368)
2021.12.31 balance	$ 42,973	$ 38,084	$ 3,467	$ 84,524

Accumulated depreciation and impairment				
2021.01.01 balance	$ 5,526	$ 11,722	$ 722	$ 17,970
Depreciation expense	2,343	14,082	1,734	18,159
Written off in this period	(937)	(13,212)	–	(14,149)
Exchange effects	(45)	–	–	(45)
Disposal of subsidiary	(1,452)	–	–	(1,452)
2021.12.31 balance	$ 5,435	$ 12,592	$ 2,456	$ 20,483

Cost	Land	Buildings	Transportation equipment	Total
2020.1.1 balance	$ 64,494	$ 30,266	$ 1,740	$ 96,500
Increase in this period	7,336	24,600	3,467	35,403
Decrease in this period	(7,130)	(14,776)	(1,740)	(23,646)
Exchange rate effects	1,067	–	–	1,067
2020.12.31 balance	$ 65,767	$ 40,090	$ 3,467	$ 109,324
Accumulated depreciation and impairment				
2020.1.1 balance	$ 4,056	$ 11,186	$ 725	$ 15,967
Depreciation expense	2,435	15,552	1,737	19,724
Written off in this period	(1,036)	(15,016)	(1,740)	(17,792)
Exchange rate effects	71	–	–	71
2020.12.31 balance	$ 5,526	$ 11,722	$ 722	$ 17,970

(2) Lease liabilities

Item	December 31, 2021	December 31, 2020
Book value of lease liabilities		
Current	$ 12,182	$ 13,437
Noncurrent	$ 14,438	$ 18,353

Range of discount rates for lease liabilities is shown as below:

	December 31, 2021	December 31, 2020
Land	0.78%	0.78%
Buildings	0.78%	0.78%

Regarding maturity analysis for lease liabilities, please refer to Note XII-2.

(3) Material leasing activities and terms

The Group leases several land, buildings for business use, with leasing periods from 1~8.5 years. The Group has recorded the renewal rights as part of lease liabilities. In addition, according to the contracts, without consent by the lessor, the Group may not sub-lease to third parties. As of December 31, 2021 and 2020, since there was no sign of impairment on the right-of-use assets, impairment assessment was not performed.

(4) Other lease information

A. For the Group's property, plant and equipment rented out as operating leases and agreements for investment properties, please refer to Note VI-10 "Property, plant and equipment".

B. Related lease expense information in 2021 and 2020：

Item	Year of 2021	Year of 2020
Short-term lease expense	$ 1, 328	$ 2, 335
Lease expense on low-value assets	$ 1, 678	$ 2, 223
Variable lease expense not included in lease liability measurement	$ －	$ －
Total cash out-flow of lease (Note)	$ 19, 835	$ 22, 941

Note：Including principal and interest payments for lease liabilities in this period.

C. In 2021 and 2020, the Group has adopted the exemption treatment for short-term leases and low-asset-value leases and does not record the related right-of-use assets and lease liabilities.

12. Long-term notes receivable

	December 31, 2021	December 31, 2020
Overdue receivables	$ 63, 210	$ 34, 750
Less：Allowance for losses	(63, 210)	(34, 750)
Net amount	$ －	$ －

(1) For the related disclosures on long-term notes receivable and allowance losses, please refer to Note VI-5.

(2) With regards to credit risk management and assessment method, please refer to Note XII.

13. Short-term borrowings

	December 31, 2021	
Nature of borrowing	Amount	Interest rate
Credit loan	$ 4, 693, 535	0.6356%~4.6%
Loan for purchasing materials	1, 419, 147	0.522%~2.282%
Total	$ 6, 112, 682	

	December 31, 2020	
Nature of borrowing	Amount	Interest rate
Credit loan	$ 2, 849, 499	0.515%~4.6%
Loan for purchasing materials	651, 846	0.67%~2.409%
Total	$ 3, 501, 345	

The Group does not provide any of its financial assets, factories or equipment as collateral for its short-term borrowings and had issued separate guaranteed notes collaterals. Please refer to Note IX for details.

14. Short-term notes payable

Item	December 31, 2021	December 31, 2020
Commercial papers payable	$ 1,429,000	$ 742,000
Less：Un-amortized discount	(122)	(145)
Net amount	$ 1,428,878	$ 741,855
Range of interest rates	0.252%~0.65%	0.26%~0.567%

The Group issued promising notes at the borrowing amounts as commitments to repay the loans. Please refer to Note IX for details.

15. Provisions - current

Item	December 31, 2021	December 31, 2020
Employee benefits	$ 39,109	$ 38,626

Item	Year of 2021	Year of 2020
Beginning balance	$ 38,626	$ 39,737
Accrued in this period	39,109	38,626
Reversed in this period	(38,626)	(39,737)
Foreign exchange effects	－	－
Ending balance	$ 39,109	$ 38,626

Provision for employee benefits is the estimation for the vested short-term rights of paid leaves by the employees.

16. Long-term borrowings and long-term liabilities due within 1 year or 1 operating cycle

Item	December 31, 2021	December 31, 2020
Un-secured bank loans (Note)	$ 137,500	$ －
Less：Due within 1 year	(50,000)	－
Long-term borrowings	$ 87,500	$ －
Range of interest rates	0.98%	－

Note：The borrowing periods range 2021/9/22~2024/9/22；According to payment terms, interests are paid monthly, and principals are evenly repaid in 12 intervals beginning from the borrowing dates, where each interval is 3 months.

17. Pensions

(1) Defined contribution plan

A. The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company make monthly contributions of 6% of each individual employee's salary or wage to employees' pension accounts.

B. For the year of 2021 and 2020, according to the contribution rate stipulated by the defined contribution plan, the Company had recognized pension expense of NT$28,838 thousand and NT$27,769 thousand, respectively, in the statements of comprehensive income.

(2) Defined benefit plan

A. The Group have a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Group will make contribution for the deficit by next March. The pension fund is managed by the government's designated authorities and the Group has no right to influence their investment strategies.

B. Amounts recognized in the balance sheet for obligations from defined benefit plan are as follows：

Item	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 785,356	$ 837,735
Fair value of plan assets	(665,751)	(711,718)
Defined benefit liability (asset), net	$ 119,605	$ 126,017

C. Movements in net defined benefit liabilities are as follows：

Item	Year of 2021 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1, 2021 balance	$ 837,735	($ 711,718)	$126,017
Service cost			
Current-period service cost	7,288	-	7,288
Interest expense (revenue)	2,115	(1,789)	326
Recorded in profit or loss	9,403	(1,789)	7,614
Remeasurements			
Plan assets returns (excluding the amount in net interests)	-	(11,236)	(11,236)
Actuarial (gains) losses - experience adjustments	8,197	-	8,197
Recorded in other comprehensive income (loss)	8,197	(11,236)	(3,039)
Contribution by employer	-	(10,987)	(10,987)
Payment for benefits	(69,979)	69,979	-
December 31, 2021 balance	$ 785,356	($ 665,751)	$119,605

Item	Year of 2020 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1, 2020 balance	$ 884,131	($ 753,253)	$ 130,878
Service cost			
Current service cost	9,951	-	9,951
Interest expense (revenue)	5,407	(4,597)	810
Recorded in profit or loss	15,358	(4,597)	10,761
Remeasurements			
Plan assets returns (excluding the amount in net interests)	-	(26,083)	(26,083)
Actuarial (gains) losses - experience adjustments	26,827	-	26,827
Recorded in other comprehensive income (loss)	26,827	(26,083)	744
Contribution by employer	-	(13,069)	(13,069)
Payment for benefits	(88,581)	85,284	(3,297)
December 31, 2020 balance	$ 837,735	($ 711,718)	$ 126,017

D. Because of the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks：

(A) Investment risk

Through self-investment or management assignment, the Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank savings.

However, the distributable amount to the Group's plan assets is at no less than the revenue computed based on the interest rate of 2-year time deposits in local banks.

(B) Interest rate 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 debt investments of the plan assets.

(C) 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.

E. The main actuarial assumptions used were as follows：

	Measurement date	
Item	December 31, 2021	December 31, 2020
Discount rate	0.64%	0.27%
Future salary increase rate	1.50%	1.50%
The weighted average duration of the defined benefit obligation	6.0 years	6.4 years

(A) Assumptions on future mortality experience as of December 31, 2021 and 2020 are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table, respectively.

(B) If there is any reasonable possible change in material actuarial assumption, holding other assumptions constant, would have affected increase (decrease) the defined benefit obligation by the amounts shown below：

Item	December 31, 2021	December 31, 2020
Discount rate		
0.5% increase	($ 23,561)	($ 26,808)
0.5% decrease	$ 25,131	$ 28,483
Future salary increase rate		
0.5% increase	$ 23,561	$ 26,808
0.5% decrease	($ 22,775)	($ 25,970)

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

F. The contribution that the Group expects to make to its defined benefit pension plans and payment in 2022 is NT$35,110 thousand.

18. Share capital - common shares

(1) Reconciliation of the Group's outstanding common shares and amounts from the beginning to the end of period：

Item	Year of 2021 Number of shares (thousands)	Year of 2021 Amount
January 1st balance	647, 655	$ 6, 476, 554
Capital increase by cash	–	–
December 31st balance	647, 655	$ 6, 476, 554

Item	Year of 2020 Number of shares (thousands)	Year of 2020 Amount
January 1st balance	647, 655	$ 6, 476, 554
Capital increase by cash	–	–
December 31st balance	647, 655	$ 6, 476, 554

(2) As of December 31, 2021, the Company's authorized capital is NT$7,000,000 thousand, which is divided into 700,000 thousand shares.

19. Capital surplus

Item	December 31, 2021	December 31, 2020
Consolidation surplus	$ 149, 686	$ 149, 686
Other	12, 385	12, 015
Total	$ 162, 071	$ 161, 701

According to the Company Act, in addition to offsetting against accumulated loss, when a company does not have accumulated loss, the capital surplus from additional paid-in capital in excess of par during stock issuance and from gifts received may be distributed to shareholders in form of new shares or cash according to their respective shareholding ratios. And according to the Securities and Exchange Act, when reinvest the above capital surplus as additional capital, the total amount is limited to 10% of the received capital. Unless when profit surplus is insufficient to offset loss, a company shall not replenish with capital surplus. Capital surplus generated from investments accounted for using equity method shall not be used for any purpose.

20. Retained earnings and dividend policy

(1) According to the Company's corporate charter regarding earnings-distribution policies, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve based the amount of stockholders' equity deduction item in the current year. After deducting various reserve items, the remainder, if any, then either to be combined with accumulated earnings from prior years or to be appropriated, shall be proposed by the board of directors and resolved by the stockholders at the stockholders' meeting.

(2) Dividend policy：

The Company is in a matured industry, with stable profitability and robust financial structure. Over many years, the Company commits in diversification and investments in high-value-added steel products and high-tech industry to enlarge its business base. When the board of directors plans for earnings distribution, considering the financial structure, shareholders' equity, stability of dividends, except when capital funds are required, the actual earnings distribution each year accounts for at least 50% of current-year distributable earnings, of which cash dividend should account for no less than 10%.

(3) Except for being used to offset losses or for dividend distribution according to shareholding ratios, legal reserve shall not be used. However, the amount for dividend distribution (including used for issuing new shares or distribution in cash) from legal reserve is limited to the portion of legal reserve that is over 25% of the total received capital.

(4) Special reserve

A. When the Group distributes earnings, according to the laws and regulations, special reserve needs to be recognized based on the debit balance of other equity items on the balance sheet date of the year. Later when the debit balance of other equity items is reversed, the reversed amount can be included in the earnings available for distribution.

B. During the first adoption of IFRSs, in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, the amounts previously set aside by the Company as special reserve may be reversed proportionately to distributable retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

Item	December 31, 2021	December 31, 2020
Recorded credit balance of other equity	$ －	$ －
Recorded amount due to first adoption of IFRSs	1, 324, 287	1, 324, 287
Total	$ 1, 324, 287	$ 1, 324, 287

(5) The appropriations of 2020 and 2019 earnings have been approved by the shareholders in its meetings in July 2021 and June 2020, respectively. The appropriations and dividends per share were as follows：

	Appropriation of Earnings		Dividends Per Share (NT$)	
Item	Year of 2020	Year of 2019	Year of 2020	Year of 2019
Legal reserve	$ 51, 290	$ 24, 079		
Cash dividends for common shares	388, 593	194, 297	$ 0. 60	$ 0. 30
Total	$ 439, 883	$ 218, 376		

(6) On March 16, 2022, the Company's board of directors proposed the following plan for 2021 earnings distribution：

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 122, 941	
Cash dividends for common shares	841, 952	$ 1.3
Total	$ 964, 893	

The proposed 2021 earnings distribution plan is pending to be approved by the shareholders in its meetings in June 2022.

Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

(7) Shenzhen Chun Yuan

According to Article 46 of corporate charter：

“ When joint venture companies set aside reserve fund, business development funds or employee incentives and benefits funds from profits after income taxes are paid, with the set-aside ratio determined after discussion of the board of directors based on operating conditions of the company. But the total amount shall be limited to 15% of after-tax profit, and the appropriation of reserve fund should be no less than 10% of after-tax profit.”

Note：Reserve fund is called Legal Reserve in the Republic of China (Taiwan).

(8) Shanghai Huateng, Shanghai Chun Yuan, Shenzhen Hong Yuan, Qingdao Chun Yuan, Xiamen Chun Yuan：

The company shall set aside reserve fund and employee incentives and benefits funds from profits after income taxes are paid per regulations, with the set-aside ratio determined by the board of directors based on actual conditions. Reserve fund is mainly used in offsetting against company losses, and the set-aside ratio generally shall not be no less than 10% of after-tax profit.

21. Other equity

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2021.01.01 balance	($ 260,235)	($ 160,624)	($ 420,859)
Exchange differences generated from translation of foreign operations - parent company	(15,877)	-	(15,877)
Unrealized valuation (loss) gain on FVTOCI financial assets	-	60,737	60,737
Disposal of FVTOCI equity instruments	-	(5,361)	(5,361)
Share of profits of subsidiaries, associates, and joint ventures under equity method	(12)	5,554	5,542
2021.12.31 balance	($ 276,124)	($ 99,694)	($ 375,818)

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2020.1.1 balance	($ 298,677)	($ 171,722)	($ 470,399)
Exchange differences generated from translation of foreign operations - parent company	38,420	-	38,420
Unrealized valuation (loss) gain on FVTOCI financial assets	-	9,106	9,106
Share of profits of subsidiaries, associates, and joint ventures under equity method	22	1,992	2,014
2020.12.31 balance	($ 260,235)	($ 160,624)	($ 420,859)

22. Non-controlling interest

Item	Year of 2021	Year of 2020
Beginning balance	$ 557, 250	$ 548, 416
Share attributed to non-controlling interest：		
Net income (loss) in this year	24, 642	8, 478
Other comprehensive income (loss) in this year	7, 054	40, 334
Disposal of subsidiary	(28, 416)	-
Increase (Decrease) in non-controlling interest	(34, 574)	(39, 978)
Ending balance	$ 525, 956	$ 557, 250

23. Operating revenue

Item	Year of 2021	Year of 2020
Revenue from contracts with customers		
Sales revenue	$ 19, 814, 742	$ 13, 073, 065
Revenue from construction contracts	6, 505, 918	6, 155, 245
Total revenue from contracts with customers	$ 26, 320, 660	$ 19, 228, 310

(1) Sales revenue

The Group’s merchandise sales revenue comes from sale of steel and related products, mainly sold to retailers. According to general commercial practices, the Company accepts returned products and refunds the full amount. Considering past experience, the rate of product return does not have material effect on the company.

(2) Revenue from construction contracts

Revenue from construction contracts of the Group comes from undertaking of steel structure constructions. By referencing the completion progress of the contract activities on the balance sheet date, the Group records revenue and cost, respectively, and the completion progress is measured based on the ratio of actual input cost over the expected total cost.

(3) Breakdown of revenue from contracts with customers

The Group's revenue may be divided into the following major product lines and geographical area：

Year of 2021：

Major product lines and geographical area	Steel	Construction	Total
Major market area			
Taiwan	$ 12, 849, 545	$ 6, 505, 918	$ 19, 355, 463
Asia	6, 965, 197	-	6, 965, 197
Americas	-	-	-
Europe	-	-	-
Total	$ 19, 814, 742	$ 6, 505, 918	$ 26, 320, 660
Timing for recording revenue			
Contract obligation fulfilled at a point of time	$ 19, 814, 742	$ -	$ 19, 814, 742
Contract obligation fulfilled along with time	-	6, 505, 918	6, 505, 918
Total	$ 19, 814, 742	$ 6, 505, 918	$ 26, 320, 660

Year of 2020：

Major product lines and geographical area	Steel	Construction	Total
Major market area			
Taiwan	$ 8, 669, 126	$ 6, 155, 245	$ 14, 824, 371
Asia	4, 221, 747	-	4, 221, 747
Americas	180, 484	-	180, 484
Europe	1, 708	-	1, 708
Total	$ 13, 073, 065	$ 6, 155, 245	$ 19, 228, 310
Timing for recording revenue			
Contract obligation fulfilled at certain point of time	$ 13, 073, 065	$ -	$ 13, 073, 065
Contract obligation fulfilled along with time	-	6, 155, 245	6, 155, 245
Total	$ 13, 073, 065	$ 6, 155, 245	$ 19, 228, 310

(4) Contract balance

The Group records notes and accounts receivable, contract assets and contract liabilities related to revenue from contracts with customers are shown as following：

Item	December 31, 2021	December 31, 2020
Notes receivable (including related parties)	$ 1, 485, 066	$ 907, 994
Accounts receivable (including related parties)	$ 4, 799, 819	$ 3, 600, 413
Contract assets - current		
Construction contracts	$ 2, 750, 072	$ 2, 383, 549
Contract liabilities - current		
Construction contracts	$ 584, 599	$ 213, 011
Sale of merchandise	$ 25, 285	$ 27, 514

(5) Changes in contract assets and contract liabilities

Changes in contract assets and contract liabilities mainly come from different timing for fulfillment of contract obligations and payment by customers.

(6) Revenue recorded from beginning contract liabilities

	Year of 2021	Year of 2020
Beginning balance of contract liabilities		
Revenue recorded		
Sale of merchandise	$ 27, 401	$ 17, 076

(7) Unfulfilled customer contracts

As of December 31, 2021 and 2020, the existing periods for the unfulfilled merchandise-sale customer contracts and construction contracts of the Group do not exceed one year or one operating cycle and are expected to be fulfilled with revenue recorded within future one year or one operating cycle.

24. Other income

Item	Year of 2021	Year of 2020
Rental income	$ 57, 202	$ 55, 159
Dividend income	8, 115	9, 488
Other	59, 292	70, 574
Total	$ 124, 609	$ 135, 221

25. Other gains and losses

Item	Year of 2021	Year of 2020
Net gain from FVTPL financial assets	$ 42,015	$ 2,014
Net foreign exchange (loss) gain	10,898	(4,582)
Gain on disposal of property, plant and equipment	4,261	13,063
Gain on disposal of investments	3,809	7
Gain from disposal of subsidiary	23,884	-
Other losses	(11,379)	(9,046)
Total	$ 73,488	$ 1,456

26. Finance costs

Item	Year of 2021	Year of 2020
Interest expense：		
Bank loans	$ 71,102	$ 48,545
Interests from lease liabilities	227	207
Less：Capitalized assets	(8,149)	(5,681)
Finance costs	$ 63,180	$ 43,071

27. Employee benefits, depreciation and amortization expense

	Year of 2021		
By nature	Operating costs	Operating expenses	Total
Employee benefits			
Salary	$ 814, 282	$ 445, 011	$ 1, 259, 293
Labor and health insurance	106, 313	37, 643	143, 956
Pension	26, 412	10, 041	36, 453
Directors compensation	－	15, 124	15, 124
Other employee benefits	62, 799	27, 346	90, 145
Depreciation expense	235, 495	33, 703	269, 198
Amortization expense	11, 146	4, 353	15, 499
Total	$ 1, 256, 447	$ 573, 221	$ 1, 829, 668

	Year of 2020		
By nature	Operating costs	Operating expenses	Total
Employee benefits			
Salary	$ 774, 434	$ 365, 292	$ 1, 139, 726
Labor and health insurance	83, 009	30, 322	113, 331
Pension	27, 713	10, 817	38, 530
Directors compensation	－	6, 407	6, 407
Other employee benefits	52, 061	26, 156	78, 217
Depreciation expense	238, 798	38, 247	277, 045
Amortization expense	14, 194	3, 410	17, 604
Total	$ 1, 190, 209	$ 480, 651	$ 1, 670, 860

(1) Based on the earning before tax and before subtracting compensation to employees and directors, the Company shall allocate not higher than 2% as employees compensation and shall allocate not higher than 1% of annual profits as directors remuneration. In 2021 and 2020, the accrued employees compensation / directors remuneration were NT$30,247 thousand / NT$12,814 thousand and NT$15,124 thousand / NT$6,407 thousand, respectively, which were accrued based on the aforementioned 2% and 1% of earning before tax. If subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.

(2) In 2021 and 2021, the board of directors of the Company passed the 2021 and 2020, respectively, the employees compensation, directors remuneration, and the related amounts recorded in the financial statements：

	Year of 2021		Year of 2020	
	Employees compensation	Directors remuneration	Employees compensation	Directors remuneration
Resolved distribution amount	$ 30,247	$ 15,124	$ 12,814	$ 6,407
Recorded in annual financial statements	30,247	15,124	12,814	6,407
Difference amount	$ －	$ －	$ －	$ －

(3) Information on employees' compensation and directors' and supervisors' remuneration of the Group as resolved by the meeting of Board of Directors is available from the Market Observation Post System at the website of the TWSE.

28. Income tax

(1) Income tax expense：

Item	Year of 2021	Year of 2020
Current income tax		
Income tax generated from current-period income	$ 289,490	$ 151,817
Applicable under the Repatriated Offshore Funds Act	8,856	5,563
Additional tax on un-distributed earnings	－	－
Adjustments in respect of prior years	(3,316)	82
Total current-period income tax	295,030	157,462
Deferred income tax		
Reversal of initially generated temporary differences	20,875	(8,620)
Deferred income tax expense	20,875	(8,620)
Income tax expense (benefit)	$ 315,905	$ 148,842

(2) Income tax (expense) benefit related to other comprehensive income：None.

(3) Reconciliation between income tax (expense) and accounting profit：

Item	Year of 2021	Year of 2020
Income before tax	$1, 561, 165	$ 671, 237
Income tax expense at the statutory tax rate	$ 312, 233	$ 134, 247
Income tax affected by adjustment items:		
Effects from items not included when computing income tax		
Net investment loss (income) under equity method	(44, 435)	(19, 055)
Valuation loss (gain) on financial assets	(8, 403)	(403)
Loss on expected credit impairment	479	2, 010
Tax-exempt income	(2, 385)	(1, 542)
Investment loss	1, 072	(3, 702)
Other adjustments	30, 929	40, 262
Adjustments in respect of prior years	(3, 316)	82
Applicable under the Repatriated Offshore Funds Act	8, 856	5, 563
Net changes in deferred income tax	20, 875	(8, 620)
Income tax expense recognized in profit or loss	$ 315, 905	$ 148, 842

The income tax rate for the Group entities under the tax laws of Republic of China is 20%, and the applicable tax rate on unappropriated earnings is 5%；The tax amounts generated in other regions are computed according to the applicable tax rates in respective regions.

Under the revised Statute for Industrial Innovation published by the President Office on July 2019, starting from year of 2018, the unappropriated retained earnings that are used to build or acquire certain assets or technology, when reaching certain amount, may be included as an deduction item in computing unappropriated retained earnings. When the Group computes taxes on unappropriated retained earnings, only the portion of capital expenditures actually used for substantial investments was deducted.

According to The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, which was effective since August 15, 2019, the Company had applied and was granted permission to repatriate offshore (including Mainland China area) funds within statutory deadline. Beginning from the above effective date of the Act, the applicable tax rate (on the repatriated offshore funds) for the 1st year was 8%, then 10% for the 2nd year, and regular income tax regulations does not apply ; After the funds are repatriated, within 1 year, they may be used in substantial investments after application with the Ministry of Economic Affairs and enjoy 50% favorable tax refund if the substantial investments are completed within deadline.

(4) Deferred income tax assets or liabilities generated from temporary differences, operating loss carryover, and investment credits：

	Year of 2021				
Item	Beginning balance	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Contract assets	$ 95,713	($ 4,096)	$ -	$ -	$ 91,617
Defined benefit liability, net	14,837	(675)	-	-	14,162
Unrealized inventory valuation loss	8,876	10,348	-	-	19,224
Unused paid leaves	7,725	962	-	-	8,687
Operating loss carryover	39,276	(37,818)	-	-	1,458
Other	20,402	9,736	-	-	30,138
Subtotal	186,829	(21,543)	-	-	165,286
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(300)	(74)	-	-	(374)
Reserve for unrealized land value increment	(808,968)	-	-	-	(808,968)
Other	(742)	742	-	-	-
Subtotal	(810,010)	668	-	-	(809,342)
Total	($ 623,181)	($ 20,875)	$ -	$ -	($ 644,056)

	Year of 2020				
Item	Beginning balance	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Contract assets	$ 80,187	$ 15,526	$ -	$ -	$ 95,713
Defined benefit liability, net	15,299	(462)	-	-	14,837
Unrealized inventory valuation loss	7,323	1,041	-	512	8,876
Unused paid leaves	8,017	(335)	-	43	7,725
Operating loss carryover	44,028	(1,928)	-	(2,824)	39,276
Other	21,474	(4,480)	-	3,408	20,402
Subtotal	176,328	9,362	-	1,139	186,829
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(300)	-	-	-	(300)
Reserve for unrealized land value increment	(808,968)	-	-	-	(808,968)
Other	-	(742)	-	-	(742)
Subtotal	(809,268)	(742)	-	-	(810,010)
Total	($ 632,940)	$ 8,620	$ -	$ 1,139	($ 623,181)

(5) Items not recognized as deferred income tax assets：None.

(6) The Company’s income tax returns through 2019 have been assessed and approved by the Tax Authority.

(7) The 2020 corporate income tax had been filed within deadline and is currently under review by the Tax Authority.

29. Other comprehensive income or loss

Item	Year of 2021		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified to profit or loss：			
Remeasurements of defined benefit liability	$ 3,039	$ －	$ 3,039
Unrealized valuation gain (loss) on FVTOCI financial assets	60,737	－	60,737
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Remeasurements of defined benefit liability	396	－	396
Unrealized valuation gain (loss) on FVTOCI financial assets	5,554	－	5,554
Subtotal	69,726	－	69,726
Items that may be subsequently reclassified to profit or loss：			
Exchange difference on translation of foreign financial statements	(8,823)	－	(8,823)
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Exchange difference on translation of foreign financial statements	(12)	－	(12)
Subtotal	(8,835)	－	(8,835)
Recorded in other comprehensive income (loss)	$ 60,891	$ －	$ 60,891

Item	Year of 2020		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified to profit or loss：			
Remeasurements of defined benefit liability	($ 744)	$ －	($ 744)
Unrealized valuation gain (loss) on FVTOCI financial assets	9,106	－	9,106
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Remeasurements of defined benefit liability	(264)	－	(264)
Unrealized valuation gain (loss) on FVTOCI financial assets	1,992	－	1,992
Subtotal	10,090	－	10,090
Items that may be subsequently reclassified to profit or loss：			
Exchange difference on translation of foreign financial statements	78,754	－	78,754
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Exchange difference on translation of foreign financial statements	22	－	22
Subtotal	78,776	－	78,776
Recorded in other comprehensive income (loss)	$ 88,866	$ －	$ 88,866

30. Basic earnings per share

Item	Year of 2021	Year of 2020
A. Basic earnings per share：		
Net income in the current period (A)	$ 1, 220, 618	$ 513, 917
Weighted-average outstanding number of shares (thousands) in the current period	647, 655	647, 655
Weighted-average number of shares (thousands) after retrospective adjustment (B)	647, 655	647, 655
Basic earnings per share (after tax) (NTD) (A)/(B)	$ 1. 88	$ 0. 79
B. Diluted earnings per share：		
Net income in the current period (C)	$ 1, 220, 618	$ 513, 917
Weighted-average outstanding number of shares (thousands) in the current period	647, 655	647, 655
Effects from employees compensation (note)	1, 246	893
Weighted-average outstanding number of shares for computing diluted earnings per share (D)	648, 901	648, 548
Diluted earnings per share (after tax) (NTD)(C)/(D)	$ 1. 88	$ 0. 79

If the Company may choose to distribute employees compensation either in stocks or in cash, then when computing diluted earnings per share, assuming that employees compensation will be distributed in stocks and the potential common shares have dilution effects, the stocks are included in the weighted-average outstanding number of shares for computing diluted earnings per share. When computing diluted earnings per share before resolution to distribute employees compensation in the next year, such dilution effects from the potential common shares are continuously taken in to consideration.

31. Reconciliation of liabilities from financing activities

Item	January 1, 2021	Cash flow	Non-cash movements Other non-cash movements	December 31, 2021
Short-term borrowings	$ 3, 501, 345	$ 2, 611, 337	$ –	$ 6, 112, 682
Short-term notes payable	741, 855	687, 000	23	1, 428, 878
Long-term borrowings (including borrowings due within 1 year)	–	137, 500	–	137, 500
Guarantee deposits received	24, 465	2, 242	–	26, 707
Lease liabilities	31, 790	(16, 602)	11, 435	26, 620
Total liabilities from financing activities	$ 4, 299, 455	$ 3, 421, 477	$ 11, 455	$ 7, 732, 387

Item	January 1, 2020	Cash flow	Non-cash movements Other non-cash movements	December 31, 2020
Short-term borrowings	$ 3, 305, 443	$ 195, 902	$ –	$ 3, 501, 345
Short-term notes payable	649, 971	92, 000	(116)	741, 855
Guarantee deposits received	24, 000	465	–	24, 465
Lease liabilities	20, 209	(18, 176)	29, 757	31, 790
Total liabilities from financing activities	$ 3, 999, 623	$ 270, 191	$ 29, 641	$ 4, 299, 455

32. Government subsidies

Due to COVID-19 impacts in 2020, the Group received subsidies (including various expense and tax deductions) from Mainland Chinese government totaled RMB7, 276 thousand (approximately NT$31,578 thousand) (recorded as deduction items for various expenses or as other income).

33. Disposal of subsidiary

On December 8, 2020, the Group’s extraordinary board of directors’ meeting passed a resolution to transfer its indirectly-invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd., with the transfer registration been completed in November 2021, and the Company lost control over the subsidiary.

(1) Analysis for lost-of-control assets and liabilities on the date of loss of control

Item	Amount
Current assets	
Cash and cash equivalents	$ 7,402
Other	70
Noncurrent assets	
Property, plant and equipment	113,284
Right-of-use assets	19,990
Other	46,542
Current liabilities	
Accounts payable	(10)
Other payables	(114,416)
Noncurrent liabilities	-
Net assets disposed	$ 72,862

(2) Gain or loss from disposal of subsidiary

Item	Amount
Gross consideration received	$ 75,306
Less：Net assets disposed	(72,862)
Less：Exchange differences from translation of foreign operations	(6,976)
Plus：Non-controlling interests	28,416
Gain from disposal of subsidiary	$ 23,884

(3) Net cash flows from disposal of subsidiary

Item	Amount
Gross consideration received	$ 75,306
Less：Balance of disposed cash and cash equivalents	(7,402)
Net cash inflow from disposal of subsidiary	$ 67,904

VII. Related Party Transactions

1. Parent company and ultimate controller:

   The Company is the ultimate controller of the Group.

2. Name of related party and relationship

Name of related party	Relationship with the Company
Chun Shyang Shin Yeh Industry Co., Ltd. ("Chun Shyang Shin Yeh")	Associate
Chun Yuan Construction Co., Ltd. ("Chun Yuan Construction")	Associate
Sinkang Industries Co., Ltd. ("Sinkang Industries")	Other related party
Yung Kuang Hwa Metal Industrial Co., Ltd. ("Yung Kuang Hwa")	Other related party
Nippon Steel Trading Corporation ("Nippon Steel Trading")	Other related party
Metal One Corporation ("Metal One")	Other related party
Marubeni-Itochu Steel Inc. ("Marubeni-Itochu Steel")	Other related party
Taiwan Steel Tower Co., Ltd. ("Taiwan Steel Tower")	Other related party

3. Significant transactions with related parties

   The balances and transactions between the Group and the subsidiaries (related parties of the Company) had been written off when preparing the Consolidated Financial Statements and are not disclosed. The transaction details between the Group and the other related parties are disclosed as following：

   (1) Purchases

Item	Related party category / Name	Year of 2021	Year of 2020
Purchases	Associate	$ 1, 520	$ 1, 262
	Other related party		
	Yung Kuang Hwa	107, 434	109, 053
	Marubeni-Itochu Steel	54, 616	44, 453
	Other	23, 104	23, 952
	Total	$ 186, 674	$ 178, 720

Note：The transaction terms (price, payment) for the above purchases are the same as those of general non-related parties.

   (2) Operating revenue

Item	Related party category / Name	Year of 2021	Year of 2020
Sales revenue	Associate	$ 1, 850	$ 3, 930
	Other related party	－	21
	Total	$ 1, 850	$ 3, 951

Note： The transaction terms (price, receipt) for the above sales are the same as those of general non-related parties, with 3 months of collection period.

