

YC Inox Co., Ltd.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
YC Inox Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of YC Inox Co., Ltd. (the Company), which comprise the parent company only balance sheet as of December 31, 2019, the parent company only statements of comprehensive income, changes in equity and cash flows for the year then ended, and the 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 parent company only financial position of the Company as of December 31, 2019, and its parent company only financial performance and its parent company only cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. 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, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only statements for the year ended December 31, 2019 are stated as follows:

Inventory Valuation

The amount of inventory held by the Company is considered material to the parent company only financial statements; and out of this amount, the provision for loss on inventory valuation and obsolescence is made based on the lower of cost and net realizable value of inventory. As the inputs and assumptions used in the determination of the net realizable value involve management's judgment, inventory assessment has been deemed as a key audit matter. For the accounting policies, significant accounting judgments, estimates and uncertainty of assumptions related to inventory assessment as well as other related disclosures, refer to Notes 4, 5, and 10.

The main audit procedures performed with respect to the aforementioned key audit matter are as follows:

1. We understood and assessed the appropriateness of the Company's policies on the provision for inventory valuation loss and the related internal control procedures.
2. We obtained the inventory valuation report and sampled and reviewed the correctness and reasonableness of the net realizable value.
3. By observing the year-end physical inventory count and through sample stock-taking, we understood whether there was any situation of obsolete or damaged inventory for the major inventory accounts, in order to assess the reasonableness of the amount for the provision of inventory valuation loss.

Other Matter

The parent company only financial statements of the Company for the year ended December 31, 2018 has been audited by other auditors who expressed an unmodified opinion on those statements on February 25, 2019.

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

Management is responsible for the 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Done-Yuin Tseng and Shu-Chin Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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.

YC INOX CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 681,748	6	\$ 408,474	3
Notes receivable (Note 4)	45,852	-	99,560	1
Trade receivables (Notes 4 and 8)	1,222,978	10	1,589,834	14
Other receivables (Note 4)	499,072	4	196,734	2
Inventories (Notes 4, 5 and 9)	3,227,237	27	3,696,704	32
Prepaid expenses	44,092	-	43,339	-
Other current assets (Notes 4 and 25)	<u>2,500</u>	<u>-</u>	<u>3,260</u>	<u>-</u>
Total current assets	<u>5,723,479</u>	<u>47</u>	<u>6,037,905</u>	<u>52</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	828,560	7	1,086,708	9
Investments accounted for using the equity method (Note 10)	967,156	8	106,586	1
Property, plant and equipment (Notes 4 and 11)	4,221,623	35	3,734,827	32
Right-of-use assets (Notes 3, 4 and 12)	668	-	-	-
Deferred tax assets (Notes 4 and 20)	71,710	-	46,208	-
Prepayments for equipment	236,023	2	503,002	4
Refundable deposits (Note 4)	153	-	83,085	1
Other non-current assets	<u>85,752</u>	<u>1</u>	<u>50,811</u>	<u>1</u>
Total non-current assets	<u>6,411,645</u>	<u>53</u>	<u>5,611,227</u>	<u>48</u>
TOTAL	<u>\$ 12,135,124</u>	<u>100</u>	<u>\$ 11,649,132</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 2,958,788	25	\$ 1,890,504	16
Contract liabilities - current (Note 18)	182,271	2	289,836	3
Notes payable	10,201	-	159	-
Trade payables	188,976	2	294,489	3
Other payables (Note 14)	385,397	3	425,503	4
Current tax liabilities (Note 4)	37,132	-	154,618	1
Provisions - current (Notes 4 and 15)	3,033	-	1,878	-
Lease liabilities - current (Notes 3, 4 and 12)	413	-	-	-
Current portion of long-term borrowings (Note 13)	37,500	-	400,000	3
Other current liabilities	<u>19,586</u>	<u>-</u>	<u>5,915</u>	<u>-</u>
Total current liabilities	<u>3,823,297</u>	<u>32</u>	<u>3,462,902</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 13)	762,500	6	200,000	1
Deferred tax liabilities (Notes 4 and 20)	6,290	-	2,553	-
Lease liabilities - non-current (Notes 3, 4 and 12)	348	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 16)	81,029	1	102,391	1
Guarantee deposits	<u>13,380</u>	<u>-</u>	<u>1,735</u>	<u>-</u>
Total non-current liabilities	<u>863,547</u>	<u>7</u>	<u>306,679</u>	<u>2</u>
Total liabilities	<u>4,686,844</u>	<u>39</u>	<u>3,769,581</u>	<u>32</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock	4,071,307	33	4,071,307	35
Capital surplus	1,663,578	14	1,663,578	14
Retained earnings				
Legal reserve	1,061,821	9	970,836	8
Unappropriated earnings	837,235	7	1,023,423	9
Other equity	<u>(185,661)</u>	<u>(2)</u>	<u>150,407</u>	<u>2</u>
Total equity	<u>7,448,280</u>	<u>61</u>	<u>7,879,551</u>	<u>68</u>
TOTAL	<u>\$ 12,135,124</u>	<u>100</u>	<u>\$ 11,649,132</u>	<u>100</u>

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

YC INOX CO., LTD.

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

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 4 and 18)	\$ 16,308,739	100	\$ 19,129,638	100
COST OF GOODS SOLD (Notes 5, 9 and 19)	<u>14,727,148</u>	<u>90</u>	<u>17,109,189</u>	<u>89</u>
GROSS PROFIT	<u>1,581,591</u>	<u>10</u>	<u>2,020,449</u>	<u>11</u>
OPERATING EXPENSES (Note 19)				
Selling and marketing expenses	574,459	4	673,190	4
General and administrative expenses	196,393	1	214,885	1
Expected credit loss (Note 8)	<u>-</u>	<u>-</u>	<u>1,154</u>	<u>-</u>
Total operating expenses	<u>770,852</u>	<u>5</u>	<u>889,229</u>	<u>5</u>
INCOME FROM OPERATIONS	<u>810,739</u>	<u>5</u>	<u>1,131,220</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries (Notes 4 and 10)	12,951	-	(5,574)	-
Interest income	2,882	-	1,251	-
Other gains and losses, net	12,985	-	5,507	-
Gain on fair value changes of financial assets at fair value through profit or loss	-	-	10	-
Interest expense (Notes 4 and 19)	(25,875)	-	(42,382)	-
Loss on disposal of property, plant and equipment (Note 4)	(11,581)	-	(14,075)	-
Foreign exchange gain (loss), net (Note 4)	<u>(29,417)</u>	<u>-</u>	<u>72,106</u>	<u>-</u>
Total non-operating income and expenses	<u>(38,055)</u>	<u>-</u>	<u>16,843</u>	<u>-</u>
INCOME BEFORE INCOME TAX	772,684	5	1,148,063	6
INCOME TAX EXPENSE (Notes 4 and 20)	<u>148,955</u>	<u>1</u>	<u>238,212</u>	<u>1</u>
NET INCOME	<u>623,729</u>	<u>4</u>	<u>909,851</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	17,565	-	(8,304)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(258,148)	(2)	115,415	-
Share of other comprehensive income (loss) of subsidiaries	(16,143)	-	6,289	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>(3,513)</u>	<u>-</u>	<u>1,660</u>	<u>-</u>
	<u>(260,239)</u>	<u>(2)</u>	<u>115,060</u>	<u>-</u>

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YC INOX CO., LTD.

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

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (77,221)	-	\$ -	-
Income tax relating to items that will be reclassified subsequently to profit or loss (Note 20)	<u>15,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(61,777)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>(322,016)</u>	<u>(2)</u>	<u>115,060</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>301,713</u>	<u>2</u>	<u>1,024,911</u>	<u>5</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 1.53</u>		<u>\$ 2.23</u>	
Diluted	<u>\$ 1.52</u>		<u>\$ 2.22</u>	

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

YC INOX CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Capital Stock - Ordinary Shares (Note 17)	Capital Surplus (Note 17)	Retained Earnings (Note 17)		Exchange Differences on Translating Foreign Operations	Other Equity (Note 4)	Total Equity
			Legal Reserve	Unappropriated Earnings		Valuation Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2018	\$ 4,071,307	\$ 1,663,578	\$ 889,217	\$ 934,670	\$ -	\$ -	\$ 7,558,772
Effect of retrospective application and restatement	-	-	-	-	-	28,703	28,703
BALANCE AT JANUARY 1, 2018 AS RESTATED	4,071,307	1,663,578	889,217	934,670	-	28,703	7,587,475
Appropriation of 2017 earnings							
Legal reserve	-	-	81,619	(81,619)	-	-	-
Cash dividends	-	-	-	(732,835)	-	-	(732,835)
Net profit for the year ended December 31, 2018	-	-	-	909,851	-	-	909,851
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	(6,644)	-	121,704	115,060
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	903,207	-	121,704	1,024,911
BALANCE AT DECEMBER 31, 2018	4,071,307	1,663,578	970,836	1,023,423	-	150,407	7,879,551
Effect of retrospective application and restatement (Note 3)	-	-	-	(149)	-	-	(149)
BALANCE AT JANUARY 1, 2019 AS RESTATED	4,071,307	1,663,578	970,836	1,023,274	-	150,407	7,879,402
Appropriation of 2018 earnings							
Legal reserve	-	-	90,985	(90,985)	-	-	-
Cash dividends	-	-	-	(732,835)	-	-	(732,835)
Net profit for the year ended December 31, 2019	-	-	-	623,729	-	-	623,729
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	14,052	(61,777)	(274,291)	(322,016)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	637,781	(61,777)	(274,291)	301,713
BALANCE AT DECEMBER 31, 2019	\$ 4,071,307	\$ 1,663,578	\$ 1,061,821	\$ 837,235	\$ (61,777)	\$ (123,884)	\$ 7,448,280

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

YC INOX CO., LTD.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 772,684	\$ 1,148,063
Adjustments for:		
Depreciation expenses	227,905	189,073
Expected credit loss	-	1,154
Net loss on financial assets at fair value through profit or loss	-	(10)
Interest expense	25,875	42,382
Interest income	(2,882)	(1,251)
Share of profits of subsidiaries	(12,951)	5,574
Loss on disposal of property, plant and equipment	11,581	14,075
Write-downs of inventories	20,600	75,600
Loss on foreign currency exchange	26,736	1,822
Recognition of provisions	1,155	798
Changes in operating assets and liabilities:		
Notes receivable	53,708	28,421
Trade receivables	350,075	298,367
Other receivables	(312,332)	425,721
Inventories	448,867	209,312
Prepaid expenses	(753)	10,579
Other current assets	760	(2,460)
Contract liabilities	(107,565)	70,535
Notes payable	10,042	4
Trade payables	(105,513)	(69,749)
Other payables	(36,138)	171,962
Other current liabilities	13,670	(3,558)
Net defined benefit liabilities	(3,797)	(23,470)
Cash generated from operations	1,381,727	2,592,944
Interest received	2,882	1,251
Interest paid	(25,301)	(42,741)
Income tax paid	(276,274)	(225,822)
Net cash generated from operating activities	<u>1,083,034</u>	<u>2,325,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(19,980)
Acquisition of subsidiaries	(940,983)	-
Acquisition of property, plant and equipment	(403,310)	(747,181)
Proceeds from disposal of property, plant and equipment	33,393	36,380
Increase in refundable deposits	82,932	-
Decrease (Increase) in other non-current assets	(9,399)	208
Increase in prepayments for equipment	(118,761)	(332,832)
Net cash used in investing activities	<u>(1,356,128)</u>	<u>(1,063,405)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	1,068,284	(884,646)
Repayments of short-term bills payable	-	(99,966)
Proceeds from long-term borrowings payable	200,000	200,000
Increase in guarantee deposits	11,645	1,735

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YC INOX CO., LTD.

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

	2019	2018
Repayments of the principal portion of lease liabilities	\$ (726)	\$ -
Cash dividends distributed	<u>(732,835)</u>	<u>(732,835)</u>
Net cash generated from (used in) financing activities	<u>546,368</u>	<u>(1,515,712)</u>
NET INCREASE (DECREASE) IN CASH	273,274	(253,485)
CASH AT THE BEGINNING OF THE YEAR	<u>408,474</u>	<u>661,959</u>
CASH AT THE END OF THE YEAR	<u>\$ 681,748</u>	<u>\$ 408,474</u>

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

YC INOX CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

YC Inox Co., Ltd. (“the Company”) was incorporated in the Republic of China (“ROC”) in January 1973; and is mainly engaged in the production, processing and sale of stainless steel pipes, stainless steel plates and coils, agency services and international trading of stainless steel products.