Item	Related party category / Name	Year of 2021	Year of 2020
Construction revenue	Associate - Chun Yuan Construction	$ 187,209	$ 361,518

The Group signed construction contract with the above related party according to the agreed prices and collection deadline under the contract, However, the collections may be postponed after agreement by both sides.

Item	Related party category / Name	Year of 2021	Year of 2020
Processing	Associate	$ 7,367	$ 5,990
revenue	Other related party	5,497	7,273
	Total	$ 12,864	$ 13,263

(3) Property transaction

Acquisition of property, plant and equipment

	Consideration received	
Related party category / Name	Year of 2021	Year of 2020
Associate - Chun Yuan Construction	$ 161,388	$ 174,572
Other related party-Yung Kuang Hwa	3,395	158
Total	$ 164,783	$ 174,730

A. On July 3, 2019, the board of directors of the Company reviewed and passed the resolution to engage Chun Yuan Construction Co., Ltd. for construction of the new employees dormitory in the Longtan factory and had signed the construction contract with Chun Yuan Construction Co., Ltd. on September 10, 2019, with total construction price of NT$72,670 thousand. In March 2021, additional NT$253 thousand was added to the total construction price ; As of December 31, 2021 and 2020, the amount of accumulated payments was $72,923 thousand and $65,403 thousand, respectively.

B. On August 7, 2019, the board of directors of the Company reviewed and passed the resolution to build new factory in Sin Ji Industrial Park in Tainan (with total planned expenditure of NT$181,825 thousand), of which Chun Yuan Construction Co., Ltd. was engaged for part of the construction, and the construction amount attributed to Chun Yuan Construction Co., Ltd. was

NT$144,334 thousand ; As of December 31, 2021 and 2020, the amount of accumulated payments was NT$129,718 thousand and NT$110,148 thousand, respectively.

C. On March 20, 2020, the board of directors of the Company passed the resolution to engage the related party, Chun Yuan Construction Co., Ltd., to demolish the Erchong factory, with total project cost of NT$5,120 thousand.

D. On July 31, 2020, the board of directors of the Company passed the resolution to engage Chun Yuan Construction Co., Ltd. for building main body of the Sanchong office building and had signed the construction contract with Chun Yuan Construction Co., Ltd. on August 21, 2020, with total construction price of NT$795,000 thousand; As of December 31, 2021 and 2020, the amount of accumulated payments was NT$149,945 thousand and NT$15,646 thousand, respectively.

(4) Various expenses

Related party category / Name	Year of 2021	Year of 2020	Nature of transaction
Associate	$ 572	$ 871	Finance costs
Associate	303	11	Other expense
Other related party	283	430	Other expense
Total	$ 1, 158	$ 1, 312	

(5) Lease agreements (lessee):

Item	Related party category	December 31, 2021	December 31, 2020
Right-of-use assets	Associate	$ 610	$ 1, 655
	Other related party	3, 245	-
	Total	$ 3, 855	$ 1, 655

Item	Related party category	December 31, 2021	December 31, 2020
Lease liabilities	Associate	$ 616	$ 1, 664
	Other related party	3, 258	-
	Total	$ 3, 874	$ 1, 664

Item	Related party category	Year of 2021	Year of 2020
Interest expense	Associate	$ 9	$ 17
	Other related party	31	6
	Total	$ 40	$ 23

(6) Other income

Related party category / Name	Year of 2021	Year of 2020	Nature of transaction
Associate	$ 8,611	$ 6,141	Other income
Associate - Chun Shyang Shin Yeh	53,456	51,005	Rental income
Associate - other	1,962	1,654	Rental income
Associate	2	14	Interest income
Other related party	552	287	Other income
Total	$ 64,583	$ 59,101	

A. The above rental prices are determined by referencing the market prices and after negotiation between the parties, and the rents are collected monthly or quarterly, of which the main contents of the lease contracts with Chun Yuan Construction and with Chun Shyang Shin Yeh are shown as following：

	Year of 2021	
Lease subject	Lease period / Monthly rents	Amount
Chun Yuan Construction：		
No. 236, Sec. Bade, Shengting Rd.,	2020.07.01～2021.06.30/74	$ 1,962
Longtan Dist., Taoyuan City	2021.07.01～2022.06.30/74	
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2020.8.1.～2021.7.31./87	
	2021.8.1.～2022.7.31./87	
8F., No. 502, Fuxing N. Rd., Taipei City	2020.6.1.～2021.5.31./3	
	2021.6.1.～2022.5.31./3	
Chun Shyang Shin Yeh：		
Longtan land, factory and equipment	2019.4.1.～2021.3.31./3,636	53,456
	2021.4.1.～2024.3.31./4,463	
	2019.4.1.～2021.3.31./490	
	2020.4.1.～2021.3.31./284	
		$ 55,418

	Year of 2020	
Lease subject	Lease period / Monthly rents	Amount
Chun Yuan Construction：		
No. 236, Sec. Bade, Shengting Rd.,	2019.7.1.～2020.6.30./23	$ 1,654
Longtan Dist., Taoyuan City	2020.7.1.～2021.6.30./74	
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2019.8.1.～2020.7.31./87	
	2020.8.1.～2021.7.31./87	
8F., No. 502, Fuxing N. Rd., Taipei City	2019.6.1.～2020.5.31./3	
	2020.6.1.～2021.5.31./3	
Chun Shyang Shin Yeh：		
Longtan land, factory and equipment	2018.4.1.～2021.3.31./3,636	51,005
	2019.4.1.～2021.3.31./490	
	2020.4.1.～2021.3.31./284	
		$ 52,659

(7) Ending balances of receivables (payables)

Item	Related party category / Name	December 31, 2021	December 31, 2020
Accounts receivable	Associate	$ 959	$ 1,826
Accounts receivable	Other related party	435	1,399
Construction accounts receivable	Associate - Chun Yuan Construction	–	60,467
Total		1,394	63,692
Less：Allowance for losses		–	–
Net amount		$ 1,394	$ 63,692

As of December 31, 2021 and 2020, the recorded allowance for losses on the above receivables from related parties were both zero.

Item	Related party category / Name	December 31, 2021	December 31, 2020
Other receivables	Associate	$ 3,001	$ 821
Other receivables	Other related party	1	1
		$ 3,002	$ 822

As of December 31, 2021 and 2020, the recorded allowance for losses on the above other receivables from related parties were both zero.

Item	Related party category / Name	December 31, 2021	December 31, 2020
Accounts payable	Associate - other	$ 1	$ 1
Accounts payable	Associate - Chun Yuan Construction	4, 240	32, 110
Accounts payable	Other related party	4, 216	7, 438
Notes payable	Other related party - other	23, 225	22, 719
Notes payable	Other related party-Marubeni-Itochu Steel	31, 502	16, 892
Total		$ 63, 184	$ 79, 160

Item	Related party category / Name	December 31, 2021	December 31, 2020
Guarantee deposits received	Associate - Chun Shyang Shin Yeh	$ 8, 925	$ 8, 821
Guarantee deposits received	Associate - Chun Yuan Construction	148	148
Total		$ 9, 073	$ 8, 969

(8) Contract assets (receivables for construction contracts) and Contract liabilities (payables for construction contracts)

Item	Related party category / Name	December 31, 2021	December 31, 2020
Contract assets	Associate - Chun Yuan Construction	$ 305, 464	$ 135, 877

Note：Contract assets (price, receipt) for the above purchases are the same as those of general non-related parties.

Item	Related party category / Name	December 31, 2021	December 31, 2020
Contract liabilities	Associate - Chun Yuan Construction	$ 3, 198	$ 12, 696

Note：Contract liabilities (price, payment) for the above purchases are the same as those of general non-related parties.

(9) Financing：Please refer to Note XIII-1(1).

(10) Endorsements and guarantees：Please refer to Note XIII-1(2).

4. Key management compensation

Related party category / Name	Year of 2021	Year of 2020
Salary and other short-term employee benefits	$ 62, 246	$ 34, 121
Post-retirement benefits	174	217
Total	$ 62, 420	$ 34, 338

VIII. Pledged Assets

1. Pledged time deposits

Item	Purpose of pledge	December 31, 2021	December 31, 2020
Time deposit at First Bank - Minquan Branch	Guarantee deposit for construction	$ 557	$ 553
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for use of land	4,061	14,029
Time deposit at Chang Hwa Bank - Peimen Branch	Guarantee deposit for construction	586	581
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for construction	9,257	9,191
Demand deposit at Bank of China - Shenzhen Longxing Branch	Guarantee deposit for customs duties	8,697	-
Total		$ 23,158	$ 24,354

2. Other pledged assets

Name of pledged asset	Purpose of pledge	December 31, 2021	December 31, 2020
Reserved deposit	Deposits for false sequestration or provisional injunction	$ 970	$ 970

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. To secure loan facilities, offering fulfillment or warranty guarantees for construction contracts, as of December 31, 2021 and 2020, the Group issued guarantee notes of NT$14,350,374 thousand and NT$11,683,704 thousand, respectively, and are recorded as Guarantee notes deposits and Guarantee notes payable.
2. To secure fulfillment guarantees for construction contracts, as of December 31, 2021 and 2020, the Group received guarantee notes of NT$30,531 thousand and NT$37,032 thousand, respectively, and are recorded as Guarantee notes deposits received and Guarantee notes receivable.

3. As of December 31, 2021 and 2020, the details of the Group’s issued yet unused letters of credit are as following：

Unit : thousand dollars

Item	December 31, 2021		December 31, 2020	
Balance of letters of credit	NTD	1,044,953	USD	1,193,490
	USD	5,106	NTD	7,630
			AUD	4,938

X. Significant Disaster Losses

The Mainland China investee companies of the Group suffered from the COVID-19 Pandemic and transportation restrictions in part of the regions, the rate of employees returning for duties was still insufficient. Luckily, due to the prompt response of the Mainland China subsidiaries and carried out related respond measures, the operations gradually returned to normal, the re-opening of the customers also went well. Therefore, the Mainland China subsidiaries are assessed to have ability to continue as going concern and do not have risk of asset impairment or financing risk.

XI. Significant Subsequent Events：None.

XII. Other

1. Capital risk management

Since the Group needs to maintain significant capital to pay for the needs of expansion, improving factories and equipment, the Group manages to ensure sufficient financial resources and operating plans required to satisfy the needs of operating funds, capital expenditures, research expenditures, repayment of debts, dividend payments, etc. in the coming 12 months.

2. Financial instruments

(1) Financial risk of financial instruments

A. Financial risk management policies

The Group’s daily activities are exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. In order to reduce the related financial risks, the Group’s overall risk management strategy focuses on identifying, assessment and avoiding uncertainties of markets in order to mitigate potential adverse effects on the Group’s financial performance from market fluctuations.

The Group’s material financial activities are reviewed and approved by the Board of Directors in accordance with relevant requirements and internal control mechanism, which requires the Group to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

B. Nature and degree of material financial risks

(A) Market Risk

a. Exchange rate risk

The Group is exposed to exchange rate risks from sales, purchases, borrowing transactions in non-functional currencies and from net investments in foreign operations. The Group's functional currency is mainly in NTD. Part of the Group's foreign-currency receivables and payables are in the same currency, where hedge effects would naturally take place. Since the net investments in foreign operations are strategic investments, the Group does not perform hedging for the investments.

The Group assigns the current portion of the foreign exchange forward contracts to avoid exchange rate risks, with the adopted hedge ratio of 1:1, and most of the contract due dates are within 1 year from the reporting date. The future portion of the foreign exchange forward contracts is not assigned as hedge instrument, but is recorded as a standalone hedge cost as a component "Other equity – gains or losses of hedge instruments" under equity. The Group's policy is to request that the critical articles of the foreign exchange forward contracts shall match with the hedged items.

Using the exchange rates, amounts and timing of the cash flows as basis, the Group determines whether or not the economic relationships between the hedged items and the hedge instruments exists. The Group uses virtual derivative instrument method to assess if the assigned derivative instruments in each hedge relationship are expected or could actually and effectively offset changes in the cash flows of the hedged items.

In the above hedge relationship, the major sources of ineffective hedges are：

Effects of credit risks of the transaction counterparties and the Company on the fair value of the foreign exchange forward contracts. Because changes in fair value of the hedged items are due to changes in exchange rates of the hedges cash flows, and do not reflect the effects from the above-mentioned credit risks and changes in the timing of the cash flows from the hedged transactions.

b. Exposure to exchange rates and sensitivity analysis (including items and amounts from transactions within the Group that were written off in the consolidated financial statements)

	December 31, 2021					
			Book value	Sensitivity analysis		
	Foreign currency	Exchange rate	(NTD thousand)	Change scale	Effect on profit or loss	Effect on equity
(Foreign currency：functional currency)						
Financial assets						
Monetary items						
USD:NTD	$8,768	27.68	$ 242,703	Appreciate 1%	$ 1,942	$ –
USD:RMB	25,518	6.372	706,338	Appreciate 1%	5,651	–
Long-term investments accounted for using equity method						
USD:NTD	97,728	27.68	2,705,115	Appreciate 1%	–	21,641
Financial liabilities						
Monetary items						
USD:NTD	7,914	27.68	219,058	Appreciate 1%	1,752	–
USD:RMB	31,723	6.372	878,093	Appreciate 1%	7,025	–

	December 31, 2020					
			Book value	Sensitivity analysis		
	Foreign currency	Exchange rate	(NTD)	Change scale	Effect on profit or loss	Effect on equity
(Foreign currency：functional currency)						
Financial assets						
Monetary items						
USD:NTD	$5,366	28.48	$ 152,824	Appreciate 1%	$ 1,223	$ –
USD:RMB	19,345	6.5067	550,946	Appreciate 1%	4,408	–
Long-term investments accounted for using equity method						
USD:NTD	92,425	28.48	2,632,264	Appreciate 1%	–	21,058
Financial liabilities						
Monetary items						
USD:NTD	6,012	28.48	171,222	Appreciate 1%	1,370	–
USD:RMB	15,636	6.5067	445,313	Appreciate 1%	3,562	–

After assessment, there is no material effect on exchange gains or losses from fluctuations in exchange rates of the Group’s monetary items.

c. Price risk

The Group is exposed to price risk of equity instruments since the Group holds investments in equity instruments. These equity instrument investments are classified either as FVTPL financial assets or financial assets measured at FVTOCI.

The Group mainly invests in domestic listed equity instruments, and the prices of such equity instruments would be affected by uncertainty of future value of such instruments. If the prices of equity instruments had increased or decreased by 1%, the after-tax income / other comprehensive income for 2021 and 2020, through increase or decrease in fair value of FVTPL financial assets, would have increased (decreased) by NT$1,088 thousand / NT$651 thousand and NT$1,265 thousand / NT$1,120 thousand, respectively.

d. Interest rate risk

(a) Overview of the Group’s interest-bearing financial instruments on the reporting date：

	Book value	
Item	December 31, 2021	December 31, 2020
Interest rate risk on fair value：		
Financial assets	$ 637,688	$ 785,052
Financial liabilities	(7,679,060)	(4,243,200)
Net amount	($ 7,041,372)	($ 3,458,148)
Interest rate risk on cash flows：		
Financial assets	$ 528,385	$ 291,850
Financial liabilities	−	−
Net amount	$ 528,385	$ 291,850

(b) Sensitivity analysis for Interest rate risk on fair value：

The Group does not classify any financial assets and liabilities with fixed interest rates to FVTPL financial assets or FVTOCI financial assets, nor does the Group designate any derivative instrument (interest rate swap) as hedge instrument under the fair-value hedge accounting model. Therefore, the changes in interest rates on the reporting date will not affect profit or loss and other comprehensive income.

(c) Sensitivity analysis for Interest rate risk on cash flows：

The Group’s financial instruments with variable interest rates are assets (liabilities) with floating interest rates, and their effective interest rates will change along with fluctuations in market interest rates, which then make the Group’s future cash flows fluctuate. If the market interest rate increases by 1%, the Group’s net income will increase by NT$4,227 thousand and NT$2,335 thousand, respectively.

(B) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Grup is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily bank deposits and various financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business-related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures for credit risk management related to business operations. Risk evaluation for individual customer is performed taking into account various factors that may affect the customer’s payment ability, including the customer's financial condition, internal credit ratings of the Group, historical transaction records, current economic conditions, etc. .

b. Financial credit risk

The Group's exposure to financial credit risk pertaining to bank deposits and other financial instruments was evaluated and monitored by the Group’s treasury function. The Group only transacts with creditworthy counterparties, banks, financial institutions with investment grade, companies and government agencies; therefore, no material concern on fulfillment of contracts, thus there is no material credit risk. In addition, the Group does not classify any financial instrument as measured at amortized cost or as FVTOCI debt instruments.

(a) Credit concentration risk

As of December 31, 2021 and 2020, the Group’s top 10 customer’s account for 23.20% and 24.05% of the Group’s total accounts receivables, respectively, and the credit concentration risk for the rest of accounts receivable is relatively insignificant.

(b) Measurement of expected credit impairment loss

①Accounts receivable：Simplified method is adopted, please refer to Note VI-5.

②Basis for determining whether or not credit risk increases significantly：None. (The Group does not have any financial instrument classified as measured at amortized cost or FVTOCI debt instruments)

(c) The Group does not hold any collateral or other credit-enhancing securities to avoid credit risk related to financial assets.

c. Liquidity risk

(a) Liquidity risk management

The objective of the Group's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Group has sufficient financial flexibility for its operations.

(b) Aging analysis for financial liabilities：

	December 31, 2021						
Non-derivative financial liabilities	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flows	Book value
Short-term borrowings	$ 6,114,372	$ －	$ －	$ －	$ －	$ 6,114,372	$ 6,112,682
Short-term notes payable	1,429,000	－	－	－	－	1,429,000	1,428,878
Notes payable	101,067	－	－	－	－	101,067	101,067
Notes payable - related parties	54,727	－	－	－	－	54,727	54,727
Accounts payable	1,042,511	－	－	－	－	1,042,511	1,042,511
Accounts payable - related parties	8,457	－	－	－	－	8,457	8,457
Other payables	564,162	－	－	－	－	564,162	564,162
Guarantee deposits received	26,707	－	－	－	－	26,707	26,707
Long-term borrowings (including those due within 1 year)	50,570	87,920	－	－	－	138,490	137,500
Total	$ 9,391,573	$ 87,920	$ －	$ －	$ －	$ 9,479,493	$ 9,476,691

Additional information for analysis on due dates of lease liabilities：

	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total undiscounted lease payments	Book value
Lease liabilities	$ 12,333	$ 14,551	$ －	$ －	$ －	$ 26,884	$ 26,620

	December 31, 2020						
Non-derivative financial liabilities	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flows	Book value
Short-term borrowings	$ 3,502,366	$ -	$ -	$ -	$ -	$ 3,502,366	$ 3,501,345
Short-term notes payable	750,000	-	-	-	-	750,000	741,855
Notes payable	31,765	-	-	-	-	31,765	31,765
Notes payable - related parties	39,611	-	-	-	-	39,611	39,611
Accounts payable	1,006,285	-	-	-	-	1,006,285	1,006,285
Accounts payable - related parties	39,549	-	-	-	-	39,549	39,549
Other payables	518,604	-	-	-	-	518,604	518,604
Guarantee deposits received	-	15,496	8,969	-	-	24,465	24,465
Total	$ 5,888,180	$ 15,496	$ 8,969	$ -	$ -	$ 5,912,645	$ 5,903,479

Additional information for analysis on due dates of lease liabilities：

	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total undiscounted lease payments	Book value
Lease liabilities	$ 13,624	$ 18,564	$ -	$ -	$ -	$ 32,188	$ 31,790

The Group does not expect early realization or significant difference in the actual cash flows in the analysis.

(2) Types of financial instruments

As of December 31, 2021 and 2020, the carrying amounts of the Group’s financial assets and financial liabilities are listed below：

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 656,017	$ 503,059
Notes and accounts receivable (including related parties)	6,284,885	4,508,407
Other receivables(including related parties)	58,648	43,207
Other financial assets - current	580,281	657,775
Guarantee deposits paid	12,532	11,322
Financial assets at fair value through other comprehensive income - noncurrent	533,719	398,710
Financial assets at fair value through profit or loss	108,803	65,114
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term borrowings	6,112,682	3,501,345
Short-term notes payable	1,428,878	741,855
Notes and accounts payable (including related parties)	1,206,762	1,117,210
Other payables(including related parties)	564,162	518,604
Guarantee deposits received	26,707	24,465
Long-term borrowings (including those due within 1 year)	137,500	-

3. Fair value information

(1) For information regarding the fair value of the Group’s financial assets and financial liabilities that are not measured at fair value, please refer to Note XII-3(3).

(2) Fair value are grouped into Levels 1 to 3 as follows：

Level 1：

Inputs for this level are openly quoted prices in active markets for the same instruments. An active market refers to a market that meets all of the following criteria：Has traded merchandises of the same nature；Buyer and seller with intention to trade may be found anytime in the market, and the price information is available to the public. The fair value of Group’s investment in listed stocks, beneficiary certificates, and derivative instruments with openly quoted prices in active markets, etc. are all of this level.

Level 2：

Inputs for this level are observable prices other than openly quoted prices in active markets, including observable inputs obtained from active markets.

Level 3：

Inputs for this level are input parameters (for measuring fair value) that are not based on observable inputs available in the markets.

(3) Financial instruments that are not measured at fair value

The book value of the Group’s financial instruments that are not measured at fair value (including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits paid, short-term borrowings, notes and accounts payable, other payables and refundable deposits received) reasonably approximates their fair value.

(4) Fair value information by level：

The Group’s financial instruments are measured at fair value on repetitive basis. And assets held for sale are measured at lower of book value or fair value less selling costs on non-repetitive basis. The Group’s fair value information by level is shown as following schedule：

	December 31, 2021			
Item	Level 1	Level 2	Level 3	Total
Assets：				
Repetitive fair value				
FVTPL financial assets - equity securities	$ 108,803	$ -	$ -	$ 108,803
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	126,512	-	-	126,512
Domestic or overseas non-publicly traded shares	-	-	407,207	407,207
Total	$ 235,315	$ -	$ 407,207	$ 642,522

	December 31, 2020			
Item	Level 1	Level 2	Level 3	Total
Assets：				
Repetitive fair value				
FVTPL financial assets - equity securities	$ 65,114	$ -	$ -	$ 65,114
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	112,039	-	-	112,039
Domestic or overseas non-publicly traded shares	-	-	286,671	286,671
Total	$ 177,153	$ -	$ 286,671	$ 463,824

(5) The methods and assumptions the Group used to measure fair values：

A. If openly quoted prices in active markets for financial instruments are available, the Group will use the openly quoted prices in active markets as the fair value. The market prices in major exchanges or polished market prices by OTC are all basis for fair value publicly traded equity instruments and debt instruments with quoted prices in the active market.

If the open quotes can be timely and generally obtained from exchange, brokerages, underwriter, industrial union, pricing service agency or competent authority, then the financial instruments are considered having open quotes in active markets. If the above conditions could not be met, then such markets are deemed as inactive. Generally speaking, if the price differences are quite large, significant increase in buying and selling price gap or decrease in transaction volume, then they are all indices of inactive market.

Based on classification and nature of financial instruments (that have active market) held by the Group are listed below：

(A) Listed stocks: Closing price

(B) Close fund：Closing price

B. Except for the above financial instruments with active markets, the fair values of other financial instruments are determined by using valuation techniques or by reference to quotes from counterparty. The fair values of financial instruments determined by using valuation techniques can be referred to current fair values of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including by applying model using market information available on the consolidated balance sheet date (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

The Group's held unlisted stocks without active market, their fair value is estimated by market approach. The determination is assessed based on valuation on companies of the same type, quotes from 3rd party, net book value of the Group and operating condition. In addition, the material unobservable inputs are mainly liquidity discount, but since possible changes due to liquidity discounts would not lead to material potential financial effects, therefore, the quantified information is not disclosed.

C. Valuations for derivative financial instruments are based on valuation model widely accepted by market users, such as Discounted Cash Flow Approach and Option Pricing Model. Forward exchange contracts are generically valued based on the forward exchange rates at present time. Structured interest-rate derivative financial instruments are valued according to appropriate Option Pricing Model (such as Black-Scholes Model) or other valuation method, such as Monte Carlo simulation.

D. The Group's assets held for sale are valued using market approach (P/E ratio), using the P/E ratios of the latest identical or similar transactions as observable input values, to project the fair value of the grouped assets held for sale.

E. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

(6) Transfer between Level 1 and Level 2 of the fair value hierarchy：None.

(7) Changes in level 3 instruments：

	Investments in financial instruments without open quotes	
Item	Year of 2021	Year of 2020
Beginning balance	$ 286,671	$ 293,332
Addition in this period	81,676	-
Gains or losses recognized in other comprehensive income or loss	51,739	13,435
Disposal in this period (returned capital from liquidation or capital reduction)	(12,207)	(19,088)
Exchange effects	(672)	(1,008)
Ending balance	$ 407,207	$ 286,671

(8) Quantified information for fair value measurement of material unobservable input(Level 3)：

	December 31, 2021 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets：					
Un-listed stocks	$ 407,207	Market Approach	Liquidity discount	9.00%~28.04%	The higher liquidity discount, the lower fair value

	December 31, 2020 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets：					
Un-listed stocks	$ 286,671	Market Approach	Liquidity discount	10.00%~27.65%	The higher liquidity discount, the lower fair value

(9) Evaluation procedures for Level 3 fair value：

According to the Group's valuation procedures for Level 3 fair value classification, the Group's accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The evaluation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

Regarding measurement for Level 3 fair value, the sensitivity analysis on reasonable potential substitute assumption of fair value：

			December 31, 2021			
Item	Input value	Change	Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	$ –	$ –	$ –	($ 1,919)
Total		-1%	$ –	$ –	$ 1,951	$ –

			December 31, 2020			
Item	Input value	Change	Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	$ －	$ －	$ －	($ 1, 919)
Total		−1%	$ －	$ －	$ 1, 951	$ －

4. On December 8, 2020, the special meeting of the board of directors of the Group passed a resolution to transfer equity of its indirectly invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd. ("Xiamen Chun Yuan"). Xiamen Chun Yuan had engaged assets valuation company to perform valuation and look for proper buyer. In the meantime, the chairman and general manager of Xiamen Chun Yuan are authorized to handle the disposal of the related claims, debts and equipment；On November 11, 2021, the Company's 100% held subsidiary, Chun Yuan Investment (Singapore) Pte Ltd., signed the equity-transfer agreement with Xiamen Can-Am Health & Fitness Co., Ltd., and the two sides completed the share-transfer registration on November 26, 2021.
5. Considering that Shanghai Chun Yuan Steel Industry Co., Ltd. no longer operates, in order to avoid overall shareholder interests, the Company's board of directors passed a resolution on November 5, 2021 to end the operations of the company and to proceed with the subsequent liquidation procedures.

XIII. Supplementary Disclosures

1. Information on significant transactions
   (1) Loans to others：Schedule 1.
   (2) Endorsements and guarantees provided to others：Schedule 2
   (3) Marketable securities held at the end of the period：Schedule 3
   (4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital：None
   (5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital：None
   (6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital：None
   (7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital：Schedule 4
   (8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital：None
   (9) Information about the derivative financial instruments transaction：None
   (10) Business relationships and material transactions between the parent company and subsidiaries：Schedule 5
2. Information on investees：Schedule 6
3. Information on investment in Mainland China：Schedule 7
4. Information on major shareholders：Schedule 8

Schedule 1

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Loans to Others

December 31, 2021

Unit：Foreign currency thousand；Thousand NTD

No.	Financing Company	Counter-party	Financial Statement Account	Related Party (Yes/No)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note2)
													Item	Value		
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan Metal Industry Co., Ltd. ("Shenzhen Hong Yuan")	Other receivables - related parties	Yes	$ 173, 600	$ 173, 600	$ 173, 600	4%	Business transactions	$ 53, 039	Operating fund	$ –	None	$ –	$ 173, 600	$ 327, 477
1	Shenzhen Chun Yuan	Xiamen Chun Yuan Precision Mechatronic Co., Ltd. ("Xiamen Chun Yuan")	Other receivables - related parties	Yes	173, 600	–	–	4%	Business transactions	2, 348	Operating fund	–	None	–	–	327, 477
1	Shenzhen Chun Yuan	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. ("Qingdao Chun Yuan")	Other receivables - related parties	Yes	86, 800	86, 800	86, 800	4%	Business transactions	115	Operating fund	–	None	–	173, 600	327, 477

Note 1：Nature of loan：

(1) Has business transactions, put 1.

(2) Has necessity for short-term financing, put 2.

Note 2：Computation for financing limits to any individual entity and total financing limits by Shenzhen Chun Yuan：

(1) Total lending amount by Shenzhen Chun Yuan to others is limited to 40% of the net worth of Shenzhen Chun Yuan.

(2) Financing limits by Shenzhen Chun Yuan to each borrower：

A. Subsidiary or parent company：No more than 40% of the net worth of Shenzhen Chun Yuan.

B. Has business transactions：Accumulated lending amount shall not exceed the total business transaction amount in the latest one year. However, if with related party of Shenzhen Chun Yuan, the lending amount shall not exceed RMB40, 000 thousand and no more than 40% of the net worth of Shenzhen Chun Yuan.

Schedule 2

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Endorsements and Guarantees Provided to Others
December 31, 2021

Unit：Thousand NTD

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (note2)	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Companies mutually guaranteed by contract between industrial peers based on the needs of business relationship and construction undertaking	$11, 324, 418	$ 707, 000	$ 707, 000	$ 707, 000	$ -	6. 24%	$11, 324, 418	N	N	N	
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Shenzhen Hong Yuan	1. Has business transactions 2. Directly or indirectly hold over 50% voting shares of the investee company	1, 522, 400	1, 439, 360	1, 439, 360	1, 062, 440	-	175. 81%	2, 264, 884	N	N	Y	

Note 1：Illustration for the “No.” column：

(1) Security issuer, put 0.

(2) Investee companies, start serial numbers from 1.

Note 2：(1) The maximum limit of guarantee provided by the Company to any individual entity and maximum limit of the total amount of guarantee provided by the Company ：

Total amount of guarantee provided by the Company, or total amount of guarantee provided by the Company and subsidiaries, shall not exceed the net worth of the Company.

1. Maximum limit of total guarantee provided by the Company to any individual entity：

A. Has business transactions：Shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year, and shall not exceed 10%of the Company’s net worth.

B. Parent or subsidiary of the Company：Shall not exceed 50%of the Company’s net worth.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios：Shall not exceed the Company’s net worth.

2. Maximum limit of guarantee provided by the Company and subsidiaries to any individual entity：

A. Has business transactions：Shall not exceed 10%of the Company’s net worth and shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year. But if the guaranteed party is an associate of the Company or the Company’s subsidiary, then shall not exceed 20%of the Company’s net worth.

B. Parent or subsidiary of the Company：Shall not exceed 50%of the Company’s net worth.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios：Shall not exceed the Company’s net worth.

3. The computations for the maximum limits in this schedule are based on the net worth amount in the Company’s latest (2021Q4) audited financial statements.

(2) Computation for maximum limit of guarantee provided by the Shenzhen Chun Yuan to any individual entity and maximum limit of the total amount of guarantee provided by the Shenzhen Chun Yuan：

Total amount of guarantee provided by the company, or total amount of guarantee provided by the company and subsidiaries, shall not exceed 20% of the net worth of the parent company.

Maximum limits of guarantee provided by the company or by the company and subsidiaries as a whole, to any individual entity：

A. Has business transactions：Shall not exceed the total transaction amount between the guaranteed party and the company in the latest one year. But if the guaranteed party is an associate of the company, then shall not exceed USD55,000 thousand and shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

B. Parent or subsidiary of the Company：Shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios：Shall not exceed the company’s net worth.

The term “net worth” is based on latest audited financial statements.