The Company’s shares were listed and have been trading on the Taiwan Stock Exchange since September 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on March 27, 2020.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Business Entity Accounting Handling, and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

IFRS 16 “Leases”

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

1) Definition of a lease

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

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the parent company only statements of cash flows. Leased assets and finance lease payables were recognized on the parent company only balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amounts as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.32%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 and undiscounted amounts on January 1, 2019	<u>\$ 1,510</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 1,487</u>

3) The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ -	\$ 1,338	\$ 1,338
Total effect on assets	\$ -	\$ 1,338	\$ 1,338
Lease liabilities - current	\$ -	\$ 726	\$ 726
Lease liabilities - non-current	-	761	761
Total effect on liabilities	\$ -	\$ 1,487	\$ 1,487
Retained earnings	\$ 1,023,423	\$ (149)	\$ 1,023,274
Total effect on equity	\$ 1,023,423	\$ (149)	\$ 1,023,274

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

- c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

e. Inventories

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

f. Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

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

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

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

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

h. Impairment of tangible assets

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets held by the Company are classified into the following categories: financial assets at amortized cost and investments in equity instruments at FVTOCL.

i. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 181 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

j. Provisions

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

k. Revenue recognition

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

Revenue from the sale of goods comes from sales of stainless steel plates, coils and pipes. Sales of stainless steel products are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

l. Leasing

2019

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

1) The Company as lessor

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

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

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

2018

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

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

m. Borrowing costs

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

o. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH

	December 31	
	2019	2018
Cash on hand	\$ 1,048	\$ 1,079
Checking accounts and demand deposits	<u>680,700</u>	<u>407,395</u>
	<u>\$ 681,748</u>	<u>\$ 408,474</u>
Annual interest rate (%)		
Demand deposits	0.00-0.65	0.001-0.48

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2019	2018
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)		
Foreign unlisted shares	\$ 380,723	\$ 421,624
Domestic unlisted shares	\$ 447,837	\$ 665,084

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. TRADE RECEIVABLES

	December 31	
	2019	2018
At amortized cost		
Gross carrying amount	\$ 1,224,823	\$ 1,591,679
Less: Allowance for impairment loss	(1,845)	(1,845)
	\$ 1,222,978	\$ 1,589,834

The credit period of sales of goods is 30 to 150 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The loss allowance of trade receivables of the Company was as follows:

	Current term	Past due 1 - 60 Days	Past due 61 - 120 Days	Past due 121 - 180 Days	Past due more than 181 Days	Total
<u>December 31, 2019</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,098,273	\$ 126,550	\$ -	\$ -	\$ -	\$ 1,224,823
Loss allowance	-	(1,845)	-	-	-	(1,845)
Amortized cost	<u>\$ 1,098,273</u>	<u>\$ 124,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222,978</u>
<u>December 31, 2018</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,476,277	\$ 111,660	\$ 2,855	\$ 887	\$ -	\$ 1,591,679
Loss allowance	-	(1,117)	(285)	(443)	-	(1,845)
Amortized cost	<u>\$ 1,476,277</u>	<u>\$ 110,543</u>	<u>\$ 2,570</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ 1,589,834</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 1,845	\$ 4,473
Add: Net remeasurement of loss allowance	-	1,154
Less: Amounts written off	-	(3,782)
Balance at December 31	<u>\$ 1,845</u>	<u>\$ 1,845</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Raw materials	\$ 1,257,893	\$ 1,368,937
Work in progress	84,402	83,961
Semi-finished goods	313,217	264,313
Finished goods	1,547,197	1,939,289
Merchandise	<u>24,528</u>	<u>40,204</u>
	<u>\$ 3,227,237</u>	<u>\$ 3,696,704</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$14,727,148 thousand and \$17,109,189 thousand, respectively. The cost of goods sold included inventory write-downs of \$20,600 thousand and \$75,600 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries	December 31			
	2019		2018	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Chi Mao Co., Ltd. (Chi Mao Company)	\$ 87,255	100	\$ 106,586	100
YC INOX TR CELIK SANAYI VE TICARET A.S. (YC INOX TR Company)	<u>879,901</u>	100	<u>-</u>	-
	<u>\$ 967,156</u>		<u>\$ 106,586</u>	

In February 2019, the Company invested NT\$11,794 thousand for the establishment of YC INOX TR Company and acquired 100% of its interest, and invested an additional NT\$929,189 thousand in the subsidiary in July 2019. The aforementioned investment has been approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs.

The share of profit or loss and other comprehensive income of the subsidiaries accounted for using the equity method for the years ended December 31, 2019 and 2018 were recognized based on the subsidiaries' financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2019				
	Balance, Beginning of the Year	Additions	Disposals	Reclassifications	Balance, End of the Year
<u>Cost</u>					
Land	\$ 1,999,794	\$ -	\$ -	\$ -	\$ 1,999,794
Land improvements	11,001	2,045	-	-	13,046
Buildings	836,908	56,292	-	531,107	1,424,307
Machinery and equipment	2,015,989	169,783	(17,455)	264,319	2,432,636
Transportation equipment	107,672	70,354	(53,353)	14,760	139,433
Office equipment	83,021	20,471	(725)	2,911	105,678
Other equipment	370,236	54,971	(2,293)	90,779	513,693
Construction in progress	<u>544,408</u>	<u>24,891</u>	<u>-</u>	<u>(543,678)</u>	<u>25,621</u>
	<u>5,969,029</u>	<u>\$ 398,807</u>	<u>\$ (73,826)</u>	<u>\$ 360,198</u>	<u>6,654,208</u>
<u>Accumulated depreciation</u>					
Land improvements	5,358	\$ 1,254	\$ -	\$ -	6,612
Buildings	407,461	56,518	-	-	463,979
Machinery and equipment	1,525,046	114,877	(15,591)	(578)	1,623,754
Transportation equipment	26,691	17,628	(10,376)	-	33,943
Office equipment	62,976	9,395	(725)	-	71,646
Other equipment	<u>206,670</u>	<u>27,563</u>	<u>(2,160)</u>	<u>578</u>	<u>232,651</u>
	<u>2,234,202</u>	<u>\$ 227,235</u>	<u>\$ (28,852)</u>	<u>\$ -</u>	<u>2,432,585</u>
	<u>\$ 3,734,827</u>				<u>\$ 4,221,623</u>

For the Year Ended December 31, 2018

	Balance, Beginning of the Year	Additions	Disposals	Reclassifications	Balance, End of the Year
<u>Cost</u>					
Land	\$ 1,999,794	\$ -	\$ -	\$ -	\$ 1,999,794
Land improvements	10,533	468	-	-	11,001
Buildings	810,801	7,471	-	18,636	836,908
Machinery and equipment	1,981,393	45,968	(11,372)	-	2,015,989
Transportation equipment	103,843	63,661	(59,832)	-	107,672
Office equipment	77,951	5,647	(577)	-	83,021
Other equipment	334,600	37,871	(2,235)	-	370,236
Construction in progress	66,274	496,770	-	(18,636)	544,408
	<u>5,385,189</u>	<u>\$ 657,856</u>	<u>\$ (74,016)</u>	<u>\$ -</u>	<u>5,969,029</u>
<u>Accumulated depreciation</u>					
Land improvements	4,273	\$ 1,085	\$ -	\$ -	5,358
Buildings	368,449	39,012	-	-	407,461
Machinery and equipment	1,429,473	106,492	(10,919)	-	1,525,046
Transportation equipment	22,726	13,824	(9,859)	-	26,691
Office equipment	55,751	7,776	(551)	-	62,976
Other equipment	188,018	20,884	(2,232)	-	206,670
	<u>2,068,690</u>	<u>\$ 189,073</u>	<u>\$ (23,561)</u>	<u>\$ -</u>	<u>2,234,202</u>
	<u>\$ 3,316,499</u>				<u>\$ 3,734,827</u>

Depreciation of property, plant and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 years
Buildings	
Office buildings	35 years
Plants	20 years
Machinery and equipment	5-15 years
Transportation equipment	8 years
Office equipment	3-5 years
Other equipment	5-20 years

Farmland held by the Company which is situated in No.75-1 and 75-2 (2,044 square meters) of Jiumei Section, Xizhou Township, Changhua County and No.115 (171 square meters), No.115-1 and 115-2 (3,218 square meters), and No.116(120 square meters) situated in Xinguan Section., Puxin Township, Changhua County were designated as parking lots, finished goods storage and loading areas. As registration for the transfer of ownership rights cannot currently be implemented in accordance with the law, all the farmland was registered under the name of Chairman Chang Chin Yu, and all the 6 lots of land were mortgaged to the Company for a total of \$40,000 thousand.

No impairment assessment was performed for the years ended December 31, 2019 and 2018 as there was no indication of impairment.

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ <u>668</u>
	For the Year Ended December 31, 2019
Depreciation of right-of-use assets	
Land	\$ 362
Buildings	<u>308</u>
	<u>\$ 670</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	\$ 413
Non-current	<u>348</u>
	<u>\$ 761</u>

Discount rates for lease liabilities were as follows:

	December 31,2019
Land	1.20%

c. Other lease information

	For the Year Ended December 31, 2019
<u>2019</u>	
Expenses relating to low value asset leases	\$ <u>72</u>
Total cash outflow for leases	<u>\$ 798</u>

The Company leases certain office equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption for these leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	\$ 740
Later than 1 year	<u>770</u>
	<u><u>\$ 1,510</u></u>

d. Material lease activities and terms (the Company is lessee)

The Company leases certain land and buildings for operating uses with lease terms of 5 to 12 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Letter of credit borrowings	\$ 2,058,788	\$ 983,609
Line of credit borrowings	900,000	330,000
Export bills	<u>-</u>	<u>576,895</u>
	<u><u>\$ 2,958,788</u></u>	<u><u>\$ 1,890,504</u></u>
<u>Annual interest rate range (%)</u>		
Letter of credit borrowings	0.94-1.00	0.94-1.00
Line of credit borrowings	0.76-0.99	0.75-0.94
Export bills	-	2.86-3.47

b. Long-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 800,000	\$ 600,000
Less: Current portions	<u>(37,500)</u>	<u>(400,000)</u>
	<u><u>\$ 762,500</u></u>	<u><u>\$ 200,000</u></u>
<u>Annual interest rate range (%)</u>	0.79-1.32	0.78-1.31

	Contract Period	Major Contract Terms	December 31	
			2019	2018
<u>Bank</u>				
Bank of Taiwan	2019.11-2022.11	Interest payable monthly, one-time repayment of principal in full on the maturity date	\$ 100,000	\$ 100,000
The Export-Import Bank of the Republic of China	2019.10-2021.03	Interest payable monthly, one-time repayment of principal in full on the maturity date	400,000	400,000
Chang Hwa Commercial Bank	2018.12-2023.12	Interest payable monthly, one-time repayment of principal in full one year after the maturity date	100,000	100,000
Hua Nan Commercial Bank	2019.07-2024.07	Interest payable monthly, one-time repayment of principal in full one year after the maturity date	100,000	-
E.SUN BANK	2019.07-2022.07	Interest payable monthly, one-time repayment of principal in full one year after the maturity date	100,000	-
Less: Current portions			<u>(37,500)</u>	<u>(400,000)</u>
			<u>\$ 762,500</u>	<u>\$ 200,000</u>

14. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries and bonuses	\$ 127,159	\$ 143,468
Payables for acquisition of equipment	89,912	94,415
Payables for compensation of employees and remuneration of directors	58,159	86,414
Payables for commission	17,787	14,377
Others	<u>92,380</u>	<u>86,829</u>
	<u>\$ 385,397</u>	<u>\$ 425,503</u>

15. PROVISIONS - CURRENT

When calculating the provision for sales rebates, product discounts which may occur are estimated based on the sales contracts, annual purchase amounts and other known reasons. The rebates are recognized as a deduction to sales revenue in the year the products are sold.