Schedule 3

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Marketable Securities Held
December 31, 2021

Unit：Thousand NTD

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Reporting Date				Note
				Shares/Units	Book Value	Percentage of Ownership (%)	Fair value	
Chun Yuan Steel Industry Co., Ltd.	UNITED MICROELECTRONICS CORP.	-	FVTPL financial assets - current	7, 994	$ 520	－	$ 520	
	Fubon Financial Holding Co., Ltd. – common shares	-	FVTPL financial assets - current	948, 009	72, 333	－	72, 333	
	CHINA STEEL CORPORATION	-	FVTPL financial assets - current	515, 613	18, 227	－	18, 227	
	TAIWAN MASK CORPORATION	-	FVTPL financial assets - current	107, 663	11, 627	－	11, 627	
	Fubon Financial Holding Co., Ltd.- A special shares	-	FVTPL financial assets - current	36, 515	2, 308	－	2, 308	
	Fubon Financial Holding Co., Ltd.- B special shares	-	FVTPL financial assets - current	40, 010	2, 524	－	2, 524	
	Fubon Financial Holding Co., Ltd.- C special shares	-	FVTPL financial assets - current	21, 029	1, 264	－	1, 264	
	Wabo Global Trading Corporation	-	FVTOCI financial assets - noncurrent	595, 000	7, 654	5. 00%	7, 654	
	CHUNG MAO TRADING (BVI) CORPORATION	-	FVTOCI financial assets - noncurrent	37, 650	1, 275	7. 50%	1, 275	
	Tech Alliance Corp.	-	FVTOCI financial assets - noncurrent	400, 000	1, 915	10. 00%	1, 915	
	Pro-Ascentek Investment Corporation	-	FVTOCI financial assets - noncurrent	8, 000, 000	61, 096	6. 67%	61, 096	
	Clientron Corp.	-	FVTOCI financial assets - noncurrent	9, 645	324	－	324	
	SHIEH-TAI BIOCHEMICAL TECHNOLOGY CO., LTD.	-	FVTOCI financial assets - noncurrent	120, 339	－	－	－	
	TBI Motion Technology Co., Ltd.	-	FVTOCI financial assets - noncurrent	100, 000	4, 995	－	4, 995	
	CHINA STEEL AND NIPPON STEEL VIETNAM JOINT STOCK COMPANY	-	FVTOCI financial assets - noncurrent	18, 368, 000	304, 934	2. 00%	304, 934	
	CHIEN TAI CEMENT CO., LTD.	-	FVTOCI financial assets - noncurrent	16	－	－	－	
	Lion Corp. Berhad	-	FVTOCI financial assets - noncurrent	890, 400	－	－	－	
	China Ecotek Corporation	-	FVTOCI financial assets - noncurrent	2, 990, 772	119, 481	－	119, 481	
	Newmax Technology Co., Ltd.	-	FVTOCI financial assets - noncurrent	43, 384	1, 712	－	1, 712	
	Shenzhen Zongmao International Trading Co., Ltd.	-	FVTOCI financial assets - noncurrent	－	4, 385	7. 50%	4, 385	
Chun Yuan Investment (Singapore) Pte Ltd.	United Steel International Development Corporation	-	FVTOCI financial assets - noncurrent	1, 500, 000	25, 948	3. 06%	25, 948	

Schedule 4

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Total Purchases From or Sales to Related Parties of at least NT$100 Million or 20% of the Paid-in Capital

December 31, 2021

Unit：Thousand NTD

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable			Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total	
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Investee company valued using equity method	Construction revenue	$ 187, 209	0. 71%	Collect along with construction progress	Same	-	Receivables for construction contracts	$ 305, 464	11. 11%	
									Payables for construction contracts	3, 198	0. 53%	
Chun Yuan Steel Industry Co., Ltd.	Yung Kuang Hwa Metal Industrial Co., Ltd.	Other related party	Purchases	107, 439	0. 48%	-	Same	-	Notes payable	16, 897	10. 85%	
									Accounts payable	4, 205	0. 40%	

Schedule 5

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Business Relationships between Parent and Subsidiaries and Significant Transactions
December 31, 2021

Unit：Thousand NTD

No. (Note 1)	Company Name	Counter-Party	Nature of Relationships (Note 2)	Transaction Details			
				Account	Amount	Transaction Terms	% to Total Consolidated Revenue or Total Assets (Note 3)
0	Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Parent to subsidiary	Other receivables	$ 5,023	Per agreed contract	0.02
0	Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Parent to subsidiary	Operating revenue	10,269	The transaction terms (price, receipt) are the same as those of general non-related parties	0.04
0	Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Parent to subsidiary	Other income	5,398	Per agreed contract	0.02
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Other receivables	6,836	Per agreed contract	0.03
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Operating revenue	2,922	The transaction terms (price, receipt) are the same as those of general non-related parties	0.01
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Other income	4,678	Per agreed contract	0.02
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Parent to subsidiary	Other receivables	4,138	Per agreed contract	0.02
0	Chun Yuan Steel Industry Co., Ltd.	Xiamen Chun Yuan Precision Mechatronic Co., Ltd.	Parent to subsidiary	Other income	1,251	Per agreed contract	0.01
0	Chun Yuan Steel Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Parent to subsidiary	Other income	4,811	Per agreed contract	0.02
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Rental income	27,890	Per agreed contract	0.11
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Operating revenue	6,930	The transaction terms (price, receipt) are the same as those of general non-related parties	0.03
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Other receivables	182,150	Per agreed contract	0.79
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Interest income	5,489	Per agreed contract	0.02
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Xiamen Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Interest income	1,053	Per agreed contract	-
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other receivables	88,424	Per agreed contract	0.38
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Interest income	1,472	Per agreed contract	0.01
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Other receivables	6	Per agreed contract	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other receivables	19	Per agreed contract	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Operating revenue	3,779	The transaction terms (price, receipt) are the same as those of general non-related parties	0.01
2	Shanghai Huateng Metal Processing Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other income	34	Per agreed contract	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Operating revenue	9,006	The transaction terms (price, receipt) are the same as those of general non-related parties	0.03

2	Shanghai Huateng Metal Processing Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Accounts receivable	5	The transaction terms (price, receipt) are the same as those of general non-related parties	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Subsidiary to subsidiary	Other receivables	28	Per agreed contract	-
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Accounts receivable	9,950	The transaction terms (price, receipt) are the same as those of general non-related parties	0.04
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Other receivables	29	Per agreed contract	-
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Operating revenue	71,474	The transaction terms (price, receipt) are the same as those of general non-related parties	0.27
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other receivables	41	Per agreed contract	-
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Accounts receivable	3,972	The transaction terms (price, receipt) are the same as those of general non-related parties	0.02
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Operating revenue	19	The transaction terms (price, receipt) are the same as those of general non-related parties	-
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Subsidiary to subsidiary	Operating revenue	6,427	The transaction terms (price, receipt) are the same as those of general non-related parties	0.02

Note 1：Information regarding transactions between parent and subsidiaries shall be respectively noted in the “No.” column as following：

1. Parent company, put 0.
2. Subsidiaries, start serial numbers from 1.

Note 2：Indication numbers for the following three types of relationship between the transaction parties：

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary

Note 3：Regarding computation for the ratio of transaction amount over the total consolidated revenue or assets, for asset or liability items, compute based on ending balance which accounts for the total consolidated assets; for profit or loss items, compute based on accumulated interim amount which accounts for the total consolidated revenue.

Note 4：Whether or not significant transactions are listed in this schedule is determined based on materiality principle of the Company.

Schedule 6

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Information on equity investments (not including investments in Mainland China)

December 31, 2021

Unit：Foreign currency thousand, Thousand NTD
Unit of shares： Share

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at year-end			Net income (losses) of the investee	Share of profit/loss of investee	Note
				Year end	Year end of last year	Number of shares	Ratio (%)	Book value			
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Taiwan	Construction industry; Design and construction for steel structures and bridges	$ 59, 635	$ 59, 635	20, 729, 909	26. 33%	$ 256, 065	$ 68, 297	$ 18, 127	
	Chun Yuan Investment (Singapore) Pte Ltd.	Singapore	General investment activities	1, 257, 123	1, 257, 123	61, 739, 835	100. 00%	2, 705, 115	171, 721	171, 721	
	Chun Shyang Shin Yeh Industry Co., Ltd.	Taiwan	Manufacturing, sale, lease and repairment of auto sheet metal parts, stamping parts, molds, jigs, inspection/measuring tools.	68, 568	68, 568	6, 856, 000	48. 97%	250, 188	66, 017	32, 329	
Chun Yuan Investment (Singapore) Pte Ltd.	Chun Yuan Investment (BVI) Co, Ltd.	British Virgin Islands	General investment activities	USD 21, 630	USD 21, 630	-	100. 00%	USD 59, 431	USD 4, 845	USD 4, 845	

Schedule 7

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Information on investment in Mainland China
December 31, 2021

Unit：Foreign currency thousand；Thousand NTD

Investee in Mainland China	Main Business Activities	Total Amount of Paid-in Capital	Investment method (Note 1)	Accumulated Outflow of Investment from Taiwan as of beginning of period	Investment Flows		Accumulated Outflow of Investment from Taiwan by the End of Period	Net Income (Losses) of the Investee	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (note2)	Carrying Amount of Investment by the End of Period	Accumulated Inward Remittance of Earnings by the End of Period
					Outflow	Inflow						
Shenzhen Chun Yuan	1. Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel. 2. Improve operating performance, expand market.	$ 729,738 (USD 23,800) (Note 6, 7)	(Note 2)	$ 316,773 (USD 10,630)	$ -	$ -	$ 316,773 (USD 10,630)	$ 6,547 (USD 233)	78.52%	(Note 2-2) $ 5,140 (USD 183)	$ 642,838 (USD 23,224)	$ -
Shanghai Chun Yuan Steel Industry Co., Ltd.	1. Corner fitting for ocean-freight cargo containers. 2. Improve operating performance, expand market.	158,238 (USD 6,000)	(Note 2)	126,565 (USD 4,800)	-	-	126,565 (USD 4,800)	730 (USD 26)	80.00%	(Note 2-2) 590 (USD 21)	218,861 (USD 7,907)	155,819 (USD 5,212) (Note 11)
Shanghai Huateng Metal Processing Co., Ltd.	1. Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates. 2. Improve operating performance, expand market.	799,583 (USD 24,800)	(Note 2)	249,739 (USD 8,000)	-	-	249,739 (USD 8,000)	116,083 (USD 4,134)	80.59%	(Note 2-2) 93,563 (USD 3,332)	940,290 (USD 33,970)	69,612 (USD 2,400) (Note 12) 62,269 (USD 2,250) (Note 13, 15)
Shenzhen Hong Yuan Metal Industry Co., Ltd.	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates (cold-roll steel sheets, hot-roll steel sheets, Lead-coating tin plates, not including accessories or merchandises subjected to export permission certificates)	153,036 (USD 4,680) (note 4, 8, 9)	(Note 2)	68,477 (USD 2,143)	-	-	68,477 (USD 2,143)	29,035 (USD 1,034)	81.38%	(Note 2-2) 23,629 (USD 841)	165,251 (USD 5,970)	26,291 (USD 950) (Note 14, 15)

Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Manufacturing and processing of new types of mechanical and electrical components, fine blanking dies, and other related metal products.	592,009 (USD 18,000) (Note5)	(Note 2)	216,497 (USD 6,700)	-	-	216,497 (USD 6,700)	51,639 (USD 1,839)	95.00%	(Note 2-2) 49,056 (USD 1,747)	634,809 (USD 22,934)	-
Xiamen Chun Yuan	Manufacturing of new types of mechanical and electrical components, fine blanking dies, and other related metal products	463,964 (USD 16,000) (Note10)	(Note 2)	278,266 (USD 9,450)	-	-	278,266 (USD 9,450)	(16,090) (USD -573)	0% (Note 16)	(Note 2-2) (9,812) (USD -349)	- (USD 0)	-

Accumulated Investment in Mainland China by the End of Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 1, 256, 317	$ 1, 256, 317	$ 7, 110, 029

Note：The investment income or losses recorded in this period are computed based on average exchange rate of 1 USD = 28.08 NTD. And the carrying value of investments are computed based on exchange rate of 1 USD = 27.68 NTD

Note 1： Investment methods are classified into the following 3 categories：

(A) Direct investment in Mainland China.

(B) Indirect investment in Mainland China through third country.

(C) Other method.

Note 2：In the "Share of Profits/Losses" column, the basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly：

(A) If under preparation and without profit or loss, shall indicate clearly.

(B) Basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly.
1. Based on audited financial statements of international accounting firm with cooperating relationships ROC accounting firms.
2. Audited financial statements of the Taiwan parent company.
3. Other (self-prepared financial statements).

Note 3：According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company's equity or consolidated equity, whichever is higher.

Note 4：Invested 45% of shares in 2002 through the third entity Chun Yuan Investment (Singapore) Pte Ltd., and invested 25% of shares in Shenzhen Hong Yuan Metal Industry Co., Ltd.25% via 2001 earnings of the indirectly invested Shenzhen Chun Yuan. There was no outflow of funds.

Note 5：In April 2005, after permission by Investment Commission, MOEA, invested USD17,100 thousand in Qingdao Chun Yuan Precision Mechatronic Co. through Chun Yuan Investment (Singapore) Pte Ltd. in the third region ; The company obtained business certificate on June 30, 2005, with registered paid-in capital of USD18,000 thousand. Based on the conditions of the funds reaching Mainland China, Chun Yuan Investment (Singapore) Pte Ltd., using the above funds and distributed profits from the directly or indirectly invested subsidiaries in Mainland China over the past years, invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co, Ltd. . As of December 31, 2021, the accumulated outflow of funds was USD17, 100 thousand.

Note 6：In July 2007, after permission by Investment Commission, MOEA, additional USD5,250 thousand of capital increase was directly transferred out to Chun Yuan Investment (Singapore) Pte Ltd., of which USD2,000 thousand was from distributed profits from subsidiaries in Mainland China, invested in Shenzhen Chun Yuan through Chun Yuan Investment (BVI) Co, Ltd. .

Note 7：In July 2008, after permission by Investment Commission, MOEA, additional USD2,850 thousand of capital increase was invested in Chun Yuan Investment (Singapore) Pte Ltd., along with USD1,000 thousand of earnings distribution from subsidiaries in Mainland China over the past years, purchased 14.12% of equity in Shenzhen Chun Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 8：In 2008, using its own capital, Shenzhen Chun Yuan purchased 15% of equity in Shenzhen Hong Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 9：In March 2010, after permission by Investment Commission, MOEA, additional USD2, 500 thousand of capital increase in Chun Yuan Investment (Singapore) Pte Ltd. by the Company. As of December 31, 2021, USD2, 143 thousand had been transferred out, and the fund was directly transferred for acquiring 45.79% of equity in Shenzhen Hong Yuan Metal Industry Co., Ltd. .

Note 10：In June 2011, Investment Commission, MOEA approved USD16,000 thousand of investment in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. through 3rd region, Chun Yuan Investment (Singapore) Pte Ltd.；In April 2013, after approval by Investment Commission, MOEA, the investment amount was reduced to USD9,450 thousand. As of December 31, 2021, USD9,450 thousand had been transferred out.

Note 11：In 2017, Shanghai Chun Yuan Steel Industry Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (Singapore) Pte Ltd., investee company of the Company), repatriated RMB 40,000,000 (equivalent to USD 5,983,903.30) of dividend, Chun Yuan Investment (Singapore) Pte Ltd. received USD 5,211,877.29 (net of withheld tax RMB4,000,000, equivalent to NTD17,484,000). In 2017 shareholders' meeting, Chun Yuan Investment (Singapore) Pte Ltd. declared and distributed USD 0.08441676739 of dividend per share. The Company holds 61,739,835 of shares and received USD 5,211,877.29 (equivalent to NTD155,819,495) on December 26, 2017.

Note 12：In 2020, Shanghai Huateng Metal Processing Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (BVI) Co, Ltd., investee company of the Company), repatriated RMB 8,059,000 (equivalent to USD 1,151,614.74) of dividend, Chun Yuan Investment (BVI) Co, Ltd. received USD 1,036,453.27 (net of withheld tax RMB 805,900, equivalent to USD 115,161.47). In 2020 shareholders' meeting, Chun Yuan Investment (BVI) Co, Ltd. declared and distributed USD2,400,000 of cash dividend to its parent company, Chun Yuan Singapore. In 2020 shareholders' meeting, Chun Yuan Singapore declared and distributed USD 2,400,000 (equivalent to NTD 69,612,000) of cash dividend to its parent company, the Company.

Note 13：In 2021, Shanghai Huateng Metal Processing Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (BVI) Co, Ltd., investee company of the Company), repatriated RMB 16,118,000 (equivalent to USD 2,492,731.21) of dividend, Chun Yuan Investment (BVI) Co, Ltd. received USD 2,243,458.09 (net of withheld tax RMB 1,611,800, equivalent to USD 249,273.12). In 2021 shareholders' meeting, Chun Yuan Investment (BVI) Co, Ltd. declared and distributed USD2,250,000 of cash dividend to its parent company, Chun Yuan Singapore.

Note 14：In 2021, Shenzhen Hong Yuan Metal Industry Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (BVI) Co, Ltd., investee company of the Company), repatriated RMB 6,675,000 (equivalent to USD 1,023,004.18) of dividend, Chun Yuan Investment (Singapore) Pte Ltd. received USD 920,703.76 (net of withheld tax RMB 667,500, equivalent to USD 102,300.42).

Note 15：In 2021 shareholders' meeting, Chun Yuan Singapore declared and distributed USD 3,200,000 (equivalent to NTD 88,560,000) of cash dividend to its parent company, the Company.

Note 16：On November 26, 2021, Chun Yuan Singapore sold all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. . Therefore, from that date forward, Xiamen Chun Yuan is no longer the Company's subsidiary.

(2) Material indirect transactions with Mainland China investee companies through business entities in the third region：

For material direct or indirect transactions that the Group had with the Mainland China investee companies through business entities in the third region during 2021, please refer to "Information on significant transactions" and "Business relationships between parent and subsidiaries and condition of important transactions" in the consolidated financial statements.

Schedule 8

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Information on major shareholders
December 31, 2021

Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Li, Wen Long	36,300,321	5.60%
Li, Wen Fa	36,300,321	5.60%

Note：The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.

XIV. Segment Information

1. The Group currently has 6 reporting segments, which are Construction Business Division, First Business Division, Second Business Division, Qingdao Chun Yuan, Shanghai Huateng, and Shenzhen Hong Yuan.

   Main businesses：

   Construction Business Division－Undertaking of various large construction projects (buildings, factories, bridges and equipment).

   First Business Division－Manufacturing and processing of various hot-roll steel sheets, cold-roll steel sheets, coating-plated and aluminum materials.

   Second Business Division－Manufacturing and selling of EI sheets suitable for various transformers, stabilizers; manufacturing and selling of iron rotor/stator cores for various motors; manufacturing and selling of various molds; manufacturing and selling of special steel materials for alloy tooling steel and structural steel; provide laser cutting, clipping, punching, pressing, welding, shaping, and other professional processing services and planning; design, manufacture, install and sell various mechanical or electronically controlled moving cabinets, light/medium/heavy material racks and other logistics storage equipment.

   Qingdao Chun Yuan－Manufacturing and selling of new types of mechanical and electrical components, fine blanking dies, and other related metal products.

   Shanghai Huateng－Manufacturing of cold-rolled silicon steel sheets, various metal materials, rotors, stators.

   Shenzhen Hong Yuan－Manufacturing and selling of transformer parts, rotors, stators made of reel-punched silicon steel.

   Note：Since the operating scale of Shenzhen Hong Yuan had surpassed that of Shenzhen Chun Yuan, therefore, starting from January 1, 2021, Shenzhen Hong Yuan had replaced Shenzhen Chun Yuan as one of the reporting segments of the Group.

2. Basis for information on the Group’s major segments：

   (1) Taiwan Region：Based on strategic business units, with respective management team and provide different products and services. Since each strategic business unit requires different technologies and marketing strategies, the respective strategic business units are managed separately and report to their respective operating decision makers.

   (2) Mainland China：Based on regional operating units, the respective operating units have their own management team and are managed separately and report to their respective operating decision makers.

3. The Group does not allocate income tax expenses (benefits) or non-regular profit or losses to the reporting segments. In addition, not all of profit or losses of the reporting segments include material non-cash items other than depreciation and amortization. The reporting amounts are consistent with the reports used by the operating decision makers.

   Except that pension expenses of each operating segment are recorded and measured on cash basis, the accounting policies of the operating segments are the same as those mentioned in the Parent company’s summary of significant accounting policies. The operating profit or loss of the Group’s operating segments are measured based on before-tax operating profit or loss (not including non-regular profit or losses and foreign exchange gains or losses) and are used as basis for measuring performances. The transactions and transfers among the Group’s segments are regarded as arm's length transactions and measured based on current market prices.

4. Segment Information：

(1) Year of 2021

Unit：Thousand NTD

Item	Construction Business Division	First Business Division	Second Business Division	Qingdao Chun Yuan	Shanghai Huateng	Shenzhen Hong Yuan	Other Divisions	Adjustment and write-offs	Total
Operating revenue：									
From outside customers	$6,687,741	$9,108,922	$4,036,135	$1,289,333	$3,075,922	$2,013,299	$ 355,002	($ 245,694)	$26,320,660
Revenue among segments	-	397,697	72,443	-	13,649	83,460	(458,462)	(108,787)	-
Total revenue	$6,687,741	$9,506,619	$4,108,578	$1,289,333	$3,089,571	$2,096,759	($ 103,460)	($ 354,481)	$26,320,660
Depreciation and amortization	87,778	35,917	60,309	26,781	31,391	9,270	33,251	-	284,697
Interest expense	1,364	2,139	1,058	11,081	10,329	13,048	24,580	(419)	63,180
Investment income (loss) recorded using equity method	-	-	-	-	-	-	521,536	(471,080)	50,456
Interest income	-	4	-	1,926	817	361	9,419	1,053	13,580
Segment profit (loss)	$ 220,973	$ 689,973	$ 357,347	$ 51,630	$ 116,086	$ 29,048	$ 251,285	($ 155,177)	$ 1,561,165
Assets									
Capital expenditure on noncurrent assets	-	-	-	8,297	15,334	2,988	525,509	-	552,128
Long-term equity investments at equity	-	-	-	-	-	-	7,522,321	(7,002,737)	519,584
Segment assets	$6,105,592	$4,345,351	$2,148,553	$1,247,493	$1,907,249	$1,144,587	$13,476,634	($7,231,836)	$23,143,623
Liabilities									
Segment liabilities	$1,451,468	$ 580,349	$ 436,152	$ 579,273	$ 740,491	$ 898,780	$7,040,297	($ 433,235)	$11,293,575

(2) Year of 2020

Unit：Thousand NTD

Item	Construction Business Division	First Business Division	Second Business Division	Qingdao Chun Yuan	Shanghai Huateng	Shenzhen Chun Yuan	Other Divisions	Adjustment and write-offs	Total
Operating revenue：									
From outside customers	$6, 275, 076	$6, 264, 324	$2, 745, 359	$762, 310	$1, 707, 945	$1, 198, 267	$ 267, 585	$ 7, 444	$19, 228, 310
Revenue among segments	-	213, 067	47, 340	352	100, 849	49, 364	16, 412	(427, 384)	-
Total revenue	$6, 275, 076	$6, 477, 391	$2, 792, 699	$762, 662	$1, 808, 794	$1, 247, 631	$ 283, 997	($ 419, 940)	$19, 228, 310
Depreciation and amortization	75, 563	34, 396	65, 574	26, 823	28, 711	9, 094	54, 488	-	294, 649
Interest expense	1, 289	1, 633	1, 393	1, 741	4, 245	7, 179	25, 051	540	43, 071
Investment income (loss) recorded using equity method	-	-	-	-	-	-	241, 024	(219, 395)	21, 629
Interest income	-	5	-	628	776	548	11, 507	135	13, 599
Segment profit (loss)	$ 143, 371	$ 220, 790	$ 162, 563	$ 26, 299	$ 73, 604	$ 46, 440	$ 202, 963	($ 204, 793)	$ 671, 237
Assets									
Capital expenditure on noncurrent assets	-	-	-	22, 472	40, 120	14, 064	401, 363	(10, 368)	467, 651
Long-term equity investments at equity	-	-	-	-	-	-	4, 734, 563	(4, 246, 035)	488, 528
Segment assets	$4, 790, 332	$2, 982, 781	$1, 390, 165	$819, 404	$1, 433, 100	$ 799, 630	$13, 116, 009	($7, 059, 948)	$18, 271, 473
Liabilities									
Segment liabilities	$ 957, 176	$ 491, 149	$ 292, 152	$197, 936	$ 286, 472	$ 537, 347	$ 4, 804, 730	($ 290, 599)	$7, 276, 363

5. Regional information

	Revenue from outside customers		Noncurrent assets	
	Year of 2021	Year of 2020	Year of 2021	Year of 2020
Taiwan	$19, 355, 464	$14, 824, 371	$ 4, 920, 752	$ 4, 585, 310
Asia	6, 965, 196	4, 221, 747	554, 843	762, 883
Americas	-	180, 484		
Europe	-	1, 708		
Total	$26, 320, 660	$19, 228, 310	$ 5, 475, 595	$ 5, 348, 193

6. Information by Products

Product	Year of 2021	Year of 2020
Construction	$ 6, 480, 066	$ 6, 042, 954
Steel plates	11, 270, 431	8, 262, 081
special steel plates	1, 398, 023	990, 442
silicon steel materials	5, 506, 024	2, 840, 010
Special steel materials	1, 361, 091	890, 426
Processing	155, 833	121, 995
Other	149, 192	80, 402
Total	$ 26, 320, 660	$ 19, 228, 310

7. Information on important customers

Customers that account for 10% or more of the total consolidated revenue：None.

V. The Company’s individual financial statement for the most recent year, certified by CPAs

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Independent Auditors’ Report

To：Chun Yuan Steel Industry Co., Ltd.

Opinion

We have audited the Parent Company Only Financial Statements of Chun Yuan Steel Industry Co., Ltd. (the “Company"), which comprise the Parent Company Only balance sheets as of December 31, 2021 and 2020, the Parent Company Only statements of comprehensive income, Parent Company Only statements of changes in equity, and Parent Company Only statements of cash flows for the years ended December 31, 2021 and 2020, and notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies).

In our opinion, the accompanying Parent Company Only Financial Statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Parent Company Only Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole and, in forming our opinion thereon; we do not provide a separate opinion on these matters. Key audit matters for the Parent Company Only Financial Statements of the Company for the year ended December 31, 2021 are stated as follows：

A. Valuation of inventory

For the accounting policies regarding inventories, please refer to Note IV-7 of the Parent Company Only Financial Statements；Regarding accounting estimates and assumptions of inventory impairment assessment, please refer to Note V-2 (7) of the Parent Company Only Financial Statements.

Illustration of key audit matter：

As of December 31, 2021, the net balance of inventories of the Company was NT$4,413,388 thousand (net of NT$58,279 thousand of allowance for inventory valuation loss), which mainly consist of steel plates and structural steel materials, etc. Due to either changes in economic environment, advancements in manufacturing technology, or fluctuation in the price of raw materials, the products in stock may be obsolete or no longer meet the market demand, and drastic changes in the demand for and selling prices of related products may result. Since inventory valuation is relevant to significant judgement and estimates, it is regarded as a key audit matter.

Audit procedures in response：

By performing test of internal controls, we obtained understanding of the Company's assessment method for estimating impairment of its inventories and the design and implementation of the related control system. In addition, we have also performed the following major audit procedures：Assessed reasonableness of accounting policy for inventory valuation；Reviewed inventory aging reports, analyzed changes in inventory aging and evaluated if the inventory valuation had been carried out according to the accounting policy；Obtained understanding and assessed reasonableness of the basis of net realizable value adopted by the management, selected samples and agreed to the related supporting document for testing accuracy of the amounts, and assessed if the management had made proper disclosure regarding subsequent inventory evaluations.

B. Revenue recognition

For the accounting policies regarding recognition of construction revenue, please refer to Note IV-17 of the Parent Company Only Financial Statements；For the related revenue disclosures, please refer to Note VI-21.

Illustration of key audit matter：

Revenue is an important index used by enterprises and investors for assessing financial and business performance. The sources of the Company's revenue are divided mainly in two categories, revenue from sales of merchandise and construction revenue. Selling prices are affected by fluctuations in market prices of materials；Construction revenue are mainly from provision of construction-related services and are recorded according to the degree of completion during the period of construction contract. The degree of completion is computed based on the percentage of cost incurred up to the reporting date for each construction contract out of the estimated total cost of the respective construction contract. Due to complexity in estimating the total cost of contract items, which often involves judgements and would affect the degree of completion and revenue recognition of constructions, recognition of revenue is regarded as a key audit matter.

Audit procedures in response：

By performing test of internal controls, we obtained understanding of the Company's assessment method for recognizing construction revenue and the design and implementation of the related control system.

In addition, we have performed the following key audit procedures：

1. Tested if the Company's timing for recognizing sales revenue was correct and performed analysis on the top-10 sales customers, compared condition of changes, assessed if there was any significant abnormality.
2. Reviewed major contracts to understand specific terms and risks of the respective contracts and assessed accuracy of revenue recognition.
3. Obtained summarized schedules of construction costs and performed the related substantive procedures, including agreeing the sampled current-period cost incurred to the related document, extra/deducted works agreed to supporting document, recomputing the construction revenue according to the degree of completion and confirming that the revenue has been properly booked.

C. Evaluation on expected credit loss of notes and accounts receivable

As of December 31, 2021, the net balance of notes and accounts receivable was NT$4,305,686 thousand (net of NT$78,440 thousand of expected credit loss), which accounted for 19% of the total Parent Company Only assets and was material to the Parent Company Only Financial Statements of the Company. Since the expected credit-loss valuation of the notes and accounts receivable, whose sign of impairment and historical rate of loss involve significant judgement by management, we consider that evaluation on expected credit loss of notes and accounts receivable to be a key audit matter.

Our audit procedures performed include (but not limited to) the following：

1. Tested the internal controls used by the management for managing notes and accounts receivable, such as sampling and testing for understanding of the controls regarding granting of credit lines and collection of overdue accounts by responsible personnel.
2. Considered the historical experience on occurrences of expected credit loss, assessed appropriateness of the recognition policy for loss allowance, including identification for client risks and analysis of historical bad-debt ratio.
3. Verified aging intervals of notes and accounts receivables and analyzed whether or not the changes in aging were reasonable, accompanied by confirmation of accounts and understanding of subsequent receipts.
4. We also considered appropriateness of the disclosures regarding notes and accounts receivables and the related risks, as in Note V and Note VI to the Parent Company Only Financial Statements of the Company.

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

Management is responsible for preparation and fair presentation of the Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for maintaining necessary internal controls relating to preparation of the Parent Company Only Financial Statements, to ensure that the Parent Company Only Financial Statements are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company Only 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, to cease operations, or has no practical alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only 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 based on these Parent Company Only 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 Parent Company Only 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under 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, determine whether any material uncertainty exists in the 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 Parent Company Only 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.

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5. Evaluate the overall presentation, structure and content of the Parent Company Only Financial Statements (including the related notes) and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieve fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company Only Financial Statements. We are responsible for the guidance, supervision and performance for the audit of the Company. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope, timing of the audit and significant audit findings (including any significant deficiencies in internal control that we have identified 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 affect our independence (including the 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 Parent Company Only 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 the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wang, Wu-Chang and Chen, Kui-Mei.