Movements of provisions were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 1,878	\$ 1,080
Additional provision recognized	<u>1,155</u>	<u>798</u>
Balance at December 31	<u>\$ 3,033</u>	<u>\$ 1,878</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 162,903	\$ 184,246
Fair value of plan assets	<u>(81,447)</u>	<u>(81,409)</u>
Net liabilities recognized on the parent company only balance sheets	81,456	102,837
Other payables	<u>(427)</u>	<u>(446)</u>
Net defined benefit liabilities	<u>\$ 81,029</u>	<u>\$ 102,391</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	\$ <u>197,913</u>	\$ <u>(79,886)</u>	\$ <u>118,027</u>
Service cost			
Current service cost	576	-	576
Net interest expense (income)	<u>1,928</u>	<u>(779)</u>	<u>1,149</u>
Recognized in profit or loss	<u>2,504</u>	<u>(779)</u>	<u>1,725</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,322)	(2,322)
Actuarial loss-Changes in demographic assumptions	61	-	61
Actuarial gain-Experience adjustments	<u>10,565</u>	<u>-</u>	<u>10,565</u>
Recognized in other comprehensive income	<u>10,626</u>	<u>(2,322)</u>	<u>8,304</u>
Contributions from the employer	-	(5,685)	(5,685)
Benefits paid	<u>(26,797)</u>	<u>7,263</u>	<u>(19,534)</u>
Balance at December 31, 2018	<u>184,246</u>	<u>(81,409)</u>	<u>102,837</u>
Service cost			
Current service cost	503	-	503
Net interest expense (income)	<u>1,810</u>	<u>(812)</u>	<u>998</u>
Recognized in profit or loss	<u>2,313</u>	<u>(812)</u>	<u>1,501</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,842)	(2,842)
Actuarial loss-Changes in demographic assumptions	6	-	6
Actuarial loss-Changes in financial assumptions	(4,197)	-	(4,197)
Actuarial gain-Experience adjustments	<u>(10,532)</u>	<u>-</u>	<u>(10,532)</u>
Recognized in other comprehensive income	<u>(14,723)</u>	<u>(2,842)</u>	<u>(17,565)</u>
Contributions from the employer	-	(5,317)	(5,317)
Benefits paid	<u>(8,933)</u>	<u>8,933</u>	<u>-</u>
Balance at December 31, 2019	\$ <u>162,903</u>	\$ <u>(81,447)</u>	\$ <u>81,456</u>

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

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

- 3) **Salary risk:** The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	2018
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	2.00%	2.50%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	\$ (4,170)	\$ (5,030)
0.25% decrease	\$ 4,326	\$ 5,228
Expected rate(s) of salary increase		
0.25% increase	\$ 4,262	\$ 5,137
0.25% decrease	\$ (4,130)	\$ (4,970)

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

	December 31	
	2019	2018
Expected contributions to the plans for the next year	\$ 5,723	\$ 6,070
Average duration of the defined benefit obligation	10 years	11 years

17. EQUITY

a. Capital stock

	December 31	
	2019	2018
Authorized shares (in thousands of shares)	499,000	460,000
Authorized capital	\$ 4,990,000	\$ 4,600,000
Issued and paid shares (in thousands of shares)	407,131	407,131
Issued capital	\$ 4,071,307	\$ 4,071,307

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2019	2018
Additional paid-in capital	\$ <u>1,663,578</u>	\$ <u>1,663,578</u>

Under the relevant laws, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to Note 19(c).

In line with the current and future development plans, the Company's dividend policy stipulates that at least 50% of the accumulated unappropriated earnings should be distributed as dividends to shareholders, taking into consideration the investment environment, funding needs, and foreign and domestic competition. However, when the dividend is less than 0.5 dollars per share, the Company reserves the right to not distribute any dividends. As the Company belongs to the traditional industry, and current operations have entered into a mature and stable phase, cash dividends should take precedence over share dividends. In the case of distribution of share dividends, the amount of cash dividends distributed should not be lower than 20% of the total dividends distributed.

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

The appropriations of 2018 and 2017 earnings which were approved by shareholders in the shareholders' meetings in June 2019 and June 2018, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended	
	December 31	
	2018	2017
Legal reserve	\$ <u>90,985</u>	\$ <u>81,619</u>
Cash dividends	\$ <u>732,835</u>	\$ <u>732,835</u>
Cash dividends per share (NT\$)	\$ 1.8	\$ 1.8

The appropriation of 2019 earnings which has been proposed by the Company's board of directors on March 27, 2020 was as follows:

	For the Year Ended December 31, 2019
Legal reserve	\$ 62,373
Special reserve	\$ 185,661
Cash dividends	\$ 488,557
Cash dividends per share (NT\$)	\$ 1.2

The Company's board of directors also proposed to distribute cash dividends of \$0.3 per share from the capital surplus in the board of directors' meeting on March 27, 2020, in a total of \$122,139 thousand.

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

18. NET REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 16,308,739	\$ 19,129,638
<u>Contract liabilities</u>		
	December 31	
	2019	2018
Contract balance		
Sale of goods	\$ 182,271	\$ 289,836

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest expense

	For the Year Ended December 31	
	2019	2018
Interest on borrowings	\$ 27,334	\$ 44,932
Interest on short-term bills payable	942	764
Interest on lease liabilities	14	-
	28,290	45,696
Less: Capitalized interest amount	(2,415)	(3,314)
	\$ 25,875	\$ 42,382

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest amount	\$ 2,415	\$ 3,314
Capitalization rate (%)	0.64-0.98	0.76-1.17

b. Employee benefits expense and depreciation expense

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits	\$ 470,960	\$ 160,511	\$ 631,471	\$ 510,237	\$ 184,039	\$ 694,276
Post-employment benefits						
Defined contribution plans	17,186	4,418	21,604	17,069	4,188	21,257
Defined benefit plans	1,126	375	1,501	1,245	480	1,725
Directors' compensation	-	18,567	18,567	-	26,729	26,729
Labor and health insurance expense	44,515	10,983	55,498	43,099	10,508	53,607
Other employee benefits	41,313	6,731	48,044	47,791	8,332	56,123
Depreciation expense	201,038	26,867	227,905	167,890	21,183	189,073

As of December 31, 2019 and 2018, the Company had 922 and 913 employees, respectively; and the number of directors not concurrently serving as employees was 5 for both years. The calculation basis is consistent with that for employee benefits expense.

As of December 31, 2019 and 2018, average employee benefits expense was \$826 thousand and \$911 thousand, respectively, and average employee salary expense was \$688 thousand and \$765 thousand, respectively. Average employee salary expense decreased by 10% compared to the previous year.

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, if the Company has profit in the year, the Company should accrue compensation of employees and remuneration of directors at the rates of 5% and no higher than 2%, respectively, of net income before income tax, compensation of employees, and remuneration of directors. Compensation of employees and remuneration of directors for the years ended December 31, 2019 and 2018 were estimated as follows.

	For the Year Ended December 31			
	2019		2018	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	5%	\$ 41,542	5%	\$ 61,724
Remuneration of directors	2%	16,617	2%	24,690

If there is a change in the amounts after the annual parent company only financial statements were authorized for issuance, the differences will be recorded as a change in the accounting estimate in the following year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2018 and 2017.