Wang Wu-Chang Chen Kui - Mei

Crowe (TW) CPAs

Taipei, Taiwan, Republic of China

March 16, 2022

Notice to Readers

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

Chun Yuan Steel Industry Co., Ltd.
Balance Sheets
As of December 31, 2021 and 2020

Unit：Thousand NTD

Code	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note VI-1)	$ 104, 473	1	$ 116, 195	1
1110	Financial assets measured at FVTPL - current (Note VI-2)	108, 803	1	65, 114	1
1139	Financial assets for hedging - current (Note VI-3)	-	-	2, 632	-
1140	Contract assets - current (Note VI-21)	2, 750, 072	13	2, 383, 549	14
1150	Notes receivable, net (Note VI-4)	1, 403, 952	7	840, 777	5
1170	Accounts receivable, net (Note VI-5)	2, 898, 765	14	2, 222, 768	13
1180	Accounts receivable - related parties, net (Note VI-5, 7)	2, 969	-	63, 722	-
1200	Other receivables	44, 721	-	25, 739	-
1210	Other receivables - related parties (Note VII)	19, 000	-	18, 569	-
1220	Current-period income tax assets	2, 782	-	-	-
1310	Inventories, net (Note VI-6)	4, 413, 388	21	2, 648, 167	16
1410	Prepayments	34, 090	-	61, 473	-
1476	Other financial assets - current (Note VI-7)	109, 693	1	90, 542	1
1479	Other current assets - other	2, 462	-	2, 116	-
11xx	Total Current Assets	11, 895, 170	58	8, 541, 363	51
	Noncurrent Assets				
1517	Financial assets measured at FVTOCI - noncurrent (Note VI-8)	507, 771	2	377, 566	2
1550	Investments accounted for using equity method (Note VI-9)	3, 224, 699	16	3, 120, 805	19
1600	Property, plant and equipment (Note VI-10)	4, 830, 896	23	4, 507, 097	27
1755	Right-of-use assets (Note VI-11)	26, 503	-	31, 705	-
1780	Intangible assets	1, 950	-	1, 950	-
1840	Deferred income tax assets (Note VI-26)	115, 449	1	120, 673	1
1915	Prepayments for equipment	37, 323	-	29, 343	-
1920	Guarantee deposits paid	11, 676	-	10, 968	-
1990	Other noncurrent assets - other	12, 404	-	4, 247	-
15xx	Total Noncurrent Assets	8, 768, 671	42	8, 204, 354	49
1xxx	Total Assets	$ 20, 663, 841	100	$ 16, 745, 717	100

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		December 31, 2021		December 31, 2020	
Code	Liabilities and Equity	Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note VI-12)	$ 4,561,383	22	$ 2,885,309	17
2110	Short-term notes payable (Note VI-13)	1,428,878	7	741,855	5
2130	Contract liabilities - current (Note VI-21)	605,001	3	217,092	1
2150	Notes payable	4,661	–	4,574	–
2160	Notes payable - related parties (Note VII)	16,897	–	19,957	–
2170	Accounts payable	952,932	5	920,674	6
2180	Accounts payable - related parties (Note VII)	8,464	–	39,550	–
2200	Other payables	431,161	2	359,418	2
2220	Other payables - related parties (Note VII)	–	–	376	–
2230	Current-period income tax liabilities	177,208	1	90,996	1
2250	Provisions - current (Note VI-14)	36,924	–	36,562	–
2280	Lease liabilities - current (Note VI-11)	12,182	–	13,437	–
2320	Long-term liabilities due within 1 year or 1 operating cycle (Note VI-15)	50,000	–	–	–
2300	Other current liabilities – other	9,281	–	11,490	–
21xx	Total Current Liabilities	8,294,972	40	5,341,290	32
	Noncurrent Liabilities				
2540	Long-term borrowings (Note VI-15)	87,500	–	–	–
2570	Deferred income tax liabilities (Note VI-26)	809,342	4	810,010	5
2580	Lease liabilities - noncurrent (Note VI-11)	14,438	–	18,353	–
2640	Defined benefit liability, net - noncurrent (Note VI-16)	119,605	1	126,017	1
2645	Guarantee deposits received	13,892	–	12,187	–
25xx	Total Noncurrent Liabilities	1,044,777	5	966,567	6
2xxx	Total Liabilities	9,339,749	45	6,307,857	38
	Equity				
3100	Share capital (Note VI-17)				
3110	Common shares	6,476,554	31	6,476,554	39
3200	Capital surplus (Note VI-18)	162,071	1	161,701	1
3300	Retained earnings (Note VI-19)	5,061,285	24	4,220,464	25
3310	Legal reserve	1,716,590	8	1,665,300	10
3320	Special reserve	1,324,287	6	1,324,287	8
3350	Unappropriated retained earnings	2,020,408	10	1,230,877	7
3400	Other equity (Note VI-20)	(375,818)	(1)	(420,859)	(3)
3410	Exchange differences on translation of foreign financial statements	(276,124)	(1)	(260,235)	(2)
3420	Unrealized gains (losses) on financial assets measured at FVTOCI	(99,694)	–	(160,624)	(1)
3xxx	Total Equity	11,324,092	55	10,437,860	62
	Total Liabilities and Equity	$ 20,663,841	100	$ 16,745,717	100

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Chun Yuan Steel Industry Co., Ltd.
Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

Unit： Thousand NTD

		Year of 2021		Year of 2020	
Code	Item	Amount	%	Amount	%
4000	Operating revenue (Note VI-21)	$ 19,806,395	100	$ 15,299,924	100
5000	Operating costs (Note VI-6)	(18,037,153)	(91)	(14,306,102)	(93)
5900	Gross profit (loss) from operations	1,769,242	9	993,822	7
	Operating expenses				
6100	Selling expenses	(330,334)	(2)	(299,084)	(2)
6200	Administrative expenses	(336,348)	(2)	(255,953)	(2)
6450	Loss or recovery gain on expected credit impairment	(14,361)	-	(12,505)	-
6000	Total operating expenses	(681,043)	(4)	(567,542)	(4)
6900	Operating income (loss)	1,088,199	5	426,280	3
	Non-operating income and expenses				
7100	Interest income	311	-	311	-
7010	Other income (Note VI-22)	136,495	1	122,427	1
7020	Other gains and losses (Note VI-23)	48,899	-	1,357	-
7050	Finance costs (Note VI-24)	(29,078)	-	(24,172)	-
7070	Share of profits of subsidiaries, associates, and joint ventures under equity method	222,177	1	95,275	-
7000	Total non-operating income and expenses	378,804	2	195,198	1
7900	Net income (loss) before income tax	1,467,003	7	621,478	4
7950	Income tax (expense) benefit (Note VI-26)	(246,385)	(1)	(107,561)	(1)
8200	NET INCOME (LOSS)	1,220,618	6	513,917	3
	Other comprehensive income (loss) (Note VI-27)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan	3,039	-	(744)	-
8316	Unrealized valuation gains or losses on equity instruments measured at FVTOCI	60,737	-	9,106	-
8331	Remeasurements of defined benefit plan - subsidiaries, associates and joint ventures	396	-	(264)	-
8336	Unrealized valuation gains or losses on equity instruments at FVTOCI – subsidiaries, associates and joint ventures	5,554	-	1,992	-
8360	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	(15,877)	-	38,420	-
8370	Share of other comprehensive income of associates and joint ventures under equity method - items that may be reclassified into profit or loss	(12)	-	22	-
8300	Other comprehensive income (loss), net	53,837	-	48,532	-
8500	Total comprehensive income (loss)	$ 1,274,455	6	$ 562,449	3
	EARNINGS PER SHARE (NTD)				
9750	Basic earnings per share (Note VI-28)	$ 1.88		$ 0.79	
9850	Diluted earnings per share (Note VI-28)	$ 1.88		$ 0.79	

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Chun Yuan Steel Industry Co., Ltd.

Statements of Changes in Equity

For the Years Ended December 31, 2021 and 2020

Unit：Thousand NTD

Item	Common Shares	Capital Surplus	Retained Earnings			Other Equity Items		Total Equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized valuation gains (loss) on FVTOCI equity instruments	
Balance, January 1, 2020	$ 6,476,554	$ 160,927	$ 1,641,221	$ 1,324,287	$ 936,344	($ 298,677)	($ 171,722)	$ 10,068,934
Appropriation and distribution of earnings：								
Record legal reserve	-	-	24,079	-	(24,079)	-	-	-
Cash dividends – common shares	-	-	-	-	(194,297)	-	-	(194,297)
Other changes in capital surplus	-	774	-	-	-	-	-	774
Net income (loss) in 2020	-	-	-	-	513,917	-	-	513,917
Other comprehensive income (loss) in 2020	-	-	-	-	(1,008)	38,442	11,098	48,532
Total comprehensive income (loss) in 2020	-	-	-	-	512,909	38,442	11,098	562,449
Balance, December 31, 2020	$ 6,476,554	$ 161,701	$ 1,665,300	$ 1,324,287	$ 1,230,877	($ 260,235)	($ 160,624)	$ 10,437,860
Appropriation and distribution of earnings：								
Record legal reserve	-	-	51,290	-	(51,290)	-	-	-
Cash dividends – common shares	-	-	-	-	(388,593)	-	-	(388,593)
Other changes in capital surplus	-	370	-	-	-	-	-	370
Net income (loss) in 2021	-	-	-	-	1,220,618	-	-	1,220,618
Other comprehensive income (loss) in 2021	-	-	-	-	3,435	(15,889)	66,291	53,837
Total comprehensive income (loss) in 2021	-	-	-	-	1,224,053	(15,889)	66,291	1,274,455
Disposal of FVTOCI equity instruments	-	-	-	-	5,361	-	(5,361)	-
Balance, December 31, 2021	$ 6,476,554	$ 162,071	$ 1,716,590	$ 1,324,287	$ 2,020,408	($ 276,124)	($ 99,694)	$ 11,324,092

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Chun Yuan Steel Industry Co., Ltd.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

Unit：Thousand NTD

Item	Year of 2021	Year of 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	$ 1,467,003	$ 621,478
Adjustment items		
Income/gain or expense/loss items		
Depreciation expense	192,207	190,715
Amortization expense	4,614	4,249
Loss (gain) on expected credit impairment	14,361	12,505
Net loss (gain) on FVTPL financial assets or liabilities	(42,015)	(2,014)
Interest expense	29,078	24,172
Interest income	(311)	(311)
Dividend income	(8,115)	(9,488)
Share of loss (profit) of subsidiaries, associates and joint ventures under equity method	(222,177)	(95,275)
Loss (gain) on disposal of property, plant and equipment	(3,109)	(1,440)
Loss (gain) on disposal of investments	(3,809)	(7)
Total income/gain or expense/loss items	(39,276)	123,106
Changes in operating assets / liabilities		
Net changes in operating assets		
(Increase) Decrease in contract assets	(366,524)	(329,123)
(Increase) Decrease in notes receivable	(568,846)	73,553
(Increase) Decrease in accounts receivable	(684,901)	(120,462)
(Increase) Decrease in accounts receivable - related parties	60,753	(61,112)
(Increase) Decrease in other receivables	(18,987)	(8,827)
(Increase) Decrease in other receivables - related parties	(431)	2,674
(Increase) Decrease in inventories	(1,765,221)	(126,545)
(Increase) Decrease in prepaid expenses	-	3,245
(Increase) Decrease in prepayments	27,383	(51,666)
(Increase) Decrease in other current assets	(19,151)	69
(Increase) Decrease in other operating assets	(12,900)	14,455
Total net changes in operating assets	(3,348,825)	(603,739)
Net changes in operating liabilities		
Increase (Decrease) in contract liabilities	387,908	(70,639)
Increase (Decrease) in notes payable	87	(9,927)
Increase (Decrease) in notes payable - related parties	(3,061)	3,820
Increase (Decrease) in accounts payable	32,258	298,864
Increase (Decrease) in accounts payable - related parties	(31,086)	13,931
Increase (Decrease) in other payables	71,600	38,400
Increase (Decrease) in other payables - related parties	(375)	239
Increase (Decrease) in provisions	363	(25)
Increase (Decrease) in other current liabilities	422	406
Increase (Decrease) in defined benefit liability, net	(3,373)	(5,605)
Total net changes in operating liabilities	454,743	269,464
Total net changes in operating assets / liabilities	(2,894,082)	(334,275)

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Total adjustment items	(2,933,358)	(211,169)
Cash generated (used) by operating activities	(1,466,355)	410,309
Interest received	316	259
Dividends received	116,461	104,879
Interest paid	(28,336)	(26,097)
Income tax refunded (paid)	(158,399)	(54,367)
Net cash generated (used) by operating activities	(1,536,313)	434,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of FVTOCI financial assets	(81,676)	-
Returned capital from FVTOCI financial assets	12,207	19,088
Acquisition of FVTPL financial assets	(166,298)	(303,000)
Disposal of FVTPL financial assets	168,432	303,007
Acquisition of property, plant and equipment	(374,449)	(326,809)
Disposal of property, plant and equipment	3,378	1,636
Increase in guarantee deposits paid	(711)	(34)
Increase in other financial assets	-	(72,779)
Increase in prepayments for equipment	(133,399)	(67,787)
Increase in other prepayments	-	(2,535)
Net cash flows generated (used) by investing activities	(572,516)	(449,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,676,074	105,014
Increase in short-term notes payable	687,023	91,884
Increase in long-term borrowings	137,500	-
Increase in guarantee deposits received	1,705	650
Lease principal repayments	(16,602)	(18,176)
Distribution of cash dividends	(388,593)	(186,141)
Net cash flows generated (used) by financing activities	2,097,107	(6,769)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,722)	(20,999)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	116,195	137,194
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 104,473	$ 116,195

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Chun Yuan Steel Industry Co., Ltd.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2021 and 2020
(in Thousand NTD unless otherwise stated)

I. General Information

Chun Yuan Steel Industry Co., Ltd. (the "Company") was approved and founded on January 7, 1966, with initial registered capital of NT$3,000,000. After several capital increases, the current capital is NT$6,476,553,900, which is divided into 647,655,390 registered common shares, with NT$10 par value each share. The main business activities of the Company are manufacturing, processing and trading of steel plates, silicon steel sheets, container parts, special steel materials, H-beam steel and undertaking of steel structure constructions, etc.

II. The Authorization of the Financial Statements

The accompanying Parent Company Only Financial Statements were approved and authorized for release by the Board of Directors on March 16, 2022.

III. Application of New Standards, Amendments, and Interpretations

1. Effects from application of the International Financial Reporting Standards, International Accounting Standards, and the related interpretations and announcements recognized and issued into effect by the Financial Supervisory Commission ("FSC") applicable for 2021 (together "IFRSs")：

The following summarizes the newly published, amended or revised International Financial Reporting Standards that are recognized by FSC and effective for 2021：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 " Extension of the Temporary Exemption from Applying IFRS 9"	June 25, 2020 (Effective from the announcement date)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"	April 1, 2022 (Note)

Note：FSC has allowed earlier adoption by companies effective from January 1, 2021.

After assessment, the above standards and interpretations do not have material impact on the financial position and financial performance of the Company.

2. Effects from not yet adopting the newly published, amended or revised International Financial Reporting Standards that have been endorsed and issued into effect by FSC：

The following summarizes the newly published, amended or revised International Financial Reporting Standards that are recognized by FSC and effective in 2022：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 ” Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 2)
Amendments to IFRS 37 ” Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 3)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 4)
IFRS 2018-2020 Annual Improvements	January 1, 2022 (Note 5)

Note 1：Unless stated otherwise, the above Newly Issued/Amended/Revised Standards or Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2：Companies should adopt the above amendments retrospectively, however, only for property, plant and equipment items that reach the necessary location and condition required by the operations expected by the management upon the earliest starting date of the reporting period (January 1, 2021) expressed in the financial statements during the first adoption of the amendments.

Note 3：The amendments apply to contracts with unfulfilled obligations as of January 1, 2022.

Note 4：The amendments apply to business combinations with the acquisition dates in the annual reporting periods starting after January 1, 2022.

Note 5：The amendments to IFRS 9 apply to exchange or contract revisions of financial liabilities which take place in the annual reporting periods starting after January 1, 2022; the amendments to IAS 41 apply to fair-value measurements in the annual reporting periods starting after January 1, 2022; the amendments to IFRS 1 retrospectively apply to annual reporting periods starting after January 1, 2022.

(1) Amendments to IFRS 16 “Property, Plant and Equipment — Proceeds before Intended Use”

These amendments regulate that, in order for property, plant and equipment to reach the sales proceeds of produced items that meet the necessary location and condition required by the operations expected by the management. The aforementioned produced items shall be measured according to IAS 2

"Inventories", and the sales proceeds and cost are recorded in profit or loss according to the applicable standards.

These amendments apply to property, plant and equipment that meet the necessary location and condition required by the operations expected by the management on or after January 1, 2021 (earliest starting date of the reporting period). During the Company's first adoption of the amendments, it will record the accumulated amount of the effects from first adoption of these amendments, as adjustment to the beginning balance of retained earnings (or other component of equity, if applicable) on the earliest starting date of the reporting period, and restate the information of the comparison period.

(2) Amendments to IFRS 37 "Onerous Contracts — Cost of Fulfilling a Contract"

These amendments clearly regulate that, when assessing whether or not a contract is onerous, the "Cost of Fulfilling a Contract" shall include the incremental cost (such as direct labor and materials) for the contract fulfillment and other allocated costs directly related the contract fulfillment (such as depreciation expenses from the property, plant and equipment items used for the contract fulfillment).

(3) Amendments to IFRS 3 "Reference to the Conceptual Framework"

These amendments update the index for conceptual frameworks and add the rules requiring that the acquirers shall apply IFRIC 21 "Levies" to determine where or not there exist obligation items that generate payment liabilities for levies on the acquisition date.

(4) 2018-2020 Annual Improvements

2018-2020 Annual Improvements include revision of several standards, regarding the amendments of IFRS 9, in order to assess whether or not there is material difference on exchange or revision of clauses of financial liabilities, when comparing whether or not there is 10% difference in the present value of cash flows (including net amount of expenses received and paid when signing new contracts or revising clauses) between the old and new contracts, the aforementioned expenses received and paid shall only include the expenses received and paid between the borrower and lender.

After assessment by the Company, the above standards and interpretations do not have material impact on the financial position and financial performance of the Company.

3. Effects from the International Financial Reporting Standards issued by IASB but not yet been endorsed and issued into effect by FSC：

   The International Financial Reporting Standards newly issued, revised or amended by IASB but not yet been endorsed by FSC are summarized as following：

Newly Issued/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Pending for determination by IASB
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - 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
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

As of the issuance date of these Parent Company Only Financial Statements, the Company still continues to assess the effects on the Company's financial position and financial performance from the above standards and interpretations, the related assessment results will be disclosed upon completion.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Parent Company Only Financial Statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

1. Statement of Compliance

The accompanying Parent Company Only Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of Preparation

(1) Except for the following material items, these Parent Company Only Financial Statements have been prepared under the historical cost convention：

A. Financial assets and financial liabilities (including derivative instruments) measured at Fair Value Through Profit or Loss (“FVTPL”).

B. Financial assets measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).

C. Liabilities on cash-settled share-based payment arrangements measured at fair value.

D. Defined benefit liabilities recognized based on the present value of defined benefit obligation, net of the pension fund assets.

(2) The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Parent Company Only Financial Statements are disclosed in Note V.

3. Foreign Currency Exchange

(1) Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Parent Company Only Financial Statements are presented in New Taiwan Dollars (NT$), which is the Company’s functional currency.

(2) In preparing the Parent Company Only financial statements, transactions in currencies other than the entity’s functional currency (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. Such exchange differences are recognized in profit or loss in the year in which they arise. 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 on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

(3) Translation of foreign operations

A. For all subsidiaries, associates and jointly controlled entities with their functional currencies differ from the reporting currency, their operating results and financial positions are translated into the reporting currency using the following methods：

(A) Each asset and liability reported in the balance sheet is translated using the exchange rate on the balance sheet date.

(B) Each income and expense reported in the statement of comprehensive income is translated using the average exchange rate in the current period.

(C) All exchange differences generated due to translations are recognized as other comprehensive income.

B. When the partly disposed or sold foreign operations are associates or jointly controlled entities, the exchange differences are prorated and allocated to part of the sales gains or losses in the profit or loss. When the Company still retains part of equity interests in the associates or jointly controlled entities but already loses material influence in the foreign operations that are associates, or control over the jointly controlled entities, then all the equity interests are treated as disposal of the foreign operations.

C. When the partly disposed or sold foreign operations are subsidiaries, the accumulated exchange differences recognized as other comprehensive income or loss are prorated and allocated to the non-controlling interests of the foreign operations. When the Company still retains part of equity interests in the subsidiaries but already loses material influence in the subsidiaries, then all the equity interests are treated as disposal of the foreign operations.

4. Classification of Current and Noncurrent Assets and Liabilities

   (1) Assets that meet one of the following criteria are classified as current assets：

   A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

   B. Assets held mainly for trading purposes;

   C. Assets that are expected to be realized within twelve months from the balance sheet date; or

   D. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

   The Company classifies the assets that does not meet any of the above criteria as non-current.

   (2) Liabilities that meet one of the following criteria are classified as current liabilities：

   A. Liabilities that are expected to be paid off within the normal operating cycle;

   B. Liabilities arising mainly from trading activities;

   C. Liabilities that are to be paid off within twelve months from the balance sheet date;

   D. Liabilities for which the repayment date cannot be extended unconditionally to at least 12 months after the balance sheet date. 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.

   The Company classifies the liabilities that does not meet any of the above criteria as non-current.

5. Cash and cash equivalents

   Cash and cash equivalents comprise cash on hand, bank deposits and short-term, and highly liquid investments (including time deposits with initial due dates within 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Financial instruments

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

   Financial assets and financial liabilities are initially recognized at fair value. Upon initial recognition, except for financial assets and liabilities classified as measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition (or issuance) of financial assets (or financial liabilities) shall be added to (or deducted from) the fair value of the financial assets (or financial liabilities). The transaction costs directly attributable to financial assets and liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

A. Measurement type

Transaction date accounting is adopted for recording customary transactions of financial assets.

The financial assets held by the Company are classified as financial assets measured at Fair Value Through Profit or Loss ("FVTPL"), financial assets measured at amortized cost, and investments in equity instruments measured at Fair Value Through Oher Comprehensive Income ("FVTOCI").

(A) Financial assets at fair value through profit or loss ("FVTPL financial assets")

FVTPL financial assets include either financial assets mandatorily measured at FVTPL or designated as measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments that are not designated as measured at FVTOCI and investments in debt instruments that are not classified as measured at amortized cost or FVTOCI.

FVTPL financial assets are measured at fair value, the generated dividends and interests are recognized as other income and interest income, respectively, and the subsequent gains or losses from re-measurements are reported in other gains and losses. Regarding the method for determining fair value, please refer to Note XII.

(B) Financial assets measured at amortized cost

If the invested financial assets by the Company meet both of the following two criteria, those assets are classified as Financial assets measured at amortized cost：

a. The purpose of holding the financial assets is to receive contractual cash flows；and

b. The contractual provisions of the investments generate cash flows on specified date(s), and such cash flows are fully for payment of the principals and the interests from the outstanding principals.

After initial recognition of the various financial assets measured at cost, they are subsequently measured at amortized cost computed based on the total book value determined by effective interest method, less of any impairment loss. Any foreign exchange gain or loss is recorded in profit or loss.

Except for the following two conditions, interest income is computed using the total book value of the financial assets, multiplied by the effective interest rate：

(a) For purchased or originated credit-impaired financial asset, interest income is computed using the amortized cost of the financial assets, multiplied by the credit-adjusted effective interest rate.

(b) For financial assets that are not purchased or originated credit-impaired but later become credit-impaired, interest income is computed using the amortized cost of the financial assets, multiplied by the effective interest rate.

(C) Equity instrument investments measured at FVTOCI

Upon initial recognition, the Company made an irrevocable choice to designate the equity instrument investments, that are not held for trading, recognized for business combination or with consideration, as measured at FVTOCI.

Equity instrument investments measured at FVTOCI are measured at fair value, and the subsequent changes in fair value are reported in other comprehensive income and accumulated in other equity. Upon disposal of the investments, the accumulated gains or losses are transferred to retained earnings, without reclassification to profit or loss.

The dividends from equity instrument investments measured at FVTOCI are recorded in profit or loss when the Company’s rights to receive dividends are established, unless the dividends clearly represent recovery for part of investment cost.

B. Impairment of financial assets

(A) On each balance sheet date, based on the projected credit loss, the Company assesses impairment loss for its financial assets measured at amortized cost (including accounts receivable), investments in debt instruments measured at FVTOCI, lease receivable, and contract assets.

(B) According to the expected credit loss in the existing period, loss allowances are recognized for accounts receivable, contract assets, and lease receivable. For other financial assets, first evaluates whether or not their credit risks increase significantly after their initial recognition, if not significantly increase, then use 12-months projected credit loss to recognize loss allowance ; if significantly increased, then use the projected credit loss in the existing period to recognize loss allowance.

(C) Projected credit loss is the weighted average credit loss using risk of default as the weight. 12-month projected credit loss represents the projected credit loss generated from defaults of the financial instruments within 12 months after the reporting date, and projected credit loss during the existing period represents projected credit loss generated from all possible defaults of the financial instruments during the projected existing period.

(D) Through allowance accounts, impairment losses adjust and reduce book value of all financial assets, but allowance loss for debt instruments measured at FVTOCI is recorded in other comprehensive income, without reducing their book value.

C. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met：

(A) The contractual right to receive cash flows from the financial asset is lost.

(B) The contractual rights to receive cash flows from the financial asset have been transferred, and the Company has transferred almost all risks and rewards of ownership of the financial asset.

(C) The Company neither retains nor transfers almost all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

Upon writing off the whole financial asset measured at amortized cost, the difference between their book value and consideration received is recognized in profit or loss ; Upon writing off the whole debt instrument measured at fair value through other comprehensive income or loss, the difference between their book value and the consideration received (plus the summary of any accumulated gains or losses already recognized in other comprehensive income) is recognized in profit or loss ; Upon writing off the whole investment in equity instruments measured at fair value through other comprehensive income or loss, the accumulated profit or loss is transferred directly to retained earnings and will not be reclassified to profit or loss.

(2) Equity instrument

Debt and equity instruments issued by the Company are classified as financial liabilities or equity according to substance of the agreements and definition of financial debt and equity instruments. An equity instrument refers to any contract(s) that represents the residual equity (assets minus all liabilities) of an enterprise. Equity instruments issued by the Company are recorded at the amount of acquisition proceeds, after deducting the direct issuance cost.

(3) Financial liabilities

A. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized costs using effective interest method：

(A) Financial liabilities measured at fair value through profit or loss refer to financial liabilities held for trading or financial assets assigned as measured at fair value through profit or loss upon initial recognition. Financial liabilities classified as held for trading refer to those that are mainly held for short-term repurchase and derivatives that are not financial guarantee contracts or assigned as effective hedge instruments. When financial liabilities meet one of the following conditions, the Company will assign them as measured at fair value through profit or loss upon initial recognition：

a. Are mixed (combined) contracts；or

b. May be eliminated, materially reduced in measurement, or inconsistent in recognition；or

c. Are instruments, with written risk management policies, managed and with performances assessed based on fair value.

(B) Financial liabilities measured at fair value through profit or loss are initially measured at fair value, with related transaction costs are recorded in the current period, and subsequently measured at fair value. The changes in fair value are recorded in the current period.

(C) For financial liabilities assigned as measured at fair value through profit or loss, since the amount of change in fair value generated from changes in credit risks is recorded other comprehensive income, they are not reclassified to profit or loss later on. The changes in fair value of remaining liabilities are reported profit or loss. However, if the above accounting treatments trigger or intensify inappropriate accounting proportion, then all gains or losses of the liabilities are recorded in profit or loss.

B. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7. Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

8. Investments accounted for using equity method

(1) Subsidiaries refer to entities (including structural entities) controlled by the Company. When the Company is exposed to variable returns or has the rights to the variable returns and has the ability, through such entity, to influence the returns, the Company is considered to have control over the entity.

(2) The unrealized gains or losses from the transactions between the Company and its subsidiaries had been eliminated. Necessary adjustments had been made to the accounting policies of the subsidiaries in order to be consistent with the policies adopted by the Company.

(3) The shares of profit or loss after acquisition of the subsidiaries are recognized in profit or loss in the current period, and the shares of other comprehensive income or loss are recorded in other comprehensive income or loss. If the recognized share of loss by the Company equals or exceeds the equity interest in the subsidiaries, the Company continues to recognize losses based on the shareholding ratios.

(4) If the changes in shareholdings does not lead to loss of control (transaction with non-controlling interests), they are treated as equity transactions; that is, transactions with the owners. The differences between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received are recognized directly as equity.

(5) When the Company loses control over its subsidiaries, the remaining investments in the former subsidiaries are re-measured at fair value, which becomes the fair value of the initially recognized financial assets or the cost of the initially recognized investments in associates or joint ventures, and the differences between the fair value and the book value are recognized in profit or loss in the current period. For all of the amounts that were previously recognized in other comprehensive income that re related to the subsidiaries, the accounting treatments are the same as if the Company directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities, would be reclassified to profit or loss, then when the control over the subsidiaries is lost, the gains or losses would be reclassified from equity to profit or loss.

(6) Associates refer to all entities over which the Company has influence but without control, generally refer to direct or indirect holding of 20% or more of the voting shares. Equity method is adopted for the investments in associates and are recognized at cost upon acquisition.

(7) The share of profit or loss, after acquisition of the associates by the Company, is recognized in profit or loss in the current period, and the share of other comprehensive income or loss is recognized in other comprehensive income or loss. If the Company’s share of loss from an associate equal or exceeds its interests in the associate (including any other unsecured receivables), the Company would not further recognize loss, unless the Company has legal obligation or constructive obligation to pay, or had made the payment on behalf of the associate.

(8) The unrealized gains or losses generated from the transactions between the Company and the associates had been eliminated proportionate to the shareholding ratios in the associates; unless there is evidence showing that the transferred assets are impaired, the unrealized losses are also eliminated. Necessary adjustments had been made to the accounting policies of the associates had been, in order to be consistent with the policies adopted by the Company.

(9) When an associate issue new shares, if the Company does not purchase or acquire new shares proportionately and leads to change in shareholding ratio but the Company still maintains material influence, the increase/decrease in the net equity amount is adjusted in “Additional paid-in capital” and “Investments accounted for using equity method”. If the shareholding ratio reduces, in addition to the above adjustment, the previously recorded relating gains or losses in other

comprehensive income or loss, where the gains or losses shall be reclassified to profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction.

(10) If the Company losses material influence over the associate, the remaining investment in the original associate is remeasured at fair value, and the difference between the fair value and the book value is recorded in the current-period profit or loss.

(11) When the Company disposes of the associates, if it losses material influence over the associates, for all of the amounts that were previously recognized in other comprehensive income that were related to the associates, the accounting treatments are the same as if the Company directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities, would be reclassified to profit or loss, then when the material influence the associates is lost, the gains or losses would be reclassified from equity to profit or loss. If the Company still has material influence over the associates, then only transfer out, proportionately according to the above approach, the previously recognized amount in the other comprehensive income or loss.

(12) When the Company disposes of the associates, if it losses material influence over the associates, the Capital surplus related to the associates would be reclassified to profit or loss ; If the Company still has material influence over the associates, then reclassified to profit or loss proportionately according to the disposal ratio.

(13) According to the rules under Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current-period profit or loss and other comprehensive income or loss in the Parent Only Financial Statements should be the same as the current-period profit or loss and other comprehensive income or loss allocated to the parent company in the financial statements prepared under consolidated basis, and the owners’ interest in the Parent Only Financial Statements should be the same as the owners’ interest allocated to the parent company in the financial statements prepared under consolidated basis.

9. Property, plant and equipment

(1) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

(2) Subsequent costs are included in the assets carrying amount or Recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item

can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance are recognized in profit or loss as incurred.

(3) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The useful lives of the various assets are as following：

Buildings	3 years～60 years
Machinery equipment	2 years～16 years
Transportation equipment	4 years～14 years
Miscellaneous equipment	3 years～10 years

(4) An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

10. Leases

The Company assesses whether or not a contract is a (or contains) lease on the date when the contract is formed. For contracts that contain lease component and one or more additional lease or non-lease components, based on the corresponding stand-alone price of each lease component and the summarized stand-alone prices of non-lease components, the Company allocates the proceeds of the contract to the respective lease components.

(1) When the Company is a lessee

Except for leases with low-value underlying assets or short-term leases with expense recognition on straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all other leases on the starting date of the leases.

Right-of-use assets

Right-of-use assets are initially recognized at cost (including the initial measurement amount of lease liabilities, lease payments before the starting date of lease after subtracting the incentives received, the initial direct cost and estimated cost of recovering the underlying assets), then subsequently measured at the amount of costs after subtracting the accumulated depreciation and accumulated impairment losses, and then adjust the remeasurement amount of the lease liabilities.

Except for right-of-use assets which meet the definition of Investment property, right-of-use asset is listed as a stand-alone item in the consolidated balance sheet.

Depreciation for right-of-use asset is recognized on straight-line basis, beginning from the starting date of the lease to either reaching the economic useful life or the lease period, whichever is earlier. But if, upon expiry of the lease period, the Company will obtain ownership to the underlying asset, or if the cost of the right-of-use asset reflects exercising purchase for the right-of-use asset, then recognize depreciation from the starting date of the lease until reaching the economic useful life of the underlying asset.

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantial fixed payments, variable lease payments determined by indices or fee rates, expected amount of payment by lessee under residual-value guarantee, price of reasonably expected execution price for purchasing the right-of-use asset, and expected termination penalty from execution of option to terminate the lease by the lessee during the lease period, less the lease incentive received). If the implied interest rate of the lease can be easily determined, lease payments are discounted using the interest rate. If the interest rate cannot be easily determined, then use the incremental borrowing rate of the lessee.

Lease liabilities are subsequently measured at amortized costs using the effective interest method, and interest expenses are allocated among the lease periods.

If there is change in future lease payment due to change in assessment of lease period and purchase option of underlying asset, change in expected amount of payment by lessee under residual-value guarantee, or change in indices or fee rates used to determine lease payments, the Company will re-measure the lease liabilities and adjust the right-of-use assets accordingly. But if the book value of right-of-use assets has been reduced to zero, then recognize the remaining remeasurement amount in profit or loss. Lease liabilities are listed as a standalone item in the Parent Company Only balance sheet.

Variable lease payments not determined by indices or fee rates under lease agreements are recorded as expenses in the period as they occur.

(2) When the Company is a lessor

If almost all risks and returns attached to the underlying asset of a lease have been transferred, then classify the lease as finance lease; otherwise, classify as operating lease.

When a lease contains both land and building factors, the Company assesses the respective factors and classified the lease into either finance lease or operating lease and allocates the lease payments (including any one-time advance payment) among the land and building proportionate to the fair value of the lease rights of the land and building on the contract formation date. If the lease payments could not be reliably allocated to the two factors, then the whole lease is classified as finance lease. However, if both of the two factors clearly meet the operating lease standards, then the whole lease is classified as operating lease.

11. Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

12. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as interest expense. Provisions are not recognized for future operating losses.

13. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render services.

(2) Pensions

A. Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

B. Defined benefit plan

(A) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current or prior period(s). The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the obligation.

(B) Remeasurements of defined benefit plans are recognized in other comprehensive income as incurred and are recorded as retained earnings.

(C) Past-service costs are recognized immediately in profit or loss.

(3) Employees compensation and directors and supervisors remuneration

Employees compensation and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

(4) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

14. Share capital

Ordinary shares are classified as equity. The classification of special shares is based on assessment of the specified rights attached to the special shares against the substance of the contractual agreements and the definition of financial liabilities and equity. When the special shares show basic features of those of financial liabilities, then they are classified as liability, otherwise they are classified as equity. The incremental costs directly attributed to the issuance of new shares or subscription rights are listed as deduction item(s) in equity.

15. Share-based payments

(1) The share-based payment agreements in equity and the obtained employees services are measured based on the fair value of the equity instruments given on the payment date and are recorded as compensation costs during the vesting periods, and equity is adjusted respectively. The fair value of equity instruments should reflect the effects on the market prices under vested conditions or non-vested conditions. The recorded compensation costs are adjusted along with the expected satisfaction of service conditions and the compensation quantity of non-market price vesting conditions, until that the final recorded amount is recorded at the vested quantity on the vesting date.

(2) The share-based payment agreements in cash, based on the fair value of liability assumed, are recorded as compensation costs and liability during the vesting period and measured at fair value of the equity instruments on each balance sheet date and payment date, with any changes recorded in profit or loss in the period when occurred.

16. Income tax

(1) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

(2) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

(3) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Parent Company Only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

(4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(5) Current income tax assets and liabilities are offset against each other and the Allowance for impairment loss reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current

tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(6) A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, personnel training and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

17. Revenue recognition

The Group use the following steps and principle to record revenue from contracts with customers：

(1) Identify contract(s) with a customer；
(2) Identify the performance obligations in the contract；
(3) Determine the transaction price；
(4) Allocate the transaction price to the performance obligations in the contract；and；
(5) Recognize revenue when (or as) the entity satisfies a performance obligation.