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

20. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 158,962	\$ 243,115
Income tax on unappropriated earnings	-	173
Adjustment for prior years	<u>(173)</u>	<u>3,985</u>
	158,789	247,273
Deferred tax		
In respect of the current year	<u>(9,834)</u>	<u>(9,061)</u>
Income tax expense recognized in profit or loss	<u>\$ 148,955</u>	<u>\$ 238,212</u>

- b. A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	\$ 154,537	\$ 229,612
Nondeductible expenses in determining taxable income	1,570	730
Tax-exempt income	(7,735)	3,712
Unrecognized deductible temporary differences	756	-
Income tax on unappropriated earnings	-	173
Adjustments for prior years' tax	<u>(173)</u>	<u>3,985</u>
Income tax expense recognized in profit or loss	<u>\$ 148,955</u>	<u>\$ 238,212</u>

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

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

c. Deferred tax assets and liabilities

For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligations	\$ 20,568	\$ (763)	\$ (3,513)	\$ 16,292
Unrealized loss on inventories	25,060	4,120	-	29,180
Payables for annual leave	-	4,420	-	4,420
Unrealized exchange loss	404	5,794	-	6,198
Exchange differences on translating the financial statements of foreign operations	-	-	15,444	15,444
Others	176	-	-	176
	<u>\$ 46,208</u>	<u>\$ 13,571</u>	<u>\$ 11,931</u>	<u>\$ 71,710</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Allowance for impairment loss	\$ 1,663	\$ 509	\$ -	\$ 2,172
Unrealized revaluation appreciation	890	-	-	890
Unappropriated earnings of subsidiary	-	3,228	-	3,228
	<u>\$ 2,553</u>	<u>\$ 3,737</u>	<u>\$ -</u>	<u>\$ 6,290</u>
For the Year Ended December 31, 2018				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligations	\$ 23,605	\$ (4,697)	\$ 1,660	\$ 20,568
Unrealized loss on inventories	9,940	15,120	-	25,060
Unrealized exchange loss	1,766	(1,362)	-	404
Others	176	-	-	176
	<u>\$ 35,487</u>	<u>\$ 9,061</u>	<u>\$ 1,660</u>	<u>\$ 46,208</u>
<u>Deferred Tax Liabilities</u>				
Allowance for impairment loss	\$ 1,663	\$ -	\$ -	\$ 1,663
Unrealized revaluation appreciation	890	-	-	890
	<u>\$ 2,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,553</u>

d. Income tax assessments

The tax returns through 2017 of the Company have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 623,729	407,131	<u>\$1.53</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>1,967</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 623,729</u>	<u>409,098</u>	<u>\$1.52</u>

For the Year Ended December 31, 2018

Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 909,851	407,131	<u>\$2.23</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>2,524</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 909,851</u>	<u>409,655</u>	<u>\$2.22</u>

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

22. CAPITAL MANAGEMENT

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

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

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

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the key management personnel, the Company expects to balance its capital structure through the payment of dividends, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

23. FINANCIAL INSTRUMENTS

a. Fair value

1) Fair value of financial instruments not measured at fair value

Management of the Company consider the carrying amounts of the Company's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

2) Fair value of financial instruments measured at fair value on a recurring basis

Fair Value Hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets at FVTOCI				
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 828,560	\$ 828,560
<u>December 31, 2018</u>				
Financial assets at FVTOCI				
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 1,086,708	\$ 1,086,708

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

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

The fair values of unlisted equity securities were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

b. Categories of financial instruments

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,449,803	\$ 2,377,687
Financial assets at FVTOCI		
Equity instruments	828,560	1,086,708
<u>Financial liabilities</u>		
Amortized cost (2)	4,356,742	3,212,390

- 1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables, and refundable deposits.

- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term borrowings (including current portion of long-term borrowings), notes payable, trade and other payables, and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity, trade receivables, trade payables, borrowings, and lease liabilities. The Company's finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

The finance department reports quarterly to the Company's management, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

The Company enters into foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 27.

Sensitivity analysis

The Company is mainly exposed to the USD and EUR.

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

	USD Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Profit or loss	\$ 14,656	\$ 11,298	\$ 404	\$ 474

The Company's sensitivity to foreign currency increased during the current year mainly due to the increase in USD bank deposits and trade receivables.

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 2,500	\$ 800
Financial liabilities	761	-
Cash flow interest rate risk		
Financial assets	670,574	407,244
Financial liabilities	3,758,788	2,490,504

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 0.1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For a 0.1% basis points higher/lower against interest rates and all other variables were held constant, the Company's income before income tax for the years ended December 31, 2019 and 2018 would decrease/increase by \$3,088 thousand and \$2,083 thousand, respectively.

The Company's sensitivity to interest rates increased during the current year mainly due to the increase in borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company continuously monitors its exposure to credit risk and the credit ratings of its counterparties, and allocates the total transaction amount among the creditworthy customers. The Company's management also controls credit risk by reviewing the credit limits of its counterparties on an annual basis.

The Company also continuously evaluates the financial status of the customers of the accounts receivable, and purchases credit guarantee insurance contracts when necessary.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. The Company had available unutilized bank loan facilities set out as follows:

	For the Year Ended December 31	
	2019	2018
Unutilized bank loan limits	<u>\$ 13,837,412</u>	<u>\$ 13,041,771</u>

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

As the Company has sufficient operating capital, there is no liquidity risk as a result of the inability to raise funds to satisfy performance obligations.

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods.

	Less than 1 Year	1-3 Years	Total
<u>December 31, 2019</u>			
Non-interest bearing liabilities	\$ 766,845	\$ -	\$ 766,845
Lease liabilities	420	350	770
Floating interest rate liabilities	<u>2,996,288</u>	<u>762,500</u>	<u>3,758,788</u>
	<u>\$ 3,763,553</u>	<u>\$ 762,850</u>	<u>\$ 4,526,403</u>

	On Demand or Less than 1 Year	1-3 Years	Total
<u>December 31, 2018</u>			
Non-interest bearing liabilities	\$ 1,009,987	\$ -	\$ 1,009,987
Floating interest rate liabilities	<u>2,290,504</u>	<u>200,000</u>	<u>2,490,504</u>
	<u>\$ 3,300,491</u>	<u>\$ 200,000</u>	<u>\$ 3,500,491</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	More than 20 Years
Lease liabilities	<u>\$ 420</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Transfers of financial assets

Counterparty	Proceeds from the Factoring of Receivables in the Current Period	Advances Paid at the End of the Period	Advances - Annual Interest Rate	Credit Limit
<u>December 31, 2019</u>				
Fubon bank	\$ 505,769 (USD 16,870)	\$ 52,972 (USD 1,767)	2M TAFIX +0.25%	USD 53,500
<u>December 31, 2018</u>				
Fubon bank	463,435 (USD 15,088)	314,448 (USD 10,238)	2M TAFIX +0.25%	USD 53,500

Pursuant to the Company's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by the banks.