After the Company identifies the contractual obligations with the customers, the transaction prices are allocated to the respective contractual obligations, and revenue is recognized when the respective contractual obligations are fulfilled.

A. Sale of goods

The Company records revenue when the control of goods are transferred to the customers. Transferring control of good means delivery of goods to the customers, and there is no un-fulfilled obligation that will affect acceptance of the goods by the customer. Delivery time means that customers have accepted the goods according to the transaction terms, the risk of obsolete and loss has been transferred to the customer, and the Company has objective evidence considering that all acceptance criteria have been satisfied.

The Company records accounts receivable upon delivery of goods, because that is the time when the Company has unconditional rights to receive the consideration.

When sending materials for processing, since the control of the ownership of the processing products is not transferred, no revenue is recognized upon delivering of materials.

B. Construction revenue

The Company undertakes steel-structure construction contracts and records revenue with passage of time. Since the input costs of construction contracts are directly related to the completion progress of the contractual obligations, the Company measures the completion progress based on the ratio of actual input costs over the expected total cost. The Company records contract assets during the progress of the construction and transfer to accounts receivable upon issuance of bills. If the construction receipts exceed the recognized revenue amount, the difference is recorded as contract liability. The purpose of the construction reserved funds withheld by the customers according to the contractual terms is to ensure that the Company completes all contractual liabilities, and the Company records the funds as contract assets before fulfillment of the contracts.

If the result of the contract fulfillment could not be reliably measured, then only records construction revenue to the extent of expected recoverable costs that has been generated.

18. Borrowing cost

Borrowing costs that can be directly attributed to acquisition, building or production of assets meeting certain criteria are part of the cost of the assets, until almost all the activities necessary for the assets to reach the expected condition for use or sale have been completed.

For certain borrowings, before they meet certain criteria for capital expenditures, if the investment income is earned from temporary investment, then the investment income is subtracted from the borrowing cost that meet certain criteria.

Except for the above, all other borrowing costs are recorded in profit or loss in the current period.

19. Derivative financial instruments and hedge accounting

The derivative financial instruments are forward exchange contract signed by the Company for managing exchange risk of the Company. The signed derivative financial instruments are initially recorded at fair value and subsequently remeasured at fair value by the end of reporting periods, and the generated gains or losses are directly recorded in profit or loss in the period occurred. However, for designated derivatives that are effective hedge instruments, the timing for them in profit loss will depend on the nature of hedging relationships. When the fair value of derivative financial instruments is positive, they are recorded as financial assets; when the fair value is negative, record as financial liabilities.

When the Company cancels the designated hedging relationships, and the maturity, sale, contract termination, execution of the hedging instruments no longer meet the definition of hedge accounting, then hedge accounting is prospectively stopped.

The Company has assigned several derivatives as fair-value hedges for recorded assets, liabilities or confirmed commitments; when a hedge transaction starts, the relationship between the hedge instrument and the hedged item, the Company's risk management goal and the strategy for executing various hedging transactions are documented. Right after hedging begins, on a continuing basis, the Company also records and assesses whether or not the adopted derivative instruments for hedging transactions can highly and effectively offset the fair-value changes in the hedged items.

When the remaining period of the hedged items exceed 12 months, the total fair value of the derivative financial instruments is classified as either noncurrent financial asset or liability ; When the remaining period of the hedged items is within 12 months, the total fair value of the derivative financial instruments is classified as either current financial asset or liability ; For derivative instruments held for trading, they are classified as either current financial assets or liabilities.

Fair-value changes in derivative instruments that are assigned and are fair value hedges, along with any fair-value changes of the hedged assets or liabilities attributed to hedged risks, are recorded as "Finance costs" in profit or loss in the period occurred. And the gains or losses related to ineffective portion are recorded as "Other gains and losses" in profit or loss in the period occurred.

20. Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. If government grants are used to compensate expenses or losses that have occurred, or are granted to the Company for immediate financial support purpose and without related cost, then those grants are recorded in profit or loss in the periods when receivable. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method or recorded as a deduction item to the book value of the asset, and the subsidies are recorded in profit or loss through reduction of depreciation expenses over the useful lives of the assets.

The interest rates of the government loans obtained by the Company are lower than those in the market, the difference in the computed interest between the government loans and the market are recognized as government subsidies.

V. Major Sources of Critical Accounting Judgments, Estimates and Uncertainties

Critical accounting judgements, estimations, and assumptions adopted in developing the accounting policies when the Company prepares these Parent Company Only Financial Statements are as following：

1. Critical judgements adopted by the accounting policies

(1) Business model determination for classification of financial assets

According to the reflected level of groups of financial assets jointly managed for achieving certain business purposes, the Company assesses the business model to which its financial assets belong. This assessment requires consideration on all relevant evidence, including measurement method for assets performance, risks that affect performance and the approach for determining compensation for the related managers, and requires utilization of judgements. The Company continues to assess whether its judgement for business model is appropriate or not. For this purpose, the Company monitors its financial assets measured at amortized cost that are written off before maturity date and investments in debt instruments measured at FVTOCI, understands whether or not the reason of disposal is consistent with the goal of business model. If it is found that the business model has changed, the Company would reclassify the financial assets according to IFRS 9 and prospectively apply after the reclassification date.

(2) Revenue recognition

According to IFRS 15, the Company determines whether or not the control over the specified goods or services had been obtained by the Company prior to transferring the goods or services to the customers and determines if the Company would be a principal or an agent in the transaction. If it is determined that the Company is an agent in the transaction, then recognize net transaction amount as revenue.

If any one of the following conditions applies, the Company would be a principal：

A. Before the goods or other assets are transferred to the customers, the Company had obtained the control over the goods or services from another party; or

B. The Company controls the rights to the services provided by another party and has the ability to direct the party to provide the services to the customers on behalf of the Company ; or

C. The Company obtains control over the goods or services from another party, combining with other goods or services, to provide specified goods or services to the customers.

Indices used to determine whether or not the Company had obtained control over the goods or services prior to transferring the goods or services to the customers include (but not limited to)：

(A) The Company bears the main responsibility for the commitment to provide the specified goods or services.

(B) The Company bears the risk of the inventories before and after the goods or services are transferred to the customers.

(C) The Company has the discretionary power to determine the price.

(3) Lease period

When determining lease period, the Company considers all relevant facts and conditions that generate economic incentives to exercise (or not to exercise) options, including any anticipated changes to the facts or conditions from the starting date to the execution date of the options. Factors considered include contractual terms and conditions during the contractual period of the options, material leasehold improvement conducted during the contractual period (or expected contractual period), importance of the target assets to the Company’s operations, etc. When there is material change in material event or condition within the Company’s controlling scope, re-assess the lease period.

2. Critical accounting estimates and assumptions

(1) Revenue recognition

Sales revenue is recognized when the control of goods or services are transferred to the customers and the contractual obligations are satisfied, and the related expected sales return, discount or other similar allowances are subtracted. The sales return and allowances are estimated based on historical experience and other known reasons, and the Company periodically reviews reasonableness of the estimates.

(2) Estimated impairment on financial assets

The assessments of impairment loss on accounts receivable, debt instruments and financial guarantee contracts are based on the Company’s assumptions regarding default rate and expected loss ratio. The Company considers past experience, current market condition and prospective information to make the assumptions and choose the input value for the impairment loss assessment. If the future actual cash flows are less than expected, material impairment loss may result.

(3) Fair value measurement and evaluation procedures

When there are no market quotes in an active market for the assets and liabilities measured at fair value, the Company, according to applicable laws and regulations or its own judgement, determines whether or not to outsource the evaluation work and determine the proper fair-value evaluation technique. If level one input value could not be obtained when estimating the fair value, the Company refers to the financial condition and operating results of the investees, latest transaction prices, quotes in inactive market for the same equity instrument, quotes for similar instruments in active market, evaluation multipliers for comparable companies and other information and determine the input value. If, in the future, the actual changes in input value differ from the expected value, changes in fair value may result. To monitor if the fair-value measurement is appropriate or not, the Company periodically updates the various input value based on market conditions.

(4) Impairment assessment of tangible and intangible asset

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific Company of the assets. Changes in economic circumstances or the Company’s strategy might result in material impairment of assets in the future.

(5) Impairment assessment on investments under equity method

When there is sign showing that a particular investment under equity method may already been impaired and the carrying amount could not be recovered, the Company immediately performs impairment assessment on the investment. The Company evaluates the recoverable amount according to the discounted present value of expected future cash flows either from operations of the investee company or from disposal of the investee company, including analyzing reasonableness of the related assumptions.

(6) Realizability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. The Company’s management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred income tax assets.

(7) Valuation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value.

(8) Net defined benefit pension plan assets

When calculating the present value of defined pension obligations, the Company uses judgments and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate. Changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligations.

(9) Incremental borrowing interest rate of lessee

When determining the lessee’s incremental borrowing interest rate used for discounting lease payments, the risk-free rate under the same currency and relevant period is used as reference benchmark, along with consideration on the lessee’s credit risk premium and specific lease adjustment (factors such as pledge of assets).

VI. Description of Significant Accounting Items

1. Cash and cash equivalents

Item	December 31, 2021	December 31, 2020
Cash and petty cash	$ 1,490	$ 1,872
Checking account	66,922	80,581
Demand deposits	34,666	28,429
Foreign currency deposits	1,395	5,313
Total	$ 104,473	$ 116,195

Note：(1) The Company conducts businesses with financial institutions with good credit quality, and the Company conducts business with many financial institutions to diversify credit risks. The expected possibility of default is quite low.

(2) The Company does not have any cash and cash equivalents pledged to others.

2. Financial assets measured at FVTPL – current

Item	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss		
Domestic publicly traded shares	$ 108,803	$ 65,114

(1) The Company does not pledge any of its financial assets measured at FVTPL.

(2) Please refer to Note XII for the related credit risk management and assessment methods.

3. Financial assets for hedging - current

Item	December 31, 2021	December 31, 2020
Derivative financial assets for hedging - current		
Forward exchange contract – fair value hedge	$ -	$ 2,632

(1) The purpose for adopting hedge accounting is to reduce effects from inconsistent accounting treatments for the hedged items and the hedging instruments. In order to avoid exposure to the foreign-exchange effects from procurement contracts that are not recorded but are confirmed and committed, the Company engages in forward contracts to purchase Australian dollars in advance according to 1 : 1 hedging ratio and control the exchange rates within the Company’s tolerable scope.

(2) Transaction information for hedge accounting adopted by the Company：

A. December 31, 2021：None.

B. December 31, 2020：

	December 31, 2020				Year of 2020	
Hedging instrument	Nominal amount (dollar)	Book value of assets	Book value of liabilities	Record changes in fair-value of ineffective hedging basis	Average price or rate	Valuation gain or loss on FVTPL financial assets/liabilities due to ineffective hedging
Fair-value hedging ：						
Exchange risk						
Forward exchange transaction	AUD 4, 934, 800	$ 2, 632	$ －	$ －	$20. 59	$ －

Hedged item	Book value of assets	Accumulated adjustments on book of assets due to fair-value hedging	Book value of liabilities	Accumulated adjustments on book of liabilities due to fair-value hedging	Record changes in fair-value of ineffective hedging basis	Profit or loss recorded due to ineffective hedging
Fair-value hedging ：						
Exchange risk						
Forward exchange transaction	$ －	$ －	$2, 632 (Note)	$2, 632	$ －	$ －

Note：Recorded as other current liabilities.

4. Notes receivable, net

Item	December 31, 2021	December 31, 2020
Measured at amortized costs		
Notes receivable	$ 1, 418, 133	$ 849, 287
Less：Allowance for losses	(14, 181)	(8, 510)
Notes receivable, net	$ 1, 403, 952	$ 840, 777

(1) As of December 31, 2021 and 2020, the Company has no notes receivable pledged to others.

(2) For disclosures relating to loss allowance for notes receivable, please refer to Note VI-5.

5. Accounts receivable, net

Item	December 31, 2021	December 31, 2020
Measured at amortized costs		
Accounts receivable	$ 1,707,454	$ 1,288,387
Construction accounts receivable	1,220,591	956,833
Accounts receivable - related parties	2,969	3,255
Construction accounts receivable - related parties	-	60,467
Less：Allowance for losses	(29,280)	(22,452)
Accounts receivable, net	$ 2,901,734	$ 2,286,490

(1) The Company offers average 90 days credit period for accounts receivables from sale of goods. The credit standards are established based on the industrial characteristics, business scale and profitability of the transaction parties.

(2) The Company does not pledge any of its accounts receivable to others.

(3) A. The Company's accounts receivable are measured at amortized costs.

B. The Company adopts the simplified method in recognizing allowance for the uncollectable notes and accounts receivable based on the expected credit loss during the existing period. The expected credit loss during the existing period is the loss rate established after considering the customer's past default records, its present financial and economic conditions, and consideration on business prospect and external credit ratings for adjusting historical and present information. Since the Company's past credit loss experience shows that there was no significant difference in the types of loss among the different groups of customers, the provision matrix does not further distinguish these customer groups but only sets the expected rate of credit loss based on number of overdue days of the accounts receivable.

The Company's loss allowances (including related parties) for notes and accounts receivable (including overdue receivables) measured according to the provision matrix are as following：

December 31, 2021	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	$4,349,147	$ 43,461	$4,305,686
Overdue 1～30 days (Note)	0%-1%	-	-	-
Overdue 31～180 days (Note)	0%-1%	-	-	-
Overdue 181～365 days and over (Note)	100%	34,979	34,979	-
		$4,384,126	$ 78,440	$4,305,686

December 31, 2020	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	$3, 158, 229	$ 30, 962	$3, 127, 267
Overdue 1～30 days (Note)	0%-1%	-	-	-
Overdue 31～180 days (Note)	0%-1%	-	-	-
Overdue 181～365 days and over (Note)	100%	34, 750	34, 750	-
		$3, 192, 979	$ 65, 712	$3, 127, 267

Note：Based on the company’s actual aging analysis schedule.

Expected rates of credit loss for the Company’s above aging intervals (excluding abnormal accounts where 100% loss should be recognized): 0%～1% for accounts that are not overdue or overdue within 180 days ; 100% for accounts overdue 181～365 days and over.

C. Movements in loss allowance for notes and accounts receivable (including related parties) ：

Item	Year of 2021	Year of 2020
Beginning balance	$ 65, 712	$ 53, 618
Plus：Recognize impairment loss	14, 361	12, 505
Less：Reversal of impairment loss	-	-
Less：Write-offs	-	-
Less：Reversed for uncollectible accounts	(1, 633)	(411)
Foreign exchange amount	-	-
Ending balance	$ 78, 440	$ 65, 712

The Company does not hold any collateral or credit enhancement for its accounts receivable.

D. With regards to credit risk management and assessment method, please refer to Note XII.

6. Inventories and cost of goods sold

	December 31, 2021	December 31, 2020
Finished goods	$ 558, 623	$ 439, 991
Work in progress	52, 475	25, 466
Raw materials	3, 760, 686	2, 150, 233
Supplies	8, 536	6, 941
Inventory in transit	33, 068	25, 536
Total	$ 4, 413, 388	$ 2, 648, 167

(1) Operating cost：

Item	Year of 2021	Year of 2020
Cost of sold inventories	$ 11, 801, 331	$ 8, 359, 259
Construction cost	6, 204, 593	5, 928, 300
Processing cost	109, 326	95, 975
Loss (gain) for market price decline (recovery) of inventories	37, 958	(4, 157)
Gain on inventory counts	2	(8)
Income from sale of scraps	(116, 057)	(73, 267)
Total operating costs	$ 18, 037, 153	$ 14, 306, 102

(2) The Company either reduces the book value of its inventories to their net realizable value, or records gains due to price recovery of inventories and consumption of stock. In the years of 2021 and 2020, the Company recorded NT$37,958 thousand and NT$(4,157) thousands of loss for market price decline (gain from price recovery) of inventories, respectively.

(3) The Company does not pledge any of its inventories.

7. Other financial assets - current

Item	December 31, 2021	December 31, 2020
Time deposits over 3 months	$ 14, 544	$ 2, 334
Funds repatriated under the Repatriated Offshore Funds Act	79, 718	62, 884
Restricted time deposits	14, 461	24, 354
Court deposits for false sequestration or provisional injunction of court	970	970
Total	$ 109, 693	$ 90, 542

(1) For the restricted and pledged time deposits and receivable court deposits for false sequestration or provisional injunction, please refer to Note VIII.

(2) Since the Company’s time deposits with original maturity date over three months do not meet the definition of cash equivalents, these time deposits are classified under Other financial assets – current and, due to immaterial discount effects from short holding period, measured at investment amount. As of December 31, 2021 and 2020, the range of market interest rates for time deposits with original maturity date over three months was 0.80%~0.82% and 0.795%~1.065%, respectively.

8. Financial assets at fair value through other comprehensive income - noncurrent

	December 31, 2021	December 31, 2020
Noncurrent items：		
Equity instruments		
Domestic investments		
Listed stocks		
Clientron Corp.	$ 324	$ 165
TBI Motion Technology Co., Ltd.	4,995	5,530
China Ecotek Corporation	119,481	104,079
Newmax Technology Co., Ltd.	1,712	2,265
Subtotal	126,512	112,039
Unlisted stocks		
Wabo Global Trading Corporation	7,654	9,512
Tech Alliance Corp.	1,915	7,813
Ascentek Venture Capital Corporation	–	4,516
Pro-Ascentek Investment Corporation	61,096	–
Subtotal	70,665	21,841
Foreign investments		
Unlisted stocks		
Chung Mao Trading (BVI) Corporation	1,275	1,275
China Steel and Nippon Steel Vietnam Joint Stock Company	304,934	242,411
Shenzhen Zongmao International Trading Co., Ltd.	4,385	–
Subtotal	310,594	243,686
Total	$ 507,771	$ 377,566

(1) The Company makes the above stock investments based on medium-to-long term strategic purposes and expects to earn profits through long-term investments. Since the management of the Company considers that, if short-term fluctuations in fair value of such investments are recorded in profit or loss, it will be inconsistent with the aforementioned long-term investment planning. Therefore, the Company had chosen to designate such investments as measured at FVTOCI.

(2) As of December 31, 2021 and 2020, the Company did not pledge any of its FVTOCI financial assets.

(3) For the related credit risk management and evaluation methods, please refer to Note XII.

9. Investments accounted for using equity method

Investees	December 31, 2021	December 31, 2020
Subsidiaries:		
Chun Yuan Investment (Singapore) Pte Ltd.	$ 2, 705, 115	$ 2, 632, 277
Individually immaterial associates	519, 584	488, 528
Total	$ 3, 224, 699	$ 3, 120, 805

(1) Subsidiaries：

A. Regarding information on the Company's subsidiaries, please refer to Note IV-3(2) of the Company's 2021 consolidated financial statements.

B. The Company's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

(2) Associates：

A. The Company's shares of individually immaterial associates are listed below：

Company name	Year of 2021	Year of 2020
Net income (loss)	$ 134, 315	$ 55, 684
Other comprehensive income (loss) (net of tax)	1, 462	(921)
Total comprehensive income (loss)	$ 135, 777	$ 54, 763

B. The Company's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

C. In years of 2021 and 2020, the cash dividends that the Company received from the associates accounted for using equity method were NT$19,786 thousand and NT$25,779 thousand.

10. Property, plant and equipment

	December 31, 2021	December 31, 2020
Self-use	$ 4, 507, 110	$ 4, 182, 513
Rent out as operating lease	323, 786	324, 584
Total	$ 4, 830, 896	$ 4, 507, 097

(1) Regarding amount of capitalized interests, please refer to Note VI-24.

(2) After the Company performed impairment assessment, as of December 31, 2021 and 2020, there was no sign of impairment.

(3) The Company does not pledge any of its property, plant and equipment.

Self-use

Item	December 31, 2021	December 31, 2020
Land (Note)	$ 2, 794, 882	$ 2, 664, 975
Buildings	1, 625, 844	1, 546, 649
Machinery equipment	3, 010, 973	2, 865, 759
Other equipment	540, 363	511, 565
Unfinished construction or equipment pending for inspection	594, 875	525, 956
Total cost	8, 566, 937	8, 114, 904
Less：Accumulated depreciation	(4, 048, 802)	(3, 921, 366)
Accumulated impairment	(11, 025)	(11, 025)
Total	$ 4, 507, 110	$ 4, 182, 513

Note：Including land improvements.

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2021.01.01 balance	$ 2, 664, 975	$ 1, 546, 649	$ 2, 865, 759	$ 511, 565	$ 525, 956	$ 8, 114, 904
Addition	–	–	15, 547	30, 678	328, 224	374, 449
Transferred to assets rented out as operating lease	(7, 626)	–	–	–	–	(7, 626)
Disposal	–	–	(32, 721)	(7, 488)	–	(40, 209)
Reclassify	137, 533	79, 195	162, 388	5, 608	(259, 305)	125, 419
2021.12.31 balance	$ 2, 794, 882	$ 1, 625, 844	$ 3, 010, 973	$ 540, 363	$ 594, 875	$ 8, 566, 937
Accumulated depreciation and impairment						
2021.01.01 balance	$ 22, 539	$ 1, 189, 648	$ 2, 269, 222	$ 450, 982	$ –	$ 3, 932, 391
Depreciation expense	1, 645	35, 468	110, 805	19, 458	–	167, 376
Disposal	–	–	(32, 484)	(7, 456)	–	(39, 940)
2021.12.31 balance	$ 24, 184	$ 1, 225, 116	$ 2, 347, 543	$ 462, 984	$ –	$ 4, 059, 827

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2020.01.01 balance	$ 2, 674, 634	$ 1, 692, 224	$ 2, 745, 597	$ 520, 102	$ 310, 938	$ 7, 943, 495
Addition	–	717	17, 550	5, 690	302, 852	326, 809
Transferred to assets rented out as operating lease	(9, 659)	(130, 483)	–	–	–	(140, 142)
Disposal	–	(22, 373)	(23, 622)	(21, 544)	–	(67, 539)
Reclassify	–	6, 564	126, 234	7, 317	(87, 834)	52, 281
2020.12.31 balance	$ 2, 664, 975	$ 1, 546, 649	$ 2, 865, 759	$ 511, 565	$ 525, 956	$ 8, 114, 904
Accumulated depreciation and impairment						
2020.01.01 balance	$ 20, 894	$ 1, 293, 139	$ 2, 193, 436	$ 449, 220	$ –	$ 3, 956, 689
Depreciation expense	1, 645	35, 686	99, 375	23, 276	–	159, 982
Disposal	–	(22, 239)	(23, 589)	(21, 514)	–	(67, 342)
Transferred to assets rented out as operating lease	–	(116, 938)	–	–	–	(116, 938)
2020.12.31 balance	$ 22, 539	$ 1, 189, 648	$ 2, 269, 222	$ 450, 982	$ –	$ 3, 932, 391

Assets rented out as operating lease

Item	December 31, 2021	December 31, 2020
Land	$ 306, 034	$ 298, 408
Buildings	344, 483	344, 483
Machinery equipment	84, 554	84, 554
Total cost	735, 071	727, 445
Less：Accumulated depreciation	(411, 285)	(402, 861)
Total	$ 323, 786	$ 324, 584

	Land	Buildings	Machinery equipment	Total
Cost				
2021.01.01 balance	$ 298, 408	$ 344, 483	$ 84, 554	$ 727, 445
Addition	–	–	–	–
Disposal	–	–	–	–
From self-use assets	7, 626	–	–	7, 626
2021.12.31 balance	$ 306, 034	$ 344, 483	$ 84, 554	$ 735, 071
Accumulated depreciation and impairment				
2021.01.01 balance	–	318, 312	84, 549	402, 861
Depreciation expense	–	8, 424	–	8, 424
Disposal	–	–	–	–
From self-use assets	–	–	–	–
2021.12.31 balance	$ –	$ 326, 736	$ 84, 549	$ 411, 285

	Land	Buildings	Machinery equipment	Total
Cost				
2020.01.01 balance	$ 288, 749	$ 214, 000	$ 84, 554	$ 587, 303
Addition	–	–	–	–
Disposal	–	–	–	–
From self-use assets	9, 659	130, 483	–	140, 142
2020.12.31 balance	$ 298, 408	$ 344, 483	$ 84, 554	$ 727, 445
Accumulated depreciation and impairment				
2020.01.01 balance	$ –	$ 188, 580	$ 84, 549	$ 273, 129
Depreciation expense	–	12, 794	–	12, 794
Disposal	–	–	–	–
From self-use assets	–	116, 938	–	116, 938
2020.12.31 balance	$ –	$ 318, 312	$ 84, 549	$ 402, 861

The Company rents out land, offices and factories, with leasing periods from 1~3 years. All operating lease contracts include clauses that, when lessees exercise the lease-renewal rights, the rents are adjusted according to market rates. When the lease periods are ended, the lessees do not have bargain purchase option toward the assets. The total lease receivable amounts for the property, plant and equipment rented out as operating leases in the future are as below：

	December 31, 2021	December 31, 2020
1st year	$ 54, 619	$ 14, 291
2nd year	53, 551	–
3rd year	13, 388	–
Total	$ 121, 558	$ 14, 291

As of December 31, 2021 and 2020, the market value of the Company’s assets rented out as operating leases are still higher than their net book value and are not impaired.

11. Leases

(1) Right-of-use assets

Item	December 31, 2021	December 31, 2020
Land	$ –	$ 937
Buildings	38, 084	40, 090
Transportation equipment	3, 467	3, 467
Total cost	41, 551	44, 494
Less: Accumulated depreciation	(15, 048)	(12, 789)
Accumulated impairment	–	–
Net amount	$ 26, 503	$ 31, 705

Cost	Land	Buildings	Transportation equipment	Total
2021.01.01 balance	$ 937	$ 40,090	$ 3,467	$ 44,494
Increase in this period	-	13,639	-	13,639
Decrease in this period	(937)	(15,645)	-	(16,582)
2021.12.31 balance	$ -	$ 38,084	$ 3,467	$ 41,551
Accumulated depreciation and impairment				
2021.01.01 balance	$ 345	$ 11,722	$ 722	$ 12,789
Depreciation expense	592	14,082	1,734	16,408
Written off in this period	(937)	(13,212)	-	(14,149)
2021.12.31 balance	$ -	$ 12,592	$ 2,456	$ 15,048

Cost	Land	Buildings	Transportation equipment	Total
2020.1.1 balance	$ 731	$ 30,266	$ 1,740	$ 32,737
Increase in this period	7,336	24,600	3,467	35,403
Decrease in this period	(7,130)	(14,776)	(1,740)	(23,646)
2020.12.31 balance	$ 937	$ 40,090	$ 3,467	$ 44,494
Accumulated depreciation and impairment				
2020.1.1 balance	$ 731	$ 11,186	$ 725	$ 12,642
Depreciation expense	649	15,553	1,737	17,939
Written off in this period	(1,035)	(15,017)	(1,740)	(17,792)
2020.12.31 balance	$ 345	$ 11,722	$ 722	$ 12,789

(2) Lease liabilities

Item	December 31, 2021	December 31, 2020
Book value of lease liabilities		
Current	$ 12,182	$ 13,437
Noncurrent	$ 14,438	$ 18,353

Range of discount rates for lease liabilities is shown as below:

	December 31, 2021	December 31, 2020
Land	0.78%	0.78%
Buildings	0.78%	0.78%

Regarding maturity analysis for lease liabilities, please refer to Note XII-2.

(3) Material leasing activities and terms

The Company leases several land, buildings for business use, with leasing periods from 1~8.5 years. The Company has recorded the renewal rights as part of lease liabilities. In addition, according to the contracts, without consent by the lessor, the Company may not sub-lease to third parties. As of December 31, 2021, since there was no sign of impairment on the right-of-use assets, impairment assessment was not performed.

(4) Other lease information

A. For the Company’s property, plant and equipment rented out as operating leases and agreements for investment properties, please refer to Note VI-10 “Property, plant and equipment”.

B. Related lease expense information in 2021 and 2020：

Item	Year of 2021	Year of 2020
Short-term lease expense	$ 1, 328	$ 2, 335
Lease expense on low-value assets	$ 1, 678	$ 2, 223
Variable lease expense not included in lease liability measurement	$ －	$ －
Total cash out-flow of lease (Note)	$ 19, 835	$ 22, 941

Note：Including principal and interest payments for lease liabilities in this period.

C. In 2021 and 2020, the Company has adopted the exemption treatment for short-term leases and low-asset-value leases and does not record the related right-of-use assets and lease liabilities.

12. Short-term borrowings

	December 31, 2021	
Nature of borrowing	Amount	Interest rate
Credit loan	$ 3, 929, 000	0. 522%~0. 85%
Loan for purchasing materials	632, 383	0. 6356%~0. 98%
Total	$ 4, 561, 383	

	December 31, 2020	
Nature of borrowing	Amount	Interest rate
Credit loan	$ 2, 611, 000	0. 522%~0. 85%
Loan for purchasing materials	274, 309	0. 67%~0. 95%
Total	$ 2, 885, 309	

The Company does not provide any of its financial assets, factories or equipment as collateral for its short-term borrowings and had issued separate guaranteed notes collaterals. Please refer to Note IX for details.

13. Short-term notes payable

Item	December 31, 2021	December 31, 2020
Commercial papers payable	$ 1,429,000	$ 742,000
Less：Un-amortized discount	(122)	(145)
Net amount	$ 1,428,878	$ 741,855
Range of interest rates	0.252%~0.65%	0.26%~0.567%

The commercial papers payable were issued with guarantee by financial security companies, and credit-line promissory noted were provided as commitments to repay the loans. Please refer to Note IX for details.

14. Provisions - current

Item	December 31, 2021	December 31, 2020
Employee benefits	$ 36,924	$ 36,562

Item	Year of 2021	Year of 2020
Beginning balance	$ 36,562	$ 36,587
Accrued in this period	36,924	36,562
Reversed in this period	(36,562)	(36,587)
Ending balance	$ 36,924	$ 36,562

Provision for employee benefits is the estimation for the vested short-term rights of paid leaves by the employees.

15. Long-term borrowings and long-term liabilities due within 1 year or 1 operating cycle

Item	December 31, 2021	December 31, 2020
Un-secured bank loans (Note)	$ 137,500	$ -
Less：Due within 1 year	(50,000)	-
Long-term borrowings	$ 87,500	$ -
Range of interest rates	0.98%	-

Note：The borrowing periods range 2021/9/22~2024/9/22；According to payment terms, interests are paid monthly, and principals are evenly repaid in 12 intervals beginning from the borrowing dates, where each interval is 3 months.

16 Pensions

(1) Defined contribution plan

A. The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company make monthly contributions of 6% of each individual employee’s salary or wage to employees’ pension accounts.

B. For the year of 2021 and 2020, according to the contribution rate stipulated by the defined contribution plan, the Company had recognized pension expense of NT$28,838 thousand and NT$27,769 thousand, respectively, in the statements of comprehensive income.

(2) Defined benefit plan

A. The Company have a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees’ monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The pension fund is managed by the government’s designated authorities and the Company has no right to influence their investment strategies.

B. Amounts recognized in the balance sheet for obligations from defined benefit plan are as follows：

Item	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 785, 356	$ 837, 735
Fair value of plan assets	(665, 751)	(711, 718)
Defined benefit liability (asset), net	$ 119, 605	$ 126, 017

C. Movements in net defined benefit liabilities are as follows：

Item	Year of 2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance, January 1, 2021	$ 837,735	($ 711,718)	$ 126,017
Service cost			
Current service cost	7,288	-	7,288
Interest expense (income)	2,115	(1,789)	326
Recorded in profit or loss	9,403	(1,789)	7,614
Remeasurements			
Plan assets returns (excluding the amount in net interests)	-	(11,236)	(11,236)
Actuarial (gains) losses - experience adjustments	8,197	-	8,197
Recorded in other comprehensive income (loss)	8,197	(11,236)	(3,039)
Contribution by employer	-	(10,987)	(10,987)
Payment for benefits	(69,979)	69,979	-
Balance, December 31, 2021	$ 785,356	($ 665,751)	$ 119,605

Item	Year of 2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance, January 1, 2020	$ 884,131	($ 753,253)	$ 130,878
Service cost			
Current service cost	9,951	-	9,951
Interest expense (income)	5,407	(4,597)	810
Recorded in profit or loss	$ 15,358	($ 4,597)	$ 10,761
Remeasurements			
Plan assets returns (excluding the amount in net interests)	$ -	($ 26,083)	($ 26,083)
Actuarial (gains) losses - experience adjustments	26,827	-	26,827
Recorded in other comprehensive income (loss)	$ 26,827	($ 26,083)	$ 744
Contribution by employer	-	(13,069)	(13,069)
Payment for benefits	(88,581)	85,284	(3,297)
Balance, December 31, 2020	$ 837,735	($ 711,718)	$ 126,017

D. Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks：

(A) Investment risk

Through self-investment or management assignment, the Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank savings. However, the distributable amount to the Company's plan assets is at no less than the revenue computed based on the interest rate of 2-year time deposits in local banks.

(B) Interest rate 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 debt investments of the plan assets.

(C) 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.

E. The main actuarial assumptions used were as follows：

	Measurement date	
Item	December 31, 2021	December 31, 2020
Discount rate	0.64%	0.27%
Future salary increase rate	1.50%	1.50%
The weighted average duration of the defined benefit obligation	6.0 years	6.4 years

(A) Assumptions on future mortality experience as of December 31, 2021 and 2020 were set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table, respectively.

(B) If there is any reasonable possible change in material actuarial assumption, holding other assumptions constant, would have affected increase (decrease) the defined benefit obligation by the amounts shown below：

Item	December 31, 2021	December 31, 2020
Discount rate		
0.5% increase	($ 23,561)	($ 26,808)
0.5% decrease	$ 25,131	$ 28,483
Future salary increase rate		
0.5% increase	$ 23,561	$ 26,808
0.5% decrease	($ 22,775)	($ 25,970)

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

F. The contribution that the Company expects to make to its defined benefit pension plans and payment in 2022 is NT$35,110 thousand.

17 Share capital - common shares

(1) Reconciliation of the Company's outstanding common shares and amounts from the beginning to the end of period：

Item	Year of 2021	
	Number of shares (thousands)	Amount
January 1st balance	647,655	$ 6,476,554
December 31st balance	647,655	$ 6,476,554

Item	Year of 2020	
	Number of shares (thousands)	Amount
January 1st balance	647,655	$ 6,476,554
December 31st balance	647,655	$ 6,476,554

(2) As of December 31, 2021, the Company's authorized capital is NT$7,000,000 thousand, which is divided into 700,000 thousand shares.

18. Capital surplus

Item	December 31, 2021	December 31, 2020
Consolidation surplus	$ 149,686	$ 149,686
Other	12,385	12,015
Total	$ 162,071	$ 161,701

According to the Company Act, in addition to offsetting against accumulated loss, when a company does not have accumulated loss, the capital surplus from additional paid-in capital in excess of par during stock issuance and from gifts received may be distributed to shareholders in form of new shares or cash according to their respective shareholding ratios. And according to the Securities and Exchange Act, when reinvest the above capital surplus as additional capital, the total amount is limited to 10% of the received capital. Unless when profit surplus is insufficient to offset loss, a company shall not replenish with capital surplus. Capital surplus generated from investments accounted for using equity method shall not be used for any purpose.

19. Retained earnings and dividend policy

(1) According to the Company's corporate charter regarding earnings-distribution policies, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve based the amount of stockholders' equity deduction item in the current year. After deducting various reserve items, the remainder, if any, then either to be combined with accumulated earnings from prior years or to be appropriated, shall be proposed by the board of directors and resolved by the stockholders at the stockholders' meeting.

(2) Dividend policy：

The Company is in a matured industry, with stable profitability and robust financial structure. Over many years, the Company commits in diversification and investments in high-value-added steel products and high-tech industry to enlarge its business base. When the board of directors plans for earnings distribution, considering the financial structure, shareholders' equity, stability of dividends, except when capital funds are required, the actual earnings distribution each year accounts for at least 50% of current-year distributable earnings, of which cash dividend should account for no less than 10%.

(3) Except for being used to offset losses or for dividend distribution according to shareholding ratios, legal reserve shall not be used. However, the amount for dividend distribution (including used for issuing new shares or distribution in cash) from legal reserve is limited to the portion of legal reserve that is over 25% of the total received capital.

(4) Special reserve

A. When the Company distributes earnings, according to the laws and regulations, special reserve needs to be recognized based on the debit balance of other equity items on the balance sheet date of the year. Later when the debit balance of other equity items is reversed, the reversed amount can be included in the earnings available for distribution.

B. During the first adoption of IFRSs, in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, the amounts previously set aside by the Company as special reserve may be reversed proportionately to distributable retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

Item	December 31, 2021	December 31, 2020
Recorded credit balance of other equity	$ -	$ -
Recorded amount due to first adoption of IFRSs	1, 324, 287	1, 324, 287
Total	$ 1, 324, 287	$ 1, 324, 287

(5) The appropriations of 2020 and 2019 earnings have been approved by the shareholders in its meetings in July 2021 and June 2020, respectively. The appropriations and dividends per share were as follows：

	Appropriation of Earnings		Dividends Per Share (NT$)	
Item	Year of 2020	Year of 2019	Year of 2020	Year of 2019
Legal reserve	$ 51, 290	$ 24, 079		
Cash dividends – common shares	388, 593	194, 297	$ 0. 60	$ 0. 30
Total	$ 439, 883	$ 218, 376		

(6) On March 16, 2022, the Company’s board of directors proposed the following plan for 2021 earnings distribution：

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 122, 941	
Cash dividends – common shares	841, 952	$ 1. 3
Total	$ 964, 893	

The proposed 2021 earnings distribution plan is pending to be approved by the shareholders in its meetings in June 2022.

(7) Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

20. Other equity

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2021.01.01 balance	($ 260, 235)	($ 160, 624)	($ 420, 859)
Exchange differences generated from translation of foreign operations - parent company	(15, 877)	-	(15, 877)
Unrealized valuation (loss) gain on FVTOCI financial assets	-	60, 737	60, 737
Disposal of equity instruments measured at FVTOCI	-	(5, 361)	(5, 361)
Share of profits of subsidiaries, associates, and joint ventures under equity method	(12)	5, 554	5, 542
2021.12.31 balance	($ 276, 124)	($ 99, 694)	($ 375, 818)

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2020.01.01 balance	($ 298, 677)	($ 171, 722)	($ 470, 399)
Exchange differences generated from translation of foreign operations - parent company	38, 420	-	38, 420
Unrealized valuation (loss) gain on FVTOCI financial assets	-	9, 106	9, 106
Share of profits of subsidiaries, associates, and joint ventures under equity method	22	1, 992	2, 014
2020.12.31 balance	($ 260, 235)	($ 160, 624)	($ 420, 859)

21. Operating revenue

Item	Year of 2021	Year of 2020
Revenue from contracts with customers		
Sales revenue	$ 13, 300, 477	$ 9, 144, 679
Revenue from construction contracts	6, 505, 918	6, 155, 245
Total revenue from contracts with customers	$ 19, 806, 395	$ 15, 299, 924

(1) Sales revenue

The Company’s merchandise sales revenue comes from sale of steel and related products, mainly sold to retailers. According to general commercial practices, the Company accepts returned products and refunds the full amount. Considering past experience, the rate of product return does not have material effect on the Company.

(2) Revenue from construction contracts

Revenue from construction contracts of the Company comes from undertaking of steel structure constructions. By referencing the completion progress of the contract activities on the balance sheet date, the Company records revenue and cost, respectively, and the completion progress is measured based on the ratio of actual input cost over the expected total cost.

(3) Breakdown of revenue from contracts with customers

The Company’s revenue may be divided into the following major product lines and geographical area：

Year of 2021：

Major product lines and geographical area	Steel	Construction	Total
Major market area			
Taiwan	$12, 672, 223	$ 6, 505, 918	$19, 178, 141
Asia	628, 254	－	628, 254
Total	$13, 300, 477	$ 6, 505, 918	$19, 806, 395
Timing for recording revenue			
Contract obligation fulfilled at a point of time	$13, 300, 477	$ －	$13, 300, 477
Contract obligation fulfilled along with time	－	6, 505, 918	6, 505, 918
Total	$13, 300, 477	$ 6, 505, 918	$19, 806, 395

Year of 2020：

Major product lines and geographical area	Steel	Construction	Total
Major market area			
Taiwan	$ 8, 684, 685	$ 6, 155, 245	$14, 839, 930
Asia	459, 994	－	459, 994
Total	$ 9, 144, 679	$ 6, 155, 245	$15, 299, 924
Timing for recording revenue			
Contract obligation fulfilled at a point of time	$ 9, 144, 679	$ －	$ 9, 144, 679
Contract obligation fulfilled along with time	－	6, 155, 245	6, 155, 245
Total	$ 9, 144, 679	$ 6, 155, 245	$15, 299, 924

(4) Contract balance

The Company records notes and accounts receivable, contract assets and contract liabilities related to revenue from contracts with customers are shown as following：

Item	December 31, 2021	December 31, 2020
Notes receivable (including related parties)	$ 1, 403, 952	$ 840, 777
Accounts receivable (including related parties)	$ 2, 901, 734	$ 2, 286, 490

Item	December 31, 2021	December 31, 2020
Contract assets - current		
Construction contracts	$ 2, 750, 072	$ 2, 383, 549
Contract liabilities - current		
Construction contracts	$ 584, 599	$ 213, 011
Sale of merchandise	$ 20, 402	$ 4, 081

(5) Changes in contract assets and contract liabilities

Changes in contract assets and contract liabilities mainly come from different timing for fulfillment of contract obligations and payment by customers.

(6) Revenue recorded from beginning contract liabilities

	Year of 2021	Year of 2020
Beginning balance of contract liabilities		
Revenue recorded		
Sale of merchandise	$ 4, 081	$ 11, 242

(7) Unfulfilled customer contracts

As of December 31, 2021 and 2020, the existing periods for the unfulfilled merchandise-sale customer contracts and construction contracts of the Company do not exceed one year or one operating cycle and are expected to be fulfilled with revenue recorded within future one year or one operating cycle.

22. Other income

Item	Year of 2021	Year of 2020
Rental income	$ 57, 154	$ 55, 159
Royalty income	16, 137	16, 946
Dividend income	8, 115	9, 488
Other	55, 089	40, 834
Total	$ 136, 495	$ 122, 427

23. Other gains and losses

Item	Year of 2021	Year of 2020
Net gain from FVTPL financial assets	$ 42, 015	$ 2, 014
Net foreign exchange gain (loss)	9, 224	5, 553
Gain on disposal of property, plant and equipment	3, 109	1, 440
Gain on disposal of investments	3, 809	7
Other losses	(9, 258)	(7, 657)
Total	$ 48, 899	$ 1, 357

24. Finance costs

Item	Year of 2021	Year of 2020
Interest expense：		
Bank loans	$ 37, 000	$ 29, 646
Interests from lease liabilities	227	207
Less：Capitalized assets	(8, 149)	(5, 681)
Finance costs	$ 29, 078	$ 24, 172

25. Employee benefits, depreciation and amortization expense

By nature	Year of 2021 Operating costs	 Operating expenses	 Total
Employee benefits			
Salary	$ 666,025	$ 369,971	$ 1,035,996
Labor and health insurance	78,531	27,872	106,403
Pension	26,411	10,041	36,452
Directors' compensation	-	15,124	15,124
Other employee benefits	48,601	20,162	68,763
Depreciation expense	173,218	18,989	192,207
Amortization expense	2,162	2,452	4,614
Total	$ 994,948	$ 464,611	$ 1,459,559

By nature	Year of 2020 Operating costs	 Operating expenses	 Total
Employee benefits			
Salary	$ 630,778	$ 296,848	$ 927,626
Labor and health insurance	71,543	26,217	97,760
Pension	27,713	10,817	38,530
Directors' compensation	-	6,407	6,407
Other employee benefits	40,792	17,045	57,837
Depreciation expense	166,598	24,117	190,715
Amortization expense	2,466	1,783	4,249
Total	$ 939,890	$ 383,234	$ 1,323,124

(1) Additional information on 2021 and 2020 number of employees and employees benefits：

	Year of 2021	Year of 2020
Number of employees	1,511	1,511
Directors who do not hold posts as employees	10	10
Average employee benefits	826	742
Average salary expense	686	614
Adjustment in average salary	11.73%	3.19%

(2) Based on the earning before tax and before subtracting compensation to employees and directors, the Company shall allocate not higher than 2% as

employees compensation and shall allocate not higher than 1% of annual profits as directors remuneration. In 2021 and 2020, the accrued employees compensation / directors remuneration were NT$30,247 thousand / NT$12,814 thousand and NT$15,124 thousand / NT$6,407 thousand, respectively, which were accrued based on the aforementioned 2% and 1% of earning before tax. If subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.

(3) In 2021 and 2020, the board of directors of the Company passed the 2020 and 2019 employees compensation and directors remuneration, and the related amounts recorded in the financial statements：

	Year of 2021		Year of 2020	
	Employees compensation	Directors remuneration	Employees compensation	Directors remuneration
Resolved distribution amount	$ 30,247	$ 15,124	$ 12,814	$ 6,407
Recorded in annual financial statements	30,247	15,124	12,814	6,407
Difference amount	$ -	$ -	$ -	$ -

(4) Information on employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors is available from the Market Observation Post System at the website of the TWSE.

(5) The Company's payroll compensation policies (including directors, supervisors, managers and employees)

A. Principle for payments to general directors and independent directors

The policies for compensation to the payments to ordinary directors and independent directors paid by the Company are stated in the Company's corporate charter and were passed by the Board of Directors. When the directors of the Company carry out their duties, except for traveling expenses according to Article 19 of the corporate charter, their compensation are determined by referencing to the domestic and overseas business standards by the Board of Directors. If the Company has annual profit, then distribute compensation according Article 22 of the Company's corporate charter.

B. Principle for payments to general manager and deputy general manager(s)

The payroll compensation payable to the Company's general manager and deputy general manager(s) include salary, bonus and employees compensation. The Company's policies for proper payroll compensation payments are determined according to their major responsibilities of the duties assumed in the Company, by referencing to peer standards in the industry, by evaluation on the degrees of achieving the goals and contribution, and the annual performance of the Company. The compensation should be sufficient to reflect the responsibilities and risks assumed.

C. Relationship between operating performance and future risks

In the payroll compensation structure, since the bonus and earnings distribution items would vary with the Company's annual operating performance, referencing to the payment standards in the industry, and consideration on changes in the overall economic environment. Therefore, for the compensation paid to the directors, general manager and deputy general managers, the Company had taken into account the positive relationship between the operating performance and future risks to seek for balance between sustainable operation and risk control.

D. Employees payroll policy

The payroll compensation payable to the Company's employees include salary, bonus and employees compensation. The Company's policies for salary and bonus payments are determined according to education degree, work experience, assumed posts in the Company, personal performance and contribution, the Company's annual operating performance, etc. Market payroll standards are also referenced regularly to provide payroll policies that are competitive in the market, while also maintaining equality and motivating payroll policy within the Company.

26. Income tax

(1) Income tax expense：

Item	Year of 2021	Year of 2020
<u>Current income tax</u>		
Income tax generated from current-period income	$ 235,650	$ 116,756
Deferred income tax related to income tax credits	-	-
Applicable under the Repatriated Offshore Funds Act	8,856	5,563
Adjustments in respect of prior years	(2,677)	82
Total current-period income tax	241,829	122,401
<u>Deferred income tax</u>		
Reversal of initially generated temporary differences	4,556	(14,840)
Deferred income tax expense	4,556	(14,840)
Income tax expense (benefit)	$ 246,385	$ 107,561

(2) Income tax (expense) benefit related to other comprehensive income：None.

(3) Reconciliation between income tax (expense) and accounting profit：

Item	Year of 2021	Year of 2020
Income before tax	$1,467,003	$ 621,478
Income tax expense at the statutory tax rate	$ 293,401	$ 124,296
Income tax affected by adjustment items:		
Effects from items not included when computing income tax		
Net investment loss (income) under equity method	(44,435)	(19,055)
Valuation loss (gain) on financial assets	(8,403)	(403)
Loss on expected credit impairment	479	2,010
Tax-exempt income	(2,385)	(1,542)
Investment loss	1,072	(3,702)
Other adjustments	(4,079)	15,152
Adjustments in respect of prior years	(2,677)	82
Applicable under the Repatriated Offshore Funds Act	8,856	5,563
Net changes in deferred income tax	4,556	(14,840)
Income tax expense recognized in profit or loss	$ 246,385	$ 107,561

The income tax rate for the Company entities under the tax laws of Republic of China is 20%, and the applicable tax rate on unappropriated earnings is 5%；the tax amounts generated in other regions are computed according to the applicable tax rates in respective regions.

Under the revised Statute for Industrial Innovation published by the President Office on July 2019, starting from year of 2018, the unappropriated retained earnings that are used to build or acquire certain assets or technology, when reaching certain amount, may be included as a deduction item in computing unappropriated retained earnings. When the Company computes taxes on unappropriated retained earnings, only the portion of capital expenditures actually used for substantial investments was deducted.

According to the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, which was effective since August 15, 2019, the Company had applied and was granted permission to repatriate offshore (including Mainland China area) funds within statutory deadline. Beginning from the above effective date of the Act, the applicable tax rate (on the repatriated offshore funds) for the 1st year was 8%, then 10% for the 2nd year, and regular income tax regulations does not apply; After the funds are repatriated, within 1 year, they may be used in substantial investments after application with the Ministry of Economic Affairs and enjoy 50% favorable tax refund if the substantial investments are completed within deadline.

(4) Deferred income tax assets or liabilities generated from temporary differences, operating loss carryover, and investment credits：

	Year of 2021				
Item	Beginning balance	Recorded in profit or loss	Recorded in Other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Contract assets	$ 95,713	($ 4,096)	$ -	$ -	$ 91,617
Defined benefit liability, ne	14,837	(675)	-	-	14,162
Unused paid leaves	7,312	73	-	-	7,385
Other	2,811	(526)	-	-	2,285
Subtotal	120,673	(5,224)	-	-	115,449
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(515)	142	-	-	(373)
Reserve for unrealized land value increment	(808,969)	-	-	-	(808,969)
Other	(526)	526	-	-	-
Subtotal	(810,010)	668	-	-	(809,342)
Total	($ 689,337)	($ 4,556)	$ -	$ -	($ 693,893)

	Year of 2020				
Item	Beginning balance	Recorded in profit or loss	Recorded in Other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Contract assets	$ 80,186	$ 15,527	$ -	$ -	$ 95,713
Defined benefit liability, ne	15,299	(462)	-	-	14,837
Unused paid leaves	7,317	(5)	-	-	7,312
Other	2,290	521	-	-	2,811
Subtotal	105,092	15,581	-	-	120,673
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(300)	(215)	-	-	(515)
Reserve for unrealized land value increment	(808,969)	-	-	-	(808,969)
Other	-	(526)	-	-	(526)
Subtotal	(809,269)	(741)	-	-	(810,010)
Total	($ 704,177)	$ 14,840	$ -	$ -	($ 689,337)

(5) Items not recognized as deferred income tax assets：None.

(6) The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(7) The 2020 corporate income tax had been filed within deadline and is currently under review by the Tax Authority.

27. Other comprehensive income or loss

	Year of 2021		
Item	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified subsequently to profit or loss：			
Remeasurements of defined benefit liability	$ 3,039	$ -	$ 3,039
Unrealized valuation gain (loss) on FVTOCI financial assets	60,737	-	60,737
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Remeasurements of defined benefit liability	396	-	396
Unrealized valuation gain (loss) on FVTOCI financial assets	5,554	-	5,554
Subtotal	69,726	-	69,726
Items that may be subsequently reclassified to profit or loss：			
Exchange difference on translation of foreign financial statements	(15,877)	-	(15,877)
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Exchange difference on translation of foreign financial statements	(12)	-	(12)
Subtotal	(15,889)	-	(15,889)
Recorded in other comprehensive income (loss)	$ 53,837	$ -	$ 53,837

	Year of 2020		
Item	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified subsequently to profit or loss：			
Remeasurements of defined benefit liability	($ 744)	$ -	($ 744)
Unrealized valuation (loss) gain on FVTOCI financial assets	9,106	-	9,106
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Remeasurements of defined benefit liability	(264)	-	(264)
Unrealized valuation (loss) gain on FVTOCI financial assets	1,992	-	1,992
Subtotal	10,090	-	10,090
Items that may be subsequently reclassified into profit or loss：			
Exchange differences on translation of foreign financial statements	38,420	-	38,420
Share of profits of subsidiaries, associates, and joint ventures under equity method：			
Exchange differences on translation of foreign financial statements	22	-	22
Subtotal	38,442	-	38,442
Recorded in other comprehensive income (loss)	$ 48,532	$ -	$ 48,532

28. Basic earnings per share

	Year of 2021	Year of 2020
A. Basic earnings per share：		
Net income in the current period (A)	$ 1,220,618	$ 513,917
Weighted-average outstanding number of shares (thousands) in the current period	647,655	647,655
Weighted-average number of shares (thousands)after retrospective adjustment (B)	647,655	647,655
Basic earnings per share (after tax) (NTD) (A)/(B)	$ 1.88	$ 0.79
B. Diluted earnings per share：		
Net income in the current period (C)	$ 1,220,618	$ 513,917
Weighted-average outstanding number of shares (thousands) in the current period	647,655	647,655
Effects from employees compensation	1,246	893
Weighted-average outstanding shares for computing diluted earnings per share (thousand shares) (D)	648,901	648,548
Diluted earnings per share (after tax) (NTD) (C)/(D)	$ 1.88	$ 0.79

If the Company may choose to distribute employees compensation either in stocks or in cash, then when computing diluted earnings per share, assuming that employees compensation will be distributed in stocks and the potential common shares have dilution effects, the stocks are included in the weighted-average outstanding number of shares for computing diluted earnings per share. When computing diluted earnings per share before resolution to distribute employees compensation in the next year, such dilution effects from the potential common shares are continuously taken in to consideration.

29. Reconciliation of liabilities from financing activities

Item	January 1, 2021	Cash flow	Non-cash movements Other non-cash movements	December 31, 2021
Short-term borrowings	$ 2,885,309	$ 1,676,074	$ -	$ 4,561,383
Short-term notes payable	741,855	687,000	23	1,428,878
Long-term borrowings (including borrowings due within 1 year)	-	137,500	-	137,500
Lease liabilities	31,790	(16,602)	11,432	26,620
Guarantee deposits received	12,187	1,705	-	13,892
Total liabilities from financing activities	$ 3,671,141	$ 2,485,677	$ 11,455	$ 6,168,273

Item	January 1, 2020	Cash flow	Non-cash movements Other non-cash movements	December 31, 2020
Short-term borrowings	$ 2,780,295	$ 105,014	$ -	$ 2,885,309
Short-term notes payable	649,971	92,000	(116)	741,855
Lease liabilities	20,209	(18,176)	29,757	31,790
Guarantee deposits received	11,537	650	-	12,187
Total liabilities from financing activities	$ 3,462,012	$ 179,488	$ 29,641	$ 3,671,141

30. Disposal of subsidiary

On December 8, 2020, the Company's extraordinary board of directors' meeting passed a resolution to transfer its indirectly-invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd., with the transfer registration been completed in November 2021, and the Company lost control over the subsidiary.

(1) Analysis for lost-of-control assets and liabilities on the date of loss of control

Item	Amount
Current assets	
Cash and cash equivalents	$ 7,402
Other	70
Noncurrent assets	
Property, plant and equipment	113,284
Right-of-use assets	19,990
Other	46,542
Current liabilities	
Accounts payable	(10)
Other payables	(114,416)
Noncurrent liabilities	-
Net assets disposed	$ 72,862

(2) Gain or loss from disposal of subsidiary

Item	Amount
Gross consideration received	$ 75,306
Less：Net assets disposed	(72,862)
Less：Exchange differences from translation of foreign operations	(6,976)
Plus：Non-controlling interests	28,416
Gain from disposal of subsidiary	$ 23,884

(3) Net cash flows from disposal of subsidiary

Item	Amount
Gross consideration received	$ 75,306
Less：Balance of disposed cash and cash equivalents	(7,402)
Net cash inflow from disposal of subsidiary	$ 67,904

VII. Related Party Transactions

1. Parent company and ultimate controller:

The Company is the ultimate controller of the Group.

2. Name of related party and relationship

Name of related party	Relationship with the Company
Chun Shyang Shin Yeh Industry Co., Ltd. (“Chun Shyang Shin Yeh”)	Associate
Chun Yuan Construction Co., Ltd. (“Chun Yuan Construction”)	Associate
Sinkang Industries Co., Ltd. (“Sinkang Industries”)	Other related party
Yung Kuang Hwa Metal Industrial Co., Ltd. (“Yung Kuang Hwa”)	Other related party
Taiwan Steel Tower Co., Ltd. (“Taiwan Steel Tower”)	Other related party
Chun Yuan Investment (BVI) Co, Ltd. (“BVI Chun Yuan”)	Subsidiary
Chun Yuan Investment (Singapore) Pte Ltd. (“Chun Yuan Singapore”)	Subsidiary
Shanghai Huateng Metal Processing Co., Ltd. (“Shanghai Huateng”)	Subsidiary
Xiamen Chun Yuan Precision Mechatronic Co., Ltd. (“Xiamen Chun Yuan”) Note 1	Subsidiary
Shenzhen Hong Yuan Metal Industry Co., Ltd. (“Shenzhen Hong Yuan”)	Subsidiary
Qingdao Chun Yuan Precision Mechatronic Co., Ltd. (“Qingdao Chun Yuan”)	Subsidiary
Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Subsidiary

Note 1 ：The subsidiary of the Company, Chun Yuan Investment (Singapore) Pte Ltd., had disposed all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. on November 26, 2021. Therefore, Xiamen Chun Yuan is no longer the Company’s subsidiary since that date.

3. Significant transactions with related parties

(1) Purchases

Item	Related party category / Name	Year of 2021	Year of 2020
Purchases	Associate	$ 1,520	$ 1,262
	Subsidiary	953	-
	Other related party		
	Sinkang Industries	8,054	12,572
	Yung Kuang Hwa	107,434	109,053
	Taiwan Steel Tower	43	4,353
	Total	$ 118,004	$ 127,240

Note：The transaction terms (price, payment) for the above purchases are the same as those of general non-related parties.

(2) Operating revenue

Item	Related party category / Name	Year of 2021	Year of 2020
Sales revenue	Associate	$ 1, 850	$ 3, 930
	Subsidiary	13, 191	15, 559
	Other related party	－	21
	Total	$ 15, 041	$ 19, 510

Note： The transaction terms (price, receipt) for the above sales are the same as those of general non-related parties, with around 3 months of collection period.

Item	Related party category / Name	Year of 2021	Year of 2020
Construction revenue	Associate - Chun Yuan Construction	$ 187, 209	$ 361, 518

The Company signed construction contract with the above related party according to the agreed prices and collection deadline under the contract, However, the collections may be postponed after agreement by both sides.

Item	Related party category / Name	Year of 2021	Year of 2020
Processing revenue	Associate	$ 7, 367	$ 5, 990
	Other related party	749	2, 000
	Total	$ 8, 116	$ 7, 990

(3) Property transactions

Acquisition of property, plant and equipment

	Consideration received	
Related party category / Name	Year of 2021	Year of 2020
Associate - Chun Yuan Construction	$ 161, 388	$ 174, 572
Other related party-Yung Kuang Hwa	3, 395	158
Total	$ 164, 783	$ 174, 730

A. On July 3, 2019, the board of directors of the Company reviewed and passed the resolution to engage Chun Yuan Construction Co., Ltd. for construction of the new employees dormitory in the Longtan factory and had signed the construction contract with Chun Yuan Construction Co., Ltd. on September 10, 2019, with total construction price of NT$72,670 thousand. In March 2021, additional NT$253 thousand was added to the total construction price ; As of December 31, 2021 and 2020, the amount of accumulated payments was $72,923 thousand and $65,403 thousand, respectively.

B. On August 7, 2019, the board of directors of the Company reviewed and passed the resolution to build new factory in Sin Ji Industrial Park in Tainan (with total planned expenditure of NT$181,825 thousand), of which Chun Yuan Construction Co., Ltd. was engaged for part of the construction, and the construction amount attributed to Chun Yuan Construction Co., Ltd. was NT$144,334 thousand ; As of December 31, 2021 and 2020, the amount of accumulated payments was NT$129,718 thousand and NT$110,148 thousand, respectively.

C. On March 20, 2020, the board of directors of the Company passed a resolution to engage the related party, Chun Yuan Construction Co., Ltd., to demolish the Erchong factory, with total project cost of NT$5,120 thousand.

D. On July 31, 2020, the board of directors of the Company passed the resolution to engage Chun Yuan Construction Co., Ltd. for building main body of the Sanchong office building and had signed the construction contract with Chun Yuan Construction Co., Ltd. on August 21, 2020, with total construction price of NT$795,000 thousand; As of December 31, 2021 and 2020, the amount of accumulated payments was NT$149,945 thousand and NT$15,646 thousand, respectively.

(4) Various expenses

Related party category / Name	Year of 2021	Year of 2020	Nature of transaction
Associate	$ 572	$ 871	Finance costs
Associate	303	11	Other expense
Other related party	232	259	Processing expense
Other related party	51	171	Other expense
Total	$ 1,158	$ 1,312	

(5) Lease agreements (lessee):

Item	Related party category	December 31, 2021	December 31, 2020
Right-of-use assets	Associate	$ 610	$ 1, 655
	Other related party	3, 245	–
	Total	$ 3, 855	$ 1, 655

Item	Related party category	December 31, 2021	December 31, 2020
Lease liabilities	Associate	$ 616	$ 1, 664
	Other related party	3, 258	–
	Total	$ 3, 874	$ 1, 664

Item	Related party category	Year of 2021	Year of 2020
Interest expense	Associate	$ 9	$ 17
	Other related party	31	6
	Total	$ 40	$ 23

(6) Other income

Related party category / Name	Year of 2021	Year of 2020	Nature of transaction
Associate	$ 8, 611	$ 6, 141	Other income
Associate - Chun Shyang Shin Yeh	53, 456	51, 005	Rental income
Associate - Chun Yuan Construction	1, 962	1, 654	Rental income
Associate	2	14	Interest income
Other related party	552	287	Other income
Subsidiary - Shenzhen Chun Yuan	–	2, 014	Royalty income
Subsidiary - Shanghai Huateng	5, 398	4, 414	Royalty income
Subsidiary - Xiamen Chun Yuan	1, 251	2, 421	Royalty income
Subsidiary - Shenzhen Hong Yuan	4, 678	3, 739	Royalty income
Subsidiary - Qingdao Chun Yuan	4, 811	4, 357	Royalty income
Total	$ 80, 721	$ 76, 046	

A. The above rental prices are determined by referencing the market prices and after negotiation between the parties, and the rents are collected monthly or quarterly, of which the main contents of the lease contracts with Chun Yuan Construction and with Chun Shyang Shin Yeh are shown as following：

Lease subject	Year of 2021 Lease period / Monthly rents	Amount
Chun Yuan Construction：		
No. 236, Sec. Bade, Shengting Rd.,	2020.07.01～2021.06.30/74	$ 1,962
Longtan Dist., Taoyuan City	2021.07.01～2022.06.30/74	
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2020.8.1.～2021.7.31./87	
	2021.8.1.～2022.7.31./87	
8F., No. 502, Fuxing N. Rd., Taipei City	2020.6.1.～2021.5.31./3	
	2021.6.1.～2022.5.31./3	
Chun Shyang Shin Yeh：		
Longtan land, factory and equipment	2019.4.1.～2021.3.31./3,636	53,456
	2021.4.1.～2024.3.31./4,463	
	2019.4.1.～2021.3.31./490	
	2020.4.1.～2021.3.31./284	
		$ 55,418

Lease subject	Year of 2020 Lease period / Monthly rents	Amount
Chun Yuan Construction：		
No. 236, Sec. Bade, Shengting Rd.,	2019.7.1.～2020.6.30./23	$ 1,654
Longtan Dist., Taoyuan City	2020.7.1.～2021.6.30./74	
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2019.8.1.～2020.7.31./87	
	2020.8.1.～2021.7.31./87	
8F., No. 502, Fuxing N. Rd., Taipei City	2019.6.1.～2020.5.31./3	
	2020.6.1.～2021.5.31./3	
Chun Shyang Shin Yeh：		
Longtan land, factory and equipment	2018.4.1.～2021.3.31./3,636	51,005
	2019.4.1.～2021.3.31./490	
	2020.4.1.～2021.3.31./284	
		$ 52,659

(7) Ending balances of receivables (payables)

Item	Related party category / Name	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiary	$ 1,932	$ 962
Accounts receivable	Associate - Chun Shyang Shin Yeh	958	1,826
Accounts receivable	Other related party	79	467
Construction accounts receivable	Associate - Chun Yuan Construction	–	60,467
Total		2,969	63,722
Less：Allowance for losses		–	–
Net amount		$ 2,969	$ 63,722

As of December 31, 2021 and 2020, the recorded allowance for losses on the above receivables from related parties were both zero.

Item	Related party category / Name	December 31, 2021	December 31, 2020
Other receivables	Associate	$ 3,001	$ 821
Other receivables	Other related party - Sinkang Industries	1	1
Other receivables	Other related party - Taiwan Steel Tower	1	1
Other receivables	Subsidiary - Shenzhen Hong Yuan	6,836	6,201
Other receivables	Subsidiary - Xiamen Chun Yuan	–	1,168
Other receivables	Subsidiary - Shanghai Huateng	5,023	4,030
Other receivables	Subsidiary - Shenzhen Chun Yuan	4,138	6,347
		$ 19,000	$ 18,569

As of December 31, 2021 and 2020, the allowance for losses on the above other receivables were zero for both years.

Item	Related party category / Name	December 31, 2021	December 31, 2020
Accounts payable	Associate	$ 4,241	$ 32,111
Accounts payable	Other related party	4,216	7,439
Accounts payable	Subsidiary	7	–
Notes payable	Other related party	16,897	19,957
Total		$ 25,361	$ 59,507

Item	Related party category / Name	December 31, 2021	December 31, 2020
Other payables	Subsidiary	$ -	$ 376

Item	Related party category / Name	December 31, 2021	December 31, 2020
Guarantee deposits received	Associate - Chun Shyang Shin Yeh	$ 8, 925	$ 8, 821
Guarantee deposits received	Associate - Chun Yuan Construction	148	148
Total		$ 9, 073	$ 8, 969

(8) Contract assets (receivables for construction contracts) and Contract liabilities (payables for construction contracts)

Item	Related party category / Name	December 31, 2021	December 31, 2020
Contract assets	Associate - Chun Yuan Construction	$ 305, 464	$ 135, 877

Note：Contract assets (price, receipt) for the above purchases are the same as those of general non-related parties.