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a. Related parties categories

<u>Related Party</u>	<u>Relationship with the Company</u>
Chi Mao Co., Ltd.	Subsidiary
Tai Chiang Co. Ltd.	Other Related Party

b. Other income

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 66	\$ 66
Other related party	<u>30</u>	<u>30</u>
	<u>\$ 96</u>	<u>\$ 96</u>

c. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 57,178	\$ 95,918
Post-employment benefits	<u>463</u>	<u>524</u>
	<u>\$ 57,641</u>	<u>\$ 96,442</u>

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

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for usage of gas:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Pledged time deposits (classified as other current assets)	<u>\$ 2,500</u>	<u>\$ 800</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company as of December 31, 2019 and 2018 were as follows:

- a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials amounted to \$481,120 thousand and \$744,882 thousand, respectively.
- b. Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	<u>\$ 151,988</u>	<u>\$ 419,831</u>

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the Company and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency	Exchange Rate	Carrying Amount (In NTD)
<u>December 31, 2019</u>			
Financial assets			
USD	\$ 48,887	29.98	\$ 1,465,628
EUR	1,203	33.59	40,421
<u>December 31, 2018</u>			
Financial assets			
USD	36,785	30.715	1,129,842
EUR	1,348	35.2	47,440

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

Foreign Currency	Exchange Rate	For the Year Ended December 31, 2019	Exchange Rate	For the Year Ended December 31, 2018
		Net Foreign Exchange Gains (Losses)		Net Foreign Exchange Gains (Losses)
USD	29.98 (USD:NTD)	\$ (32,463)	30.715 (USD:NTD)	\$ 65,612
EUR	33.59 (EUR:NTD)	<u>3,043</u>	35.2 (EUR:NTD)	<u>771</u>
		<u>\$ (29,420)</u>		<u>\$ 66,383</u>

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None).
- 2) Endorsements/guarantees provided (None).
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 3).
- 6) Disposal of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital (None).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None).
 - 9) Trading in derivative instruments (None).
 - 10) Intercompany relationships and significant intercompany transactions (None).
 - 11) Information on investees (Table 4).
- b. Information on investments in mainland China (None).

TABLE 1

YC INOX CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)
The Company	<u>Ordinary Shares</u> AbGenomics Holding Inc.	None	Financial assets at fair value through other comprehensive income - non-current (FVTOCI)	4,751	\$ 163,688	5.40	\$ 163,688
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current (FVTOCI)	7,720	447,837	7.49	447,837
	<u>Preference Shares</u> AbGenomics Holding Inc.	None	Financial assets at fair value through other comprehensive income - non-current (FVTOCI)	6,300	217,035	20.69	217,035
Chi Mao Company	<u>Ordinary Shares</u> Calin Technology Co., Ltd.	None	Financial assets at fair value through profit or loss - current (FVTPL)	1,000	28,400	0.85	28,400
	AbGenomics Holding Inc.	None	Financial assets at fair value through other comprehensive income - non-current (FVTOCI)	560	19,292	0.64	19,292
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current (FVTOCI)	500	29,005	0.49	29,005

Note: The fair values of investments in unlisted shares were determined using the income approach.

TABLE 2

YC INOX CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	YC INOX TR Company	Investment accounted for using the equity method	YC INOX TR Company	Subsidiary	-	\$ -	172	\$ 940,983	-	\$ -	\$ -	\$ -	172	\$ 879,901

Note 1: The marketable securities listed in the table above refer to shares, bonds, beneficiary certificates and marketable securities derived from the above accounts.

Note 2: Marketable securities accounted for using the equity method should be disclosed in the two columns.

Note 3: Accumulated amounts of marketable securities acquired or disposed of should be separately calculated to determine if each asset has reached NT\$300 million or 20% of the paid-in capital.

TABLE 3

YC INOX CO., LTD. AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of Turkish Lira)

Buyer	Property	Event Date (Note)	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
YC INOX TR Company	Land in Machinery Specialized Organized Industrial Zone, Turkey	2019/7/18	\$ 75,636	One-time payment in full in cash	MAKINE IHTISAS ORGANIZ E SANAYI BOLGESI	Non-related party	-	-	-	\$ -	Priced by MAKINE IHTISAS	Mill construction	None

Note: The event date refers to the date of contract signing, payment date, date of consignment trade, date of transfer, date of board of directors resolutions or any other date that can confirm the counterparty and transaction amount, whichever occurs the earliest.

TABLE 4

YC INOX CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 20XX			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
The Company	Chi Mao Company	Xizhou Village, Chang Hua County, Taiwan	Investment	\$ 100,120	\$ 100,120	10,000	100	\$ 87,255	\$ (3,188)	\$ (3,188)	-
	YC INOX TR Company	Turkey	Manufacturing and sale of stainless steel plates and coils	940,983	-	-	100	879,901	16,139	16,139	1

Note 1: 1 share of YC INOX TR is 1000 thousand liras, for a total of 172 shares.

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STATEMENT 1**YC INOX CO., LTD.****STATEMENT OF CASH****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Amount
Cash on hand	\$ 1,048
Cash in banks	
Checking account deposits	10,126
Demand deposits	124,193
Foreign deposits (Note)	<u>546,381</u>
	<u>\$ 681,748</u>

Note: Including US\$17,279 thousand, EUR844 thousand, and JPY13 thousand. The exchange rates are US1=NT\$29.98, EUR1=NT\$33.59, and JPY1=NT\$0.28.