Item	Related party category / Name	December 31, 2021	December 31, 2020
Contract liabilities	Associate - Chun Yuan Construction	$ 3, 198	$ 12, 696

Note：Contract liabilities (price, payment) for the above purchases are the same as those of general non-related parties.

(9) Financing：Please refer to Note XIII-1(1).

(10) Endorsements and guarantees：Please refer to Note XIII-1(2).

4. Key management compensation

Related party category / Name	Year of 2021	Year of 2020
Salary and other short-term employee benefits	$ 62, 246	$ 34, 121
Post-retirement benefits	174	217
Total	$ 62, 420	$ 34, 338

VIII. Pledged Assets

1. Pledged time deposits

Item	Purpose of pledge	December 31, 2021	December 31, 2020
Time deposit at First Bank - Minquan Branch	Guarantee deposit for construction	$ 557	$ 553
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for use of land	4,061	14,029
Time deposit at Chang Hwa Bank - Peimen Branch	Guarantee deposit for construction	586	581
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for construction	9,257	9,191
Total		$ 14,461	$ 24,354

2. Other pledged assets

Name of pledged asset	Purpose of pledge	December 31, 2021	December 31, 2020
Reserved deposit	Deposits for false sequestration or provisional injunction	$ 970	$ 970

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. To secure loan facilities, offering fulfillment or warranty guarantees for construction contracts, as of December 31, 2021 and 2020, the Company issued guarantee notes of NT$14,350,374 thousand and NT$11,683,704 thousand, respectively, and are recorded as Guarantee notes deposits and Guarantee notes payable.
2. To secure fulfillment guarantees for construction contracts, as of December 31, 2021 and 2020, the Company received guarantee notes of NT$30,531 thousand and NT$37,032 thousand, respectively, and are recorded as Guarantee notes deposits received and Guarantee notes receivable.
3. As of December 31, 2021 and 2020, the details of the Company's issued yet unused letters of credit are as following：

Unit : thousand dollars

Item	December 31, 2021		December 31, 2020	
Balance of letters of credit	NTD	1,044,953	USD	1,193,490
	USD	5,106	NTD	7,630
			AUD	4,938

X. Significant Disaster Losses

The COVID-19 pandemic did not have material impact to operations of the Company ; Regarding its impacts on the Company's subsidies, please refer to Note X to the Consolidated Financial Statements.

XI. Significant Subsequent Events：None.

XII. Other

1. Capital risk management

Since the Company needs to maintain significant capital to pay for the needs of expansion, improving factories and equipment, the Company manages to ensure sufficient financial resources and operating plans required to satisfy the needs of operating funds, capital expenditures, research expenditures, repayment of debts, dividend payments, etc. in the coming 12 months.

2. Financial instruments

(1) Financial risk of financial instruments

A. Financial risk management policies

The Company’s daily activities are exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. In order to reduce the related financial risks, the Company’s overall risk management strategy focuses on identifying, assessment and avoiding uncertainties of markets in order to mitigate potential adverse effects on the Company’s financial performance from market fluctuations.

The Company’s material financial activities are reviewed and approved by the Board of Directors in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

B. Nature and degree of material financial risks

(A) Market Risk

a. Exchange rate risk

The Company is exposed to exchange rate risks from sales, purchases, borrowing transactions in non-functional currencies and from net investments in foreign operations. The Company’s functional currency is mainly in NTD. Part of the Company’s foreign-currency receivables and payables are in the same currency, where hedge effects would naturally take place. Since the net investments in foreign operations are strategic investments, the Company does not perform hedging for the investments.

The Company assigns the current portion of the foreign exchange forward contracts to avoid exchange rate risks, with the adopted hedge ratio of 1:1, and most of the contract due dates are within 1 year from the reporting date. The future portion of the foreign exchange forward contracts is not assigned as hedge instrument, but is recorded as a standalone hedge cost as a component “Other equity – gains or losses of hedge instruments” under equity. The Company’s policy is to request that the critical articles of the foreign exchange forward contracts shall match with the hedged items.

Using the exchange rates, amounts and timing of the cash flows as basis, the Company determines whether or not the economic relationships between the hedged items and the hedge instruments exists. The Company uses virtual derivative instrument method to assess if the assigned derivative instruments in each hedge relationship are expected or could actually and effectively offset changes in the cash flows of the hedged items.

In the above hedge relationship, the major sources of ineffective hedges are：

Effects of credit risks of the transaction counterparties and the Company on the fair value of the foreign exchange forward contracts. Because changes in fair value of the hedged items are due to changes in exchange rates of the hedges cash flows, and do not reflect the effects from the above-mentioned credit risks and changes in the timing of the cash flows from the hedged transactions.

b. Exposure to exchange rates and sensitivity analysis

			December 31, 2021			
			Book value	Sensitivity analysis		
	Foreign currency	Exchange rate	(NTD)	Change scale	Effect on profit or loss	Effect on equity
(Foreign currency：functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 8,768	27.68	$ 242,703	Appreciate 1%	$ 1,942	$ -
Long-term investments accounted for using equity method						
USD:NTD	97,728	27.68	2,705,115	Appreciate 1%	-	21,641
Financial liabilities						
Monetary items						
USD:NTD	7,914	27.68	219,058	Appreciate 1%	1,752	-

			December 31, 2020			
			Book value	Sensitivity analysis		
	Foreign currency	Exchange rate	(NTD)	Change scale	Effect on profit or loss	Effect on equity
(Foreign currency：functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 5,366	28.48	$ 152,824	Appreciate 1%	$1,223	$ –
Long-term investments accounted for using equity method						
USD:NTD	92,425	28.48	2,632,264	Appreciate 1%	–	21,058
Financial liabilities						
Monetary items						
USD:NTD	6,012	28.48	171,222	Appreciate 1%	1,370	–

After assessment, there is no material effect on exchange gains or losses from fluctuations in exchange rates of the Company's monetary items.

c. Price risk

The Company is exposed to price risk of equity instruments since the Company holds investments in equity instruments. These equity instrument investments are classified either as FVTPL financial assets or financial assets measured at FVTOCI.

The Company mainly invests in domestic listed equity instruments, and the prices of such equity instruments would be affected by uncertainty of future value of such instruments. If the prices of equity instruments had increased or decreased by 1%, the after-tax income / other comprehensive income for 2021 and 2020, through increase or decrease in fair value of FVTPL financial assets, would have increased (decreased) by NT$1,088 thousand / NT$651 thousand and NT$1,265 thousand / NT$1,120 thousand, respectively.

d. Interest rate risk

(a) Overview of the Company's interest-bearing financial instruments on the reporting date：

Item	Book value December 31, 2021	Book value December 31, 2020
Interest rate risk on fair value：		
Financial assets	$ 108,723	$ 89,572
Financial liabilities	(6,127,761)	(3,627,164)
Net amount	(6,019,038)	(3,537,592)
Interest rate risk on cash flows：		
Financial assets	36,061	33,742
Financial liabilities	-	-
Net amount	$ 36,061	$ 33,742

(b) Sensitivity analysis for Interest rate risk on fair value：

The Company does not classify any financial assets and liabilities with fixed interest rates to FVTPL financial assets or FVTOCI financial assets, nor does the Company designate any derivative instrument (interest rate swap) as hedge instrument under the fair-value hedge accounting model. Therefore, the changes in interest rates on the reporting date will not affect profit or loss and other comprehensive income.

(c) Sensitivity analysis for Interest rate risk on cash flows：

The Company's financial instruments with variable interest rates are assets (liabilities) with floating interest rates, and their effective interest rates will change along with fluctuations in market interest rates, which then make the Company's future cash flows fluctuate. If the market interest rate increases by 1%, the Company's 2021 and 2020 net income will increase by NT$288 thousand and NT$270 thousand, respectively.

(B) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily bank deposits and various financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business-related credit risk

In order to maintain the credit quality of trade receivables, the Company has established procedures for credit risk management related to business operations. Risk evaluation for individual customer is performed taking into account various factors that may affect the customer’s payment ability, including the customer's financial condition, internal credit ratings of the Company, historical transaction records, current economic conditions, etc. .

b. Financial credit risk

The Company's exposure to financial credit risk pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company’s treasury function. The Company only transacts with creditworthy counterparties, banks, financial institutions with investment grade, companies and government agencies; therefore, no material concern on fulfillment of contracts, thus there is no material credit risk. In addition, the Company does not classify any financial instrument as measured at amortized cost or as FVTOCI debt instruments.

(a) Credit concentration risk

As of December 31, 2021 and 2020, the Company’s top 10 customers account for 27.20% and 31.68% of the Company’s total accounts receivables, respectively, and the credit concentration risk for the rest of accounts receivable is relatively insignificant.

(b) Measurement of expected credit impairment loss

①Accounts receivable：Simplified method is adopted, please refer to Note VI-5.

②Basis for determining whether or not credit risk increases significantly：None. (The Company does not have any financial instrument classified as measured at amortized cost or FVTOCI debt instruments)

(c) The Company does not hold any collateral or other credit-enhancing securities to avoid credit risk related to financial assets.

c. Liquidity risk

(a) Liquidity risk management

The objective of the Company's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Company has sufficient financial flexibility for its operations.

(b) Aging analysis for financial liabilities：

December 31, 2021

Non-derivative financial liabilities	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flows	Book value
Short-term borrowings	$ 4,563,073	$ -	$ -	$ -	$ -	$ 4,563,073	$ 4,561,383
Short-term notes payable	1,429,000	-	-	-	-	1,429,000	1,428,878
Notes payable	4,661	-	-	-	-	4,661	4,661
Notes payable - related parties	16,897	-	-	-	-	16,897	16,897
Accounts payable	952,932	-	-	-	-	952,932	952,932
Accounts payable - related parties	8,464	-	-	-	-	8,464	8,464
Other payables	431,161	-	-	-	-	431,161	431,161
Long-term borrowings (including those due within 1 year)	50,570	87,920	-	-	-	138,490	137,500
Guarantee deposits received	13,891	-	-	-	-	13,891	13,891
Total	$ 7,470,649	$ 87,920	$ -	$ -	$ -	$ 7,558,569	$ 7,555,767

Additional information for analysis on due dates of lease liabilities：

	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total undiscounted lease payments	Book value
Lease liabilities	$ 12,333	$ 14,551	$ -	$ -	$ -	$ 26,884	$ 26,620

December 31, 2020

Non-derivative financial liabilities	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flows	Book value
Short-term borrowings	$ 2,886,330	$ -	$ -	$ -	$ -	$ 2,886,330	$ 2,885,309
Short-term notes payable	742,000	-	-	-	-	742,000	741,855
Notes payable	4,574	-	-	-	-	4,574	4,574
Notes payable - related parties	19,957	-	-	-	-	19,957	19,957
Accounts payable	920,674	-	-	-	-	920,674	920,674
Accounts payable - related parties	39,550	-	-	-	-	39,550	39,550
Other payables	359,418	-	-	-	-	359,418	359,418
Other payables – related parties	376	-	-	-	-	376	376
Guarantee deposits received	-	3,218	8,969	-	-	12,187	12,187
Total	$ 4,972,879	$ 3,218	$ 8,969	$ -	$ -	$ 4,985,066	$ 4,983,900

Additional information for analysis on due dates of lease liabilities：

	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total undiscounted lease payments	Book value
Lease liabilities	$ 13,624	$ 18,564	$ -	$ -	$ -	$ 32,188	$ 31,790

The Company does not expect early realization or significant difference in the actual cash flows in the analysis.

(2) Types of financial instruments

As of December 31, 2021 and 2020, the carrying amounts of the Company's financial assets and financial liabilities are listed below：

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 104, 473	$ 116, 195
Notes and accounts receivable (including related parties)	4, 305, 686	3, 127, 267
Other receivables(including related parties)	63, 721	44, 308
Other financial assets - current	109, 693	90, 542
Guarantee deposits paid	11, 676	10, 968
Financial assets at fair value through other comprehensive income - noncurrent	507, 771	377, 566
Financial assets at fair value through profit or loss	108, 803	63, 100
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term borrowings	4, 561, 383	2, 885, 309
Short-term notes payable	1, 428, 878	741, 855
Notes and accounts payable (including related parties)	982, 954	984, 755
Other payables(including related parties)	431, 161	359, 794
Guarantee deposits received	13, 891	12, 187
Long-term borrowings (including those due within 1 year)	137, 500	-

3. Fair value information

(1) For information regarding the fair value of the Company's financial assets and financial liabilities that are not measured at fair value, please refer to Note XII-3(3).

(2) Fair value are grouped into Levels 1 to 3 as follows：

Level 1：

Inputs for this level are openly quoted prices in active markets for the same instruments. An active market refers to a market that meets all of the following criteria：Has traded merchandises of the same nature；Buyer and seller with intention to trade may be found anytime in the market, and the price information is available to the public. The fair value of Company's investment in listed stocks, beneficiary certificates, and derivative instruments with openly quoted prices in active markets, etc. are all of this level.

Level 2：

Inputs for this level are observable prices other than openly quoted prices in active markets, including observable inputs obtained from active markets.

Level 3：

Inputs for this level are input parameters (for measuring fair value) that are not based on observable inputs available in the markets.

(3) Financial instruments that are not measured at fair value

The book value of the Company's financial instruments that are not measured at fair value (including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits paid, short-term borrowings, notes and accounts payable, other payables and refundable deposits received) reasonably approximates their fair value.

(4) Fair value information by level：

The Company's financial instruments are measured at fair value on repetitive basis. And assets held for sale are measured at lower of book value or fair value less selling costs on non-repetitive basis. The Company's fair value information by level is shown as following schedule：

	December 31, 2021			
Item	Level 1	Level 2	Level 3	Total
Assets：				
Repetitive fair value				
FVTPL financial assets - equity securities	$108, 803	$ －	$ －	$108, 803
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	126, 512	－	－	126, 512
Domestic or overseas non-publicly traded shares	－	－	381, 259	381, 259
Total	$235, 315	$ －	$381, 259	$616, 574

	December 31, 2020			
Item	Level 1	Level 2	Level 3	Total
Assets：				
Repetitive fair value				
FVTPL financial assets - equity securities	$ 65, 114	$ －	$ －	$65, 114
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	112, 039	－	－	112, 039
Domestic or overseas non-publicly traded shares	－	－	265, 527	265, 527
Total	$177, 153	$ －	$265, 527	$442, 680

(5) The methods and assumptions the Company used to measure fair values：

A. If openly quoted prices in active markets for financial instruments are available, the Group will use the openly quoted prices in active markets as the fair value. The market prices in major exchanges or polished market prices by OTC are all basis for fair value publicly traded equity instruments and debt instruments with quoted prices in the active market.

If the open quotes can be timely and generally obtained from exchange, brokerages, underwriter, industrial union, pricing service agency or competent authority, then the financial instruments are considered having open quotes in active markets. If the above conditions could not be met, then such markets are deemed as inactive. Generally speaking, if the price differences are quite large, significant increase in buying and selling price gap or decrease in transaction volume, then they are all indices of inactive market.

Based on classification and nature of financial instruments (that have active market) held by the Company are listed below：

(A) Listed stocks: Closing price

(B) Close fund：Closing price

B. Except for the above financial instruments with active markets, the fair values of other financial instruments are determined by using valuation techniques or by reference to quotes from counterparty. The fair values of financial instruments determined by using valuation techniques can be referred to current fair values of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including by applying model using market information available on the consolidated balance sheet date (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

The Company’s held unlisted stocks without active market, their fair value is estimated by market approach. The determination is assessed based on valuation on companies of the same type, quotes from 3rd party, net book value of the Company and operating condition. In addition, the material unobservable inputs are mainly liquidity discount, but since possible changes due to liquidity discounts would not lead to material potential financial effects, therefore, the quantified information is not disclosed.

C. Valuations for derivative financial instruments are based on valuation model widely accepted by market users, such as Discounted Cash Flow Approach and Option Pricing Model. Forward exchange contracts are generically valued based on the forward exchange rates at present time. Structured interest-rate derivative financial instruments are valued according to appropriate Option

Pricing Model (such as Black-Scholes Model) or other valuation method, such as Monte Carlo simulation.

D. The Company’s assets held for sale are valued using market approach (P/E ratio), using the P/E ratios of the latest identical or similar transactions as observable input values, to project the fair value of the companied assets held for sale.

E. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company’s credit quality.

(6) Transfer between Level 1 and Level 2 of the fair value hierarchy：None.

(7) Changes in level 3 instruments：

	Investments in financial instruments without open quotes	
Item	Year of 2021	Year of 2020
Beginning balance	$ 265,527	$ 273,171
Addition in this period	81,676	-
Gains or losses recognized in other comprehensive income or loss	46,263	11,444
Disposal in this period (returned capital from liquidation or capital reduction)	(12,207)	(19,088)
Ending balance	$ 381,259	$ 265,527

(8) Quantified information for fair value measurement of material unobservable input (Level 3)：

	December 31, 2021 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets：					
Un-listed stocks	$ 381,259	Market Approach	Liquidity discount	9.00%~22.97%	The higher liquidity discount, the lower fair value

	December 31, 2020 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets：					
Un-listed stocks	$ 265,527	Market Approach	Liquidity discount	10.00%~18.33%	The higher liquidity discount, the lower fair value

(9) Evaluation procedures for Level 3 fair value：

According to the Company’s valuation procedures for Level 3 fair value classification, the Company’s accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The evaluation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

Regarding measurement for Level 3 fair value, the sensitivity analysis on reasonable potential substitute assumption of fair value：

			December 31, 2021			
Item	Input value	Change	Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	$ -	$ -	$ -	($ 2,191)
Total		-1%	$ -	$ -	$ 2,185	$ -

			December 31, 2020			
Item	Input value	Change	Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	$ -	$ -	$ -	($ 1,820)
Total		-1%	$ -	$ -	$ 1,849	$ -

4. On December 8, 2020, the special meeting of the board of directors of the Company passed a resolution to transfer equity of its indirectly invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd. (“Xiamen Chun Yuan”). Xiamen Chun Yuan had engaged assets valuation company to perform valuation and look for proper buyer. In the meantime, the chairman and general manager of Xiamen Chun Yuan are authorized to handle the disposal of the related claims, debts and equipment；On November 11, 2021, the Company’s 100% held subsidiary, Chun Yuan Investment (Singapore) Pte Ltd., signed the equity-transfer agreement with Xiamen Can-Am Health & Fitness Co., Ltd., and the two sides completed the share-transfer registration on November 26, 2021.

5. Considering that Shanghai Chun Yuan Steel Industry Co., Ltd. no longer operates, in order to avoid overall shareholder interests, the Company’s board of directors passed a resolution on November 5, 2021 to end the operations of the company and to proceed with the subsequent liquidation procedures.

XIII. Supplementary Disclosures

1. Information on significant transactions
    (1) Loans to others：Schedule 1.
    (2) Endorsements and guarantees provided to others：Schedule 2
    (3) Marketable securities held at the end of the period：Schedule 3
    (4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital：None
    (5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital：None
    (6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital：None
    (7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital：Schedule 4
    (8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital：None
    (9) Information about the derivative financial instruments transaction：None
2. Information on investees：Schedule 5
3. Information on investment in Mainland China：Schedule 6
4. Information on major shareholders：Schedule 7

Schedule 1

Chun Yuan Steel Industry Co., Ltd.

Loans to Others

December 31, 2021

Unit：Foreign currency thousand；Thousand NTD

No.	Financing Company	Counter-party	Financial Statement Account	Related Party (Yes/No)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note2)
													Item	Value		
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan Metal Industry Co., Ltd. ("Shenzhen Hong Yuan")	Other receivables - related parties	Yes	$ 173, 600	$ 173, 600	$ 173, 600	4%	Business transactions	$ 53, 039	Operating fund	$ －	None	$ －	$ 173, 600	$ 327, 477
1	Shenzhen Chun Yuan	Xiamen Chun Yuan Precision Mechatronic Co., Ltd. ("Xiamen Chun Yuan")	Other receivables - related parties	Yes	173, 600	－	－	4%	Business transactions	2, 348	Operating fund	－	None	－	－	327, 477
1	Shenzhen Chun Yuan	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. ("Qingdao Chun Yuan")	Other receivables - related parties	Yes	86, 800	86, 800	86, 800	4%	Business transactions	115	Operating fund	－	None	－	173, 600	327, 477

Note 1：Nature of loan：

(1) Has business transactions, put 1.

(2) Has necessity for short-term financing, put 2.

Note 2：Computation for financing limits to any individual entity and total financing limits by Shenzhen Chun Yuan：

(1) Total lending amount by Shenzhen Chun Yuan to others is limited to 40% of the net worth of Shenzhen Chun Yuan.

(2) Financing limits by Shenzhen Chun Yuan to each borrower：

A. Subsidiary or parent company：No more than 40% of the net worth of Shenzhen Chun Yuan.

B. Has business transactions：Accumulated lending amount shall not exceed the total business transaction amount in the latest one year. However, if with related party of Shenzhen Chun Yuan, the lending amount shall not exceed RMB40, 000 thousand and no more than 40% of the net worth of Shenzhen Chun Yuan.

Schedule 2

Chun Yuan Steel Industry Co., Ltd.
Endorsements and Guarantees Provided to Others
December 31, 2021

Unit：Thousand NTD

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (note2)	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Companies mutually guaranteed by contract between industrial peers based on the needs of business relationship and construction undertaking	$11, 324, 418	$ 707, 000	$ 707, 000	$ 707, 000	$ -	6. 24%	$11, 324, 418	N	N	N	
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Shenzhen Hong Yuan	1. Has business transactions 2. Directly or indirectly hold over 50% voting shares of the investee company	1, 522, 400	1, 439, 360	1, 439, 360	1, 062, 440	-	175. 81%	2, 264, 884	N	N	Y	

Note 1：Illustration for the “No.” column：
(1) Security issuer, put 0.
(2) Investee companies, start serial numbers from 1.

Note 2：(1) The maximum limit of guarantee provided by the Company to any individual entity and maximum limit of the total amount of guarantee provided by the Company ：
Total amount of guarantee provided by the Company, or total amount of guarantee provided by the Company and subsidiaries, shall not exceed the net worth of the Company.
1. Maximum limit of total guarantee provided by the Company to any individual entity：
A. Has business transactions：Shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year, and shall not exceed 10%of the Company’s net worth.
B. Parent or subsidiary of the Company：Shall not exceed 50%of the Company’s net worth.
C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios：Shall not exceed the Company’s net worth.

2. Maximum limit of guarantee provided by the Company and subsidiaries to any individual entity：

A. Has business transactions：Shall not exceed 10%of the Company’s net worth and shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year. But if the guaranteed party is an associate of the Company or the Company’s subsidiary, then shall not exceed 20%of the Company’s net worth.

B. Parent or subsidiary of the Company：Shall not exceed 50%of the Company’s net worth.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios：Shall not exceed the Company’s net worth.

3. The computations for the maximum limits in this schedule are based on the net worth amount in the Company’s latest (2021Q4) audited financial statements.

(2) Computation for maximum limit of guarantee provided by the Shenzhen Chun Yuan to any individual entity and maximum limit of the total amount of guarantee provided by the Shenzhen Chun Yuan：

Total amount of guarantee provided by the company, or total amount of guarantee provided by the company and subsidiaries, shall not exceed 20% of the net worth of the parent company.

Maximum limits of guarantee provided by the company or by the company and subsidiaries as a whole, to any individual entity：

A. Has business transactions：Shall not exceed the total transaction amount between the guaranteed party and the company in the latest one year. But if the guaranteed party is an associate of the company, then shall not exceed USD55,000 thousand and shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

B. Parent or subsidiary of the Company：Shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios：Shall not exceed the company’s net worth.

The term “net worth” is based on latest audited financial statements.

Schedule 3

Chun Yuan Steel Industry Co., Ltd.
Marketable Securities Held
December 31, 2021

Unit：Thousand NTD

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Reporting Date				Note
				Shares/Units	Book Value	Percentage of Ownership (%)	Fair value	
Chun Yuan Steel Industry Co., Ltd.	UNITED MICROELECTRONICS CORP.	–	FVTPL financial assets - current	7,994	$ 520	–	$ 520	
	Fubon Financial Holding Co., Ltd. – common shares	–	FVTPL financial assets - current	948,009	72,333	–	72,333	
	CHINA STEEL CORPORATION	–	FVTPL financial assets - current	515,613	18,227	–	18,227	
	TAIWAN MASK CORPORATION	–	FVTPL financial assets - current	107,663	11,627	–	11,627	
	Fubon Financial Holding Co., Ltd.- A special shares	–	FVTPL financial assets - current	36,515	2,308	–	2,308	
	Fubon Financial Holding Co., Ltd.- B special shares	–	FVTPL financial assets - current	40,010	2,524	–	2,524	
	Fubon Financial Holding Co., Ltd.- C special shares	–	FVTPL financial assets - current	21,029	1,264	–	1,264	
	Wabo Global Trading Corporation	–	FVTOCI financial assets - noncurrent	595,000	7,654	5.00%	7,654	
	CHUNG MAO TRADING (BVI) CORPORATION	–	FVTOCI financial assets - noncurrent	37,650	1,275	7.50%	1,275	
	Tech Alliance Corp.	–	FVTOCI financial assets - noncurrent	400,000	1,915	10.00%	1,915	
	Pro-Ascentek Investment Corporation	–	FVTOCI financial assets - noncurrent	8,000,000	61,096	6.67%	61,096	
	Clientron Corp.	–	FVTOCI financial assets - noncurrent	9,645	324	–	324	
	SHIEH-TAI BIOCHEMICAL TECHNOLOGY CO., LTD.	–	FVTOCI financial assets - noncurrent	120,339	–	–	–	
	TBI Motion Technology Co., Ltd.	–	FVTOCI financial assets - noncurrent	100,000	4,995	–	4,995	
	CHINA STEEL AND NIPPON STEEL VIETNAM JOINT STOCK COMPANY	–	FVTOCI financial assets - noncurrent	18,368,000	304,934	2.00%	304,934	
	CHIEN TAI CEMENT CO., LTD.	–	FVTOCI financial assets - noncurrent	16	–	–	–	
	Lion Corp. Berhad	–	FVTOCI financial assets - noncurrent	890,400	–	–	–	
	China Ecotek Corporation	–	FVTOCI financial assets - noncurrent	2,990,772	119,481	–	119,481	
	Newmax Technology Co., Ltd.	–	FVTOCI financial assets - noncurrent	43,384	1,712	–	1,712	
	Shenzhen Zongmao International Trading Co., Ltd.	–	FVTOCI financial assets - noncurrent	–	4,385	7.50%	4,385	
Chun Yuan Investment (Singapore) Pte Ltd.	United Steel International Development Corporation	–	FVTOCI financial assets - noncurrent	1,500,000	25,948	3.06%	25,948	

Schedule 4

Chun Yuan Steel Industry Co., Ltd.

Total Purchases From or Sales to Related Parties of at least NT$100 Million or 20% of the Paid-in Capital

December 31, 2021

Unit：Thousand NTD

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable			Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total	
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Investee company valued using equity method	Construction revenue	$ 187, 209	0. 95%	Collect along with construction progress	Same	-	Receivables for construction contracts	$ 305, 464	11. 11%	
									Payables for construction contracts	3, 198	0. 53%	
Chun Yuan Steel Industry Co., Ltd.	Yung Kuang Hwa Metal Industrial Co., Ltd.	Other related party	Purchases	107, 439	0. 65%	-	Same	-	Notes payable	16, 897	78. 38%	
									Accounts payable	4, 205	0. 44%	

Schedule 5

Chun Yuan Steel Industry Co., Ltd.
Information on equity investments (not including investments in Mainland China)
December 31, 2021

Unit：Foreign currency thousand, Thousand NTD

Unit of shares： Share

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at year-end			Net income (losses) of the investee	Share of profit/loss of investee	Note
				Year end	Year end of last year	Number of shares	Ratio (%)	Book value			
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Taiwan	Construction industry; Design and construction for steel structures and bridges	$ 59,635	$ 59,635	20,729,909	26.33%	$ 256,065	$ 68,297	$ 18,127	
	Chun Yuan Investment (Singapore) Pte Ltd.	Singapore	General investment activities	1,257,123	1,257,123	61,739,835	100.00%	2,705,115	171,721	171,721	
	Chun Shyang Shin Yeh Industry Co., Ltd.	Taiwan	Manufacturing, sale, lease and repairment of auto sheet metal parts, stamping parts, molds, jigs, inspection/measuring tools.	68,568	68,568	6,856,000	48.97%	250,188	66,017	32,329	
Chun Yuan Investment (Singapore) Pte Ltd.	Chun Yuan Investment (BVI) Co, Ltd.	British Virgin Islands	General investment activities	USD 21,630	USD 21,630	-	100.00%	USD 59,431	USD 4,845	USD 4,845	

Schedule 6
(1)

Chun Yuan Steel Industry Co., Ltd.

Information on investment in Mainland China

December 31, 2021

Unit：Foreign currency thousand；Thousand NTD

Investee in Mainland China	Main Business Activities	Total Amount of Paid-in Capital	Investment method (Note 1)	Accumulated Outflow of Investment from Taiwan as of beginning of period	Investment Flows		Accumulated Outflow of Investment from Taiwan by the End of Period	Net Income (Losses) of the Investee	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (note2)	Carrying Amount of Investment by the End of Period	Accumulated Inward Remittance of Earnings by the End of Period
					Outflow	Inflow						
Shenzhen Chun Yuan	1. Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel. 2. Improve operating performance, expand market.	$ 729,738 (USD 23,800) (Note 6, 7)	(Note 2)	$ 316,773 (USD 10,630)	$ -	$ -	$ 316,773 (USD 10,630)	$ 6,547 (USD 233)	78.52%	(Note 2-2) $ 5,140 (USD 183)	$ 642,838 (USD 23,224)	$ -
Shanghai Chun Yuan Steel Industry Co., Ltd.	1. Corner fitting for ocean-freight cargo containers. 2. Improve operating performance, expand market.	158,238 (USD 6,000)	(Note 2)	126,565 (USD 4,800)	-	-	126,565 (USD 4,800)	730 (USD 26)	80.00%	(Note 2-2) 590 (USD 21)	218,861 (USD 7,907)	155,819 (USD 5,212) (Note 11)
Shanghai Huateng Metal Processing Co., Ltd.	1. Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates. 2. Improve operating performance, expand market.	799,583 (USD 24,800)	(Note 2)	249,739 (USD 8,000)	-	-	249,739 (USD 8,000)	116,083 (USD 4,134)	80.59%	(Note 2-2) 93,563 (USD 3,332)	940,290 (USD 33,970)	69,612 (USD 2,400) (Note 12) 62,269 (USD 2,250) (Note 13, 15)
Shenzhen Hong Yuan Metal Industry Co., Ltd.	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates (cold-roll steel sheets, hot-roll steel sheets, Lead-coating tin plates, not including accessories or merchandises subjected to export permission certificates)	153,036 (USD 4,680) (note 4, 8, 9)	(Note 2)	68,477 (USD 2,143)	-	-	68,477 (USD 2,143)	29,035 (USD 1,034)	81.38%	(Note 2-2) 23,629 (USD 841)	165,251 (USD 5,970)	26,291 (USD 950) (Note 14, 15)

Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Manufacturing and processing of new types of mechanical and electrical components, fine blanking dies, and other related metal products.	592,009 (USD 18,000) (Note5)	(Note 2)	216,497 (USD 6,700)	-	-	216,497 (USD 6,700)	51,639 (USD 1,839)	95.00%	(Note 2-2) 49,056 (USD 1,747)	634,809 (USD 22,934)	-
Xiamen Chun Yuan	Manufacturing of new types of mechanical and electrical components, fine blanking dies, and other related metal products	463,964 (USD 16,000) (Note10)	(Note 2)	278,266 (USD 9,450)	-	-	278,266 (USD 9,450)	(16,090) (USD -573)	0% (Note 16)	(Note 2-2) (9,812) (USD -349)	- (USD 0)	-

Accumulated Investment in Mainland China by the End of Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 1, 256, 317	$ 1, 256, 317	$ 7, 110, 029

Note：The investment income or losses recorded in this period are computed based on average exchange rate of 1 USD = 28.08 NTD. And the carrying value of investments are computed based on exchange rate of 1 USD = 27.68 NTD

Note 1： Investment methods are classified into the following 3 categories：

(A) Direct investment in Mainland China.

(B) Indirect investment in Mainland China through third country.

(C) Other method.

Note 2：In the "Share of Profits/Losses" column, the basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly：

(A) If under preparation and without profit or loss, shall indicate clearly.

(B) Basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly.
1. Based on audited financial statements of international accounting firm with cooperating relationships ROC accounting firms.
2. Audited financial statements of the Taiwan parent company.
3. Other (self-prepared financial statements).

Note 3：According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company's equity or consolidated equity, whichever is higher.

Note 4：Invested 45% of shares in 2002 through the third entity Chun Yuan Investment (Singapore) Pte Ltd., and invested 25% of shares in Shenzhen Hong Yuan Metal Industry Co., Ltd.25% via 2001 earnings of the indirectly invested Shenzhen Chun Yuan. There was no outflow of funds.

Note 5：In April 2005, after permission by Investment Commission, MOEA, invested USD17,100 thousand in Qingdao Chun Yuan Precision Mechatronic Co. through Chun Yuan Investment (Singapore) Pte Ltd. in the third region ; The company obtained business certificate on June 30, 2005, with registered paid-in capital of USD18,000 thousand. Based on the conditions of the funds reaching Mainland China, Chun Yuan Investment (Singapore) Pte Ltd., using the above funds and distributed profits from the directly or indirectly invested subsidiaries in Mainland China over the past years, invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co, Ltd. . As of December 31, 2021, the accumulated outflow of funds was USD17, 100 thousand.

Note 6：In July 2007, after permission by Investment Commission, MOEA, additional USD5,250 thousand of capital increase was directly transferred out to Chun Yuan Investment (Singapore) Pte Ltd., of which USD2,000 thousand was from distributed profits from subsidiaries in Mainland China, invested in Shenzhen Chun Yuan through Chun Yuan Investment (BVI) Co, Ltd. .

Note 7：In July 2008, after permission by Investment Commission, MOEA, additional USD2,850 thousand of capital increase was invested in Chun Yuan Investment (Singapore) Pte Ltd., along with USD1,000 thousand of earnings distribution from subsidiaries in Mainland China over the past years, purchased 14.12% of equity in Shenzhen Chun Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 8：In 2008, using its own capital, Shenzhen Chun Yuan purchased 15% of equity in Shenzhen Hong Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 9：In March 2010, after permission by Investment Commission, MOEA, additional USD2, 500 thousand of capital increase in Chun Yuan Investment (Singapore) Pte Ltd. by the Company. As of December 31, 2021, USD2, 143 thousand had been transferred out, and the fund was directly transferred for acquiring 45.79% of equity in Shenzhen Hong Yuan Metal Industry Co., Ltd. .

Note 10：In June 2011, Investment Commission, MOEA approved USD16,000 thousand of investment in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. through 3rd region, Chun Yuan Investment (Singapore) Pte Ltd.；In April 2013, after approval by Investment Commission, MOEA, the investment amount was reduced to USD9,450 thousand. As of December 31, 2021, USD9,450 thousand had been transferred out.

Note 11：In 2017, Shanghai Chun Yuan Steel Industry Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (Singapore) Pte Ltd., investee company of the Company), repatriated RMB 40,000,000 (equivalent to USD 5,983,903.30) of dividend, Chun Yuan Investment (Singapore) Pte Ltd. received USD 5,211,877.29 (net of withheld tax RMB4,000,000, equivalent to NTD17,484,000). In 2017 shareholders' meeting, Chun Yuan Investment (Singapore) Pte Ltd. declared and distributed USD 0.08441676739 of dividend per share. The Company holds 61,739,835 of shares and received USD 5,211,877.29 (equivalent to NTD155,819,495) on December 26, 2017.

Note 12：In 2020, Shanghai Huateng Metal Processing Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (BVI) Co, Ltd., investee company of the Company), repatriated RMB 8,059,000 (equivalent to USD 1,151,614.74) of dividend, Chun Yuan Investment (BVI) Co, Ltd. received USD 1,036,453.27 (net of withheld tax RMB 805,900, equivalent to USD 115,161.47). In 2020 shareholders' meeting, Chun Yuan Investment (BVI) Co, Ltd. declared and distributed USD2,400,000 of cash dividend to its parent company, Chun Yuan Singapore. In 2020 shareholders' meeting, Chun Yuan Singapore declared and distributed USD 2,400,000 (equivalent to NTD 69,612,000) of cash dividend to its parent company, the Company.

Note 13：In 2021, Shanghai Huateng Metal Processing Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (BVI) Co, Ltd., investee company of the Company), repatriated RMB 16,118,000 (equivalent to USD 2,492,731.21) of dividend, Chun Yuan Investment (BVI) Co, Ltd. received USD 2,243,458.09 (net of withheld tax RMB 1,611,800, equivalent to USD 249,273.12). In 2021 shareholders' meeting, Chun Yuan Investment (BVI) Co, Ltd. declared and distributed USD2,250,000 of cash dividend to its parent company, Chun Yuan Singapore.

Note 14：In 2021, Shenzhen Hong Yuan Metal Industry Co., Ltd. (the Mainland China investee company by Chun Yuan Investment (BVI) Co, Ltd., investee company of the Company), repatriated RMB 6,675,000 (equivalent to USD 1,023,004.18) of dividend, Chun Yuan Investment (Singapore) Pte Ltd. received USD 920,703.76 (net of withheld tax RMB 667,500, equivalent to USD 102,300.42).

Note 15：In 2021 shareholders' meeting, Chun Yuan Singapore declared and distributed USD 3,200,000 (equivalent to NTD 88,560,000) of cash dividend to its parent company, the Company.

Note 16：On November 26, 2021, Chun Yuan Singapore sold all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. . Therefore, from that date forward, Xiamen Chun Yuan is no longer the Company's subsidiary.

(2) Material indirect transactions with Mainland China investee companies through business entities in the third region：

For material direct or indirect transactions that the Group had with the Mainland China investee companies through business entities in the third region during 2021, please refer to "Information on significant transactions" and "Business relationships between parent and subsidiaries and condition of important transactions" in the consolidated financial statements.

Schedule 8

Chun Yuan Steel Industry Co., Ltd.

Information on major shareholders

December 31, 2021

Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Li, Wen Long	36, 300, 321	5. 60%
Li, Wen Fa	36, 300, 321	5. 60%

Note：The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.

XIV. Segment Information

The Company had disclosed the related segment information in the Consolidated Financial Statements per regulations; therefore, the segment information is not disclosed in the Parent Only Financial Statements.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the annual report shall explain the impact of said difficulties on the company’s financial situation: None

I. Financial position

(I) Comparative analysis of financial position

Unit: NT$thousand

Year Item	2021	2020	Difference	
			Amount	%
Current assets	16,449,439	11,849,214	4,600,225	38.82
Property, plant and equipment	5,316,278	5,176,993	139,285	2.69
Intangible assets	3,679	3,689	(10)	(0.27)
Other assets	1,374,227	1,241,577	132,650	10.68
Total assets	23,143,623	18,271,473	4,872,150	26.67
Current liabilities	10,235,983	6,297,518	3,938,465	62.54
Non-current liabilities	1,057,592	978,845	78,747	8.04
Total liabilities	11,293,575	7,276,363	4,017,212	55.21
Share capital	6,476,554	6,476,554	0	0.00
Additional paid-in capital	162,071	161,701	370	0.23
Retained earnings	5,061,285	4,220,464	840,821	19.92
Other equities	(375,818)	(420,859)	45,041	10.70
Non-controlling interests	525,956	557,250	(31,294)	(5.62)
Total Equity	11,850,048	10,995,110	854,938	7.78

(II) Analysis and explanation of increase/decrease:

1. Current assets: Due to the increase in price and volume in the market during the current period, inventories reflected reserves early, resulting in an increase in current assets.
2. Current liabilities: Due to the substantial increase in short-term borrowings of the current period comparing to the previous period for the working capital needs, current liabilities increased.

II. Financial performance

(I) Comparative analysis of financial performance

Unit: NT$thousand

Item / Year	2021	2020	Amount increased (decreased)	% of changes
Net operating revenue	26,320,660	19,228,310	7,092,350	36.88
Operating cost	23,953,387	17,882,620	6,070,767	33.95
Operating gross income	2,367,273	1,345,690	1,021,583	75.92
Operating expenses	1,005,061	803,287	201,774	25.12
Profit from operations	1,362,212	542,403	819,809	151.14
Non-operating income and expense	198,953	128,834	70,119	54.43
Profit before tax	1,561,165	671,237	889,928	132.58
Income tax expense	315,905	148,842	167,063	112.24
Current period net profit	1,245,260	522,395	722,865	138.38
Other comprehensive income recognized for the period	60,891	88,866	(27,975)	(31.48)
Total comprehensive income in the current period	1,306,151	611,261	694,890	113.68

(II) Analysis and explanation of increase/decrease:

1. The increase in net operating income and operating costs comparing to 2020 was due to the increase in price and volume in the market.
2. Operating gross income grew from 2020 because the operating revenue grew faster than the operating costs.
3. Operating expenses increased from 2020 due to the increase in administrative expenses.
4. Operating gross income grew from 2020, because the operating revenue and gross profit both grew.
5. The increase in non-operating income and expenses comparing to 2020 was due to the increase in valued gains of financial assets measured at fair value through profit and loss, and the increase in the gains from disposing of subsidiaries.
6. Conclusively, the net profit before tax, income tax expense and net profit for the current period increased from 2020.
7. The decrease in other comprehensive incomes of the current period relative to 2020 was due to the decrease in the exchange gains from the translation of the financial statements of foreign operating agencies.

III. Cash flow

(I) Analysis and explanation of the changes to cash flows in the most recent year:

Unit: NT$thousand

Cash balance at the beginning of 2021	Net cash flow from operating activities for the whole year	Net cash inflow for the whole year (Note)	Amount of remaining (shortage of) cash	Remedies for cash insufficiencies	
				Investment plan	Treasury plan
503,059	(2,371,297)	152,958	656,017	-	-

Note: Including the effects of exchange rate changes on the balance of cash held in foreign currencies

1. Net cash outflow from operating activities was NT$2,371,297 thousand: mainly due to the increase in receivables and the purchase of inventories.
2. Net cash outflow from the investing activities was NT$466,756 thousand: mainly because of the acquisition of property, plant and equipment.
3. Net cash inflow from financing activities was NT$2,998,333 thousand: mainly because short-term borrowings and short-term notes and bills payable increased.

(II) Improvement plan for insufficient liquidity: N/A.

(III) Cash flow analysis for the next year

Unit: NT$thousand

Cash balance at the beginning of 2022	Net cash flow from operating activities for the whole year	Net cash inflow for the whole year	Amount of remaining (shortage of) cash	Remedies for cash insufficiencies	
				Investment plan	Treasury plan
656,017	512,000	(309,000)	347,017	-	-

1. Analysis of cash flow:

(1) Net cash inflow expected from operating activities is NT$512,000 thousand: mainly due to the assessment of future changes to operations, purchasing inventories, and withheld income tax.

(2) Estimated net cash inflow from investment activities is NT$21,000 thousand: mainly because it is expected that for the future long-term investment, the capital reduction for refunded share payment and dividend income are enough to fund the capital expenditures for the construction of the Sanchong office building and the purchase of production equipment.

(3) Net cash outflow expected from financing activates is NT$842,000 thousand: mainly due to the distribution of cash dividends.

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year

(I) Allocation of major capital expenditures and sources of funds

Unit: NT$thousand

Project	Actual or expected sources of funds	Actual or expected completion date	Total amount required	Actual or expected fund allocation				
				2022	2023	2024	2025	2026
Replacement or addition of equipment that maintains current operations	Self-owned funds	Completed during each year	988,000	180,000	180,000	202,000	202,000	224,000

(II) Expected potential effects

1. Production and sales volume, value, and gross profit expected to grow

Unit: NT$thousand

Year	Item	Production (ton)	Sales volume (ton)	Sales value	Gross profit
2022	Replacement or addition of equipment that maintains current operations	3,158	2,659	108,000	10,800
2023	Replacement or addition of equipment that maintains current operations	3,158	2,659	108,000	10,800
2024	Replacement or addition of equipment that maintains current operations	3,540	2,984	121,200	12,120
2025	Replacement or addition of equipment that maintains current operations	3,540	2,984	121,200	12,120
2026	Replacement or addition of equipment that maintains current operations	3,923	3,309	134,400	13,440

2. Description of other effects (e.g., product quality, pollution prevention, cost reduction): None.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

The reinvestment policy is mainly centered on a vision of “professional provider of metal material solutions,” seeking to improve investment profit to increase the shareholders’ equity.

Looking back on the 2021 operating environment, the impact of the pandemic has slowed down, and countries are gradually coexisting with the virus. The annual GDP growth rates of China in each quarter were 18.3%, 7.9%, 4.9%, and 4.0%, respectively, unable to sustain the prosperity at the beginning of the year. For the whole year, the growth rate was 8.1%. For the second year under the impact of the pandemic, although the supply chain issue was intensified due to the clogged ports, the overall economic growth still performed well. In terms of the operating profiles of the reinvested companies, in the first half of the year, the steel market was benefited from a sharp increase in demand, the wholesale prices provided by steel mills and the circulation market rose, and a large number of purchases were made by the downstream companies. In Q4, the supply chain interruption persisted, the inventory costs became high, and the profit margin is compressed. Fortunately, the risks were properly controlled, and the total annual profit of the reinvested companies has increased from the previous year.

Looking to 2022, the WHO expects that the COVID-19 virus will become similar to the influenza. Except for China, each major economy is gradually relaxing control. However, the conflict between Russia and Ukraine overshadows, and the inflation problem emerged in the global economic and trade environment, becoming a major challenge for economic recovery. China government set its economic growth target at 5.5%, while the International Monetary Fund (IMF) revised down its economic growth rate to 4.8%, mainly because it is more possible that a economic slowdown will be resulted from the impact of the zero-virus policy and the decline in domestic investment. The Company will continue to monitor the geopolitical risks brought about by the Russia-Ukraine crisis, the development of the pandemic in China, and the instability of the global supply chain. To prevent or reduce the impacts from downturned economy, the management will be enhanced, and necessary assistance will be provided to ensure that the reinvested companies operates continuously and profitably.

VI. Risk analysis and assessment

(I) The effect upon the Company’s profits and losses of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate risks:

The net interest expense of 2020 was NT$34,946 thousand, or 0.182% of net revenue or 6.44% of net operating income. The net interest expense of 2021 was NT$57,522 thousand, or 0.219% of the net revenue or 4.22% of net operating income. The higher interest expense in 2021 than the previous year was mainly due to the increase in borrowings resulted from the increase in capital expenditure and expenses for purchasing materials.

In 2021, the debut of COVID-19 vaccine led to the recovery of the overall economy of major countries in the world, but the COVID-19 pandemic still brought a lot of impacts; therefore, countries still maintain accommodative monetary policies. The Central Bank of Taiwan has continued to adopt accommodative monetary policy as peer central banks; attributable to the joint efforts of the government and the public, the COVID-19 pandemic has been properly controlled, export profits have been good, and economic growth has performed well.

Looking to 2022, due to the pressure of elevated prices, and the rising prices of energy and bulk grains resulted from the conflict between Russia and Ukraine, major countries in the world have raised interest rates one after another, and Fed has tapered the bond purchase, further started the interest rate rising cycle, and indicated that the balance sheet will begin to shrink in May. For the Central Bank of Taiwan, in addition to considering the adjustment of the Fed’s monetary policy, must also monitor the impact of expectations to the domestic inflation, and the possible trends of future prices. From the current perspective, due to the proper control of the domestic pandemic, economic growth has performed well, and the overall price increase is far more moderate than in the United States, the Central Bank's monetary policy is robust, and the policy of gradually raising interest rates shall be adopted. In the future, due to the increase in working capital and capital expenditure, the Company may increase its financing needs, and its interest burden will increased. However, the Company has maintained a good relationships with banks for many years, and has gradually increased the med- and short-term financing limits in 2021, so the Company is availed to relatively better loan interest rate level, which is flexible to control interest rate risk, and the Company has no significant interest rate risk.

To embrace the future, the Company will still insist on the principles of prudence and rigorousness, not only considering the cost of funds and possible rewards and risks for selecting the most favorable funding source and funding method, but also continuing to collect financial information related to market interest rates, so that contingency measures can be taken timely to mitigate the impact of interest rate changes on the Company’s profits, while achieving the goal of maximizing shareholders’ equity.

2. Exchange rate risks:

The net exchange loss in 2020 was NT$4,582 thousand, accounting for 0.02% of net revenue and 0.84% of net operating profit. The net exchange gain in 2021 was NT$10,898, accounting for 0.04% of net revenue, or 0.80% of net operating profit. The main reason is that the U.S. dollar denominated liabilities were greater than the assets, with the depreciation effect of the U.S. dollar.

In nutshell, in 2021, the COVID-19 pandemic was still raging, and the US government's accommodative monetary policy and fiscal stimulus measures have not stopped, leading to the economic expansion in the United States. With the proper control of the pandemic, the economic development in Taiwan was good, and the information and communication products were eagerly sought after, so the NT$appreciated against the USD. Looking forward to 2022, as the US Fed clarified its stance, the backdrop where the depreciation of USD caused by the accommodative policy will not stay. It is expected that the USD will emerge from the weakness, but not appreciate too quickly. The Company adopts a natural hedging strategy in the management of foreign exchange positions, to avoid the risk of exchange rate fluctuations for assets and liabilities resulting from the volatile exchange rate. In the future, the Company will still keep on tracking exchange rate trends, and by referring to relevant financial information, foreign exchange reports and international economic conditions, appropriate measures to avoid the risk of exchange rate fluctuations will be formulated.

3. Inflation risks:

According to statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual average CPI of the full year of 2021 increased 1.96% year-on-year, the highest in 13 years. Mainly affected by factors such as the international supply chain crisis, port congestion, and rising oil and raw material prices, the CPI continued to rise. Looking to 2022, the estimated annual average CPI of the full year was revised up to 1.93% year-on-year in February from 1.61% in January, near the inflation alert level of 2% two years in row. For the quarterly CPI, the estimations are 2.76%, 2.33%, 1.65%, and 1.01%, respectively.

In the future, the Company will continue to monitor international raw material trends, changes in upstream steel mill wholesale prices, and downstream industry shipments, in order to rapidly respond to cost changes, while effectively managing the production and sales portfolio and inventory status.

(II) The company’s policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company focuses on its major business, and in the most recent year no high-risk investments or highly leveraged investments were made.

2. The counterparties disclosed in the consolidated financial statements for loaning of funds are those in need of short-term financing. The counterparties of loaning of funds are limited to the Company and the subsidiaries, and handled pursuant to each company’s “Operation Procedures for Loaning of Funds to Others.”

3. The counterparties disclosed in the consolidated financial statements for endorsement/guarantee are those in need of endorsement/guarantee due to business relationships or construction contracted, or the subsidiaries in need for business. Endorsement/guarantee is handled pursuant to each company’s “Operation Procedures for Endorsement/Guarantee.”

4. The Company conducts derivative transactions for avoiding the market risk resulting from exchange rate fluctuations of those net positions of assets/liabilities denominated in foreign currencies, rather than arbitrage or speculation. Such transactions are handled in accordance with the Company’s “Procedures for Engagement in Derivative Product Transactions.”

(III) Research and development projects to be carried out in the future and expenditures expected for research and development:

In response to the development needs of the divisions, in terms of technology R&D input, the Special Steel Strip Division is maintaining and optimizing the rolling process monitoring and diagnosis system for the rolling mills; the Electrical Steel Division also continues to develop new specifications of high-efficiency motors. Other developments include the development and research of material markets such as the electric scooter, machine tool, furniture, and back panel. In terms of investment in process and capacity improvement: the equipment investment projects for the Steel Sheets/ Direct Sales division, the equipment improvement projects of the precision slitting machine group in the Special Steel Strip Business Division, the steel structure process and steel bridge construction method R&D of Construction Business Division are to be implemented.

Key factors affecting the success of future R&D are the training and cultivation of talent and the budget input. R&D budget expected to be invested in 2022 is NT$26.12 million.

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: None.

(V) Impact of technology (including cyber security risks) and industry evolution on the Company's finance and business, and measures to be taken in response: None.

(VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response: None.

(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken: None.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

By expanding plants, capabilities for accepting orders and processing will increase, and thus profit improves.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

Other than Toyota Tsusho (Taiwan) Co., Ltd., the Company's top ten clients occupy less than 10% of the revenue for the whole year. However, Toyota Tsusho is a consolidated purchasing client, so many stamping suppliers are engaged to diversify materials, and thus there is no risk associated with any consolidation of sales. For the purchase of goods, the Company will continue to grasp the trends in the steel industry and purchase goods in an adequate and diversified manner.

(X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding a stake greater than 10 percent in the Company is transferred or otherwise changes hands, and mitigation measures being or to be taken: None.

(XI) Effect upon and risk to the Company associated with any change in controlling power, and mitigation measures being or to be taken: None.

There had no change in controlling power in 2021.

(XII) List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the president, any person with actual responsibility , any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders’ equity or the prices of the Company’s securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

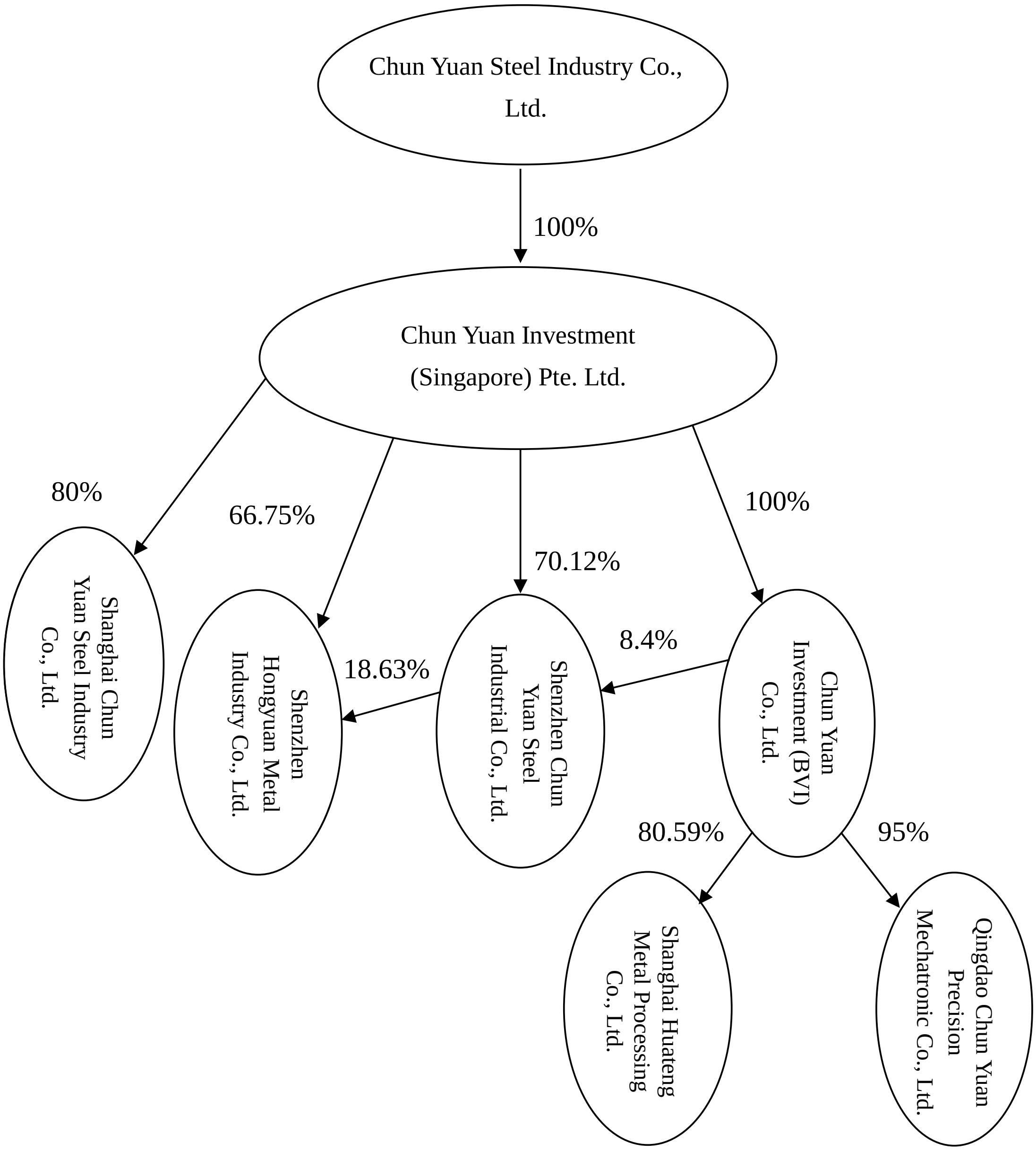
(XIII) Other important risks, and mitigation measures being or to be taken: None.

VII. Other important matters: None.

I. Information related to the affiliates

(I) Consolidated Business Report of Affiliates

1. Organization chart of affiliates (as of December 31, 2021)



2. Basic Information of Each Affiliate

December 31, 2021

Unit: NT$

Name of Enterprise	Date of Foundation	Address:	Paid-in Capital	Major business or production
Chun Yuan Investment (Singapore) Pte. Ltd.	January 1993	6 Shenton Way #38-01OUE DowntownSingapore 068809	SGD 61,739,835	General investment.
Shanghai Chun Yuan Steel Industry Co., Ltd.	October 1993	Building B, No. 359 Jinfeng Rd. Tangzhen Town, New District, Pudong, Shanghai	USD 6,000,000	Container corner fittings for marine transportation.
Shenzhen Chun Yuan Steel Industrial Co., Ltd.	March 1994	No.12, Tongqing Road, Baolong Sub-District, Longgang District, Shenzhen	USD 23,800,000	Production of transformer parts, rotors, stators and other metal products made by punching electrical steel coils
Chun Yuan Investment (BVI) Co., Ltd.	December 1999	Intershore Chambers, P.O.Box 4342, Road Town, Tortola, British Virgin Islands	USD 21,900,000	General investment.
Shanghai Huateng Metal Processing Co., Ltd.	December 1994	No. 1131, Yecheng Road, Jiading District, Shanghai	USD 24,800,000	Production and processing cold rolled electrical steel sheets, various metal materials, rotors, and stators
Shenzhen Hongyuan Metal Industry Co., Ltd.	July 2002	No.12, Tongqing Road, Baolong Sub-District, Longgang District, Shenzhen	USD 4,680,000	Production of galvanized sheets, coated sheets, aluminum sheets, and other metal sheets
Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	May 2005	No. 199, Qianshan South Road, Qingdao Economic & Technical Development Zone	USD 18,000,000	New types of mechatronic components, fine blanking die and other related metal products.

3. Common shareholders for the companies with presumed relationship of control and subordination: None.

4. The industries covered by the business operated by the all affiliates

   (1) The major business of Chun Yuan Investment (Singapore) Pte. Ltd. is described as follows:

   General investment.

   (2) The major businesses of Shanghai Chun Yuan Steel Industry Co., Ltd. are as follows:

   Production and sale of corner fittings for containers and other forged products; design and drawing of corner fittings for containers and other forged products.

   (3) The major businesses of Shenzhen Chun Yuan Steel Industrial Co., Ltd. are as follows:

   Production and processing of cold rolled electrical steel products, galvanized sheets, coated sheets, and other metal products (excluding the merchandise governed by export permits).

   (4) The major businesses of Chun Yuan Investment (BVI) Co., Ltd. are as follows:

   General investment.

   (5) The major businesses of Shanghai Huateng Metal Processing Co., Ltd. are as follows:

   Production and processing of cold rolled electrical steel sheets, various metal materials, parts and accessories, punched products, and technical development of related products (excluding products governed by export permits).

   (6) The major businesses of Shenzhen Hong Yuan Metal Industry Co., Ltd. are as follows:

   Production of galvanized sheets, coated sheets, aluminum sheets, and other metal sheets (hot and cold rolled steel sheets and lead/tin-plated sheets), excluding goods for packaging and governed by export permits.

   (7) The major businesses of Qingdao Chun Yuan Precision Mechatronic Co., Ltd. are as follows:

   New types of mechatronic components, fine blanking die and other related metal products.

Special Items to Be Included

5. Information of directors, supervisors, and president of each affiliate

(Base date: December 31, 2021; some foreign companies are shown in the invested amounts) Unit: shares, %

Name of Enterprise	Title	Name or Representative	Shares Held	
			Shares	Shareholding Ratio
Chun Yuan Investment (Singapore) Pte. Ltd.	Director	TSAI, HSI-CHI ((representative of Chun Yuan Steel Industry Co., Ltd))	61,739,835	100%
	Director	LEE, WEN-LUNG ((representative of Chun Yuan Steel Industry Co., Ltd))		
	Director	YEO CHEE HUAN	0	0%
Chun Yuan Investment (BVI) Co., Ltd.	Director	TSAI, HSI-CHI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	21,900,000	100%
Shanghai Chun Yuan Steel Industry Co., Ltd.	Chairman	TSAI, CHARNG-YI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 4,800,000	80%
	Director	CHENG,YE-MING (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director concurrently served as President	AO, KUO-YI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	HUNG, SHIH-MIN (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	CHIANG, MING-CHI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	CHEN, XIA-YING (representative of Shanghai Pudong Taiya Industry Corporation)	USD 1,200,000	20%
	Director	WANG, XIN-GUO (representative of Shanghai Pudong Taiya Industry Corporation)		
Shenzhen Chun Yuan Steel Industrial Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 16,690,000	70.12%
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	CHENG, I-HUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	TSAI, HSI-YU (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	POON, KENNETH KA CHAI (representative of HAK Holdings Limited)	USD 2,555,000	10.74%
	Director concurrently served as President	WU, MON-FENG (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD 2,000,000	8.4%
	Supervisor	HUNG, SHIH-MIN (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 16,690,000	70.12%
	Supervisor	LIN, YI-CHUN (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Supervisor	ZHAO, SHI-QI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		

Name of Enterprise	Title	Name or Representative	Shares Held	
			Shares	Shareholding Ratio
Shanghai Huateng Metal Processing Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD 19,986,725	80.59%
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	CHENG,YE-MING (representative of Chun Yuan Investment (BVI) Co., Ltd)		
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director concurrently served as President	KAO, CHIH-HUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	TSAI, CHENG-TING (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	AO, KUO-YI (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	Kotake Takumi (representative of Marubeni-Itochu Steel Inc.)	USD 4,813,275	19.41%
	Director	Sasaki Tadayuki (representative of Marubeni-Itochu Steel Inc.)		
	Supervisor	HUNG, SHIH-MIN (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD 19,986,725	80.59%
Shenzhen Hongyuan Metal Industry Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Shenzhen Chun Yuan Steel Industrial Co., Ltd)	USD 872,000	18.63%
	Director concurrently served as President	WU, MON-FENG (representative of Shenzhen Chun Yuan Steel Industrial Co., Ltd)		
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 3,123,800	66.75%
	Director	TSAI, HSI-YU (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	CHENG, I-HUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	POON, KENNETH KA CHAI (representative of HAK Holdings Limited)	USD 520,700	11.12%
	Supervisor	HUNG, SHIH-MIN (representative of Chun Yuan Investment (Singapore) Pte. Ltd.) (representative of Shenzhen Chun Yuan Steel Industrial Co., Ltd.)	USD 3,995,800	85.38%
Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD 17,100,000	95%
	Director	CHENG, I-HUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	TSAI, CHENG-TING (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director concurrently served as President	CHANG, TSU-YUN (representative of Chun Yuan Investment (BVI) Co., Ltd.)		
	Director	Sasaki Tadayuki (representative of Marubeni-Itochu Steel Inc.)	USD 900,000	5%
	Supervisor	HUNG, SHIH-MIN (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD 17,100,000	95%

6. Operation overview of each affiliate

Data as of December 31, 2021 Unit NT$thousand

Name of Enterprise	Paid-in Capital	Total assets	Total liabilities	Net value	Operating income	Operating Income	Income of the Period (after tax)	Earnings per share (after tax)
Chun Yuan Investment (Singapore) Pte. Ltd.	1,257,123	2,706,707	1,592	2,705,115	0	(419)	171,721	NA
Shanghai Chun Yuan Steel Industry Co., Ltd.	158,238	274,378	801	273,577	0	(3,371)	738	NA
Shenzhen Chun Yuan Steel Industrial Co., Ltd.	729,738	860,156	41,463	818,693	155,932	(34,356)	6,547	NA
Chun Yuan Investment (BVI) Co., Ltd.	693,135	1,645,045	0	1,645,045	0	(118)	136,035	NA
Shanghai Huateng Metal Processing Co., Ltd.	799,583	1,907,249	740,491	1,166,758	3,089,570	153,505	116,086	NA
Shenzhen Hongyuan Metal Industry Co., Ltd.	153,036	1,144,586	898,780	245,806	2,096,759	50,037	29,048	NA
Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	592,009	1,247,493	579,273	668,220	1,289,333	84,260	51,630	NA
Xiamen Chun Yuan Precision Mechatronic Co., Ltd.	0	0	0	0	0	(19,813)	(16,119)	NA

Note1: The subsidiary of the Group, Chun Yuan Investment (Singapore) Pte Ltd. has sold all the stake in Xiamen Chunyuan Precision Mechatronic Co., Ltd. on November 26, 2021; therefore since the same day, Xiamen Chunyuan Precision Mechatronic Co., Ltd. is no longer the Company's subsidiary. The information date of Xiamen Chunyuan Precision Mechatronic Co., Ltd. in the table above is November 30, 2021.

Note 2:

Exchange rates other than for Xiamen Chunyuan Precision Mechatronic Co., Ltd.

	Exchange rate for the balance sheet	Exchange rate for the statement of income
USD:NT$	27.68	28.08
RMB:USD	6.3720	6.4404

Exchange rate for Xiamen Chunyuan Precision Mechatronic Co., Ltd. (November 30, 2021)

	Exchange rate for the balance sheet	Exchange rate for the statement of income
USD:NT$	27.80	28.14
RMB:USD	6.3761	6.4394

(II) Consolidated Financial Statements of Affiliates: Please refer to Pages 77 to 189.

(III) Affiliation reports: None.

II. Private placement of securities during the most recent fiscal year and up to the date of publication of the annual report: None

III. Holding or disposal of shares in the Company by subsidiaries during the most recent fiscal year and up to the date of publication of the annual report: None

IV. Other matters that require additional description: None

V. Any of the situations listed in article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which may materially affect shareholders' equity or securities prices, has occurred during the most recent fiscal year and up to the date of publication of the annual report: None.

Chun Yuan Steel Industry Co., Ltd.

Chairman TSAI, HSI-CHI

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