STATEMENT 2

YC INOX CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2019

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

Client Name	Amount
Client A	\$ 93,901
Others (Note)	<u>1,130,922</u>
	1,224,823
Less: Allowance for Doubtful Accounts	<u>(1,845)</u>
	<u>\$ 1,222,978</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

YC INOX CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2019

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

Item	Amount
Factored receivables	\$ 452,797
Sales tax refund receivables	31,541
Others	<u>14,734</u>
	<u>\$ 499,072</u>

STATEMENT 4**YC INOX CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Raw materials	\$ 1,325,893	\$ 1,257,893
Work in progress	87,502	84,402
Semi-manufactured goods	348,517	313,217
Finished goods	1,584,797	1,547,197
Merchandise	<u>26,428</u>	<u>24,528</u>
	3,373,137	<u>\$ 3,227,237</u>
Less: Allowance for loss on inventory valuation	<u>(145,900)</u>	
	<u>\$ 3,227,237</u>	

Note: Inventories are stated at the lower of cost and net realizable value and compared on an item-by-item basis.

YC INOX CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning Balance		Valuation Adjustments	Ending Balance			Collateral or Pledged
	Number of Shares	Fair Value		Number of Shares	Shareholding Percentage (%)	Fair Value	
Foreign Unlisted Shares							
AbGenomics Holding Inc. - Ordinary Shares	4,751	\$ 181,273	\$ (17,585)	4,751	5	\$ 163,688	No
AbGenomics Holding Inc. - Premium Shares	6,300	240,351	(23,316)	6,300	21	217,035	No
Domestic Unlisted Shares							
Gongwin Biopharm Holdings Co., Ltd.							
Ordinary Shares	7,720	<u>665,084</u>	<u>(217,247)</u>	7,720	7	<u>447,837</u>	No
		<u>\$ 1,086,708</u>	<u>\$ (258,148)</u>			<u>\$ 828,560</u>	

YC INOX CO., LTD.**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Beginning Balance		Increase		Profit and Loss on Investments	Exchange Differences on Translating Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Translation of Financial Statements of Foreign Operations			Market Value or Net Equity
	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Shareholding Percentage (%)	Amount	
Chi Mao Company	100,000	\$ 106,586	-	\$ -	\$ (3,188)	\$ -	\$ (16,143)	100,000	100	\$ 87,255	\$ 87,255
YC INOX TR Company	-	-	172	940,983	16,139	(77,221)	-	172	100	879,901	879,901
		\$ 106,586	-	\$ 940,983	\$ 12,951	\$ (77,221)	\$ (16,,143)			\$ 967,156	\$ 967,156

YC INOX CO., LTD.

STATEMENT OF CHANGES IN RIGHT OF USE ASSETS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

	Beginning Balance	Effect of Retrospective Application of IFRS 16	Increase	Decrease	Ending Balance
Cost					
Land	\$ -	\$ 4,343	\$ -	\$ -	\$ 4,343
Buildings	-	1,544	-	(1,544)	-
	-	<u>\$ 5,887</u>	<u>\$ -</u>	<u>\$ (1,544)</u>	<u>4,343</u>
Accumulated Depreciation					
Land	-	\$ 3,313	\$ 362	\$ -	3,675
Buildings	-	1,236	308	(1,544)	-
	-	<u>\$ 4,549</u>	<u>\$ 670</u>	<u>\$ (1,544)</u>	<u>3,675</u>
	<u>\$ -</u>				<u>\$ 668</u>

STATEMENT 8

YC INOX CO., LTD.

STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2019

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

Item	Amount
Decorations	\$ 47,238
Assets awaiting servicing	38,296
Others	<u>218</u>
	<u>\$ 85,752</u>

STATEMENT 9**YC INOX CO., LTD.****STATEMENT OF SHORT-TERM BANK BORROWINGS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Credit Type and Bank	Maturity Date (Note)	Annual Interest Rate Ranges (%)	Amount
Letter of credit borrowings			
Bank of Taiwan Yuan-Lin Branch	2020.03.23		\$ 451,817
Hua Nan Commercial Bank Yuan-Lin Branch	2020.04.28		299,613
Chunghwa Commercial Bank Yuan-Lin Branch	2020.05.29		255,285
Taipei Fubon Bank Zhong-Gang Branch	2020.06.17	0.94-1.00	453,624
Mega International Commercial Bank South Chunghwa Branch	2020.03.30		341,882
E. Sun Bank Taichung Branch	2020.01.30		<u>256,567</u>
			<u>\$ 2,058,788</u>
Line of Credit Borrowings			
Bank of Taiwan Yuan-Lin Branch	2020.01.21		\$ 100,000
Taipei Fubon Bank Zhong-Gang Branch	2020.05.04		200,000
Mega International Commercial Bank South Chunghwa Branch	2020.01.22	0.76-0.99	100,000
HSBC Bank Taichung Branch	2020.06.03		<u>500,000</u>
			<u>\$ 900,000</u>

Note: The listed maturity date is the latest maturity date of all the loans for each credit type and bank.

YC INOX CO., LTD.**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Client Name	Amount
Client A	\$ 51,789
Client B	9,910
Others (Note)	<u>127,277</u>
	<u>\$ 188,976</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

YC INOX CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Credit Type and Bank	Loan Period	Repayment Methods	Annual Interest Rates (%)	Current Portion	Maturity after One Year	Total
Unsecured Borrowings						
Bank of Taiwan Yuan-Lin Branch	2019.11.20-2022.11.19	Interest payable monthly, one-time repayment of principal in full upon maturity	1.15%	\$ -	\$ 100,000	\$ 100,000
Export-Import Bank of the Republic of China Taichung Branch	2019.10.08-2021.03.12	Interest payable monthly, loan split into tranches A and B of \$450,000 and \$150,000 thousand respectively, repayment of the 2 tranches at the ratio of 3:1 starting 15 months after the first drawdown date	0.79%-1.32%	-	400,000	400,000
Chunghwa Commercial Bank Yuan-Lin Branch	2018.12.21-2023.12.21	Interest payable monthly, principal repayable in equal amount over 8 periods (1 period as 6 months) starting 12 months from the first drawdown date	1.15%	25,000	75,000	100,000
Hua Nan Commercial Bank Yuan-Lin Branch	2019.07.26-2024.07.26	Interest payable monthly, principal repayable in equal amount over 8 periods (1 period as 6 months) starting 12 months from the first drawdown date	1.15%	-	100,000	100,000
E. Sun Bank	2019.07.26-2022.07.26	Interest payable monthly, principal repayable in equal amount over 8 periods (1 period as 3 months) starting 12 months from the first drawdown date	1.15%	<u>12,500</u>	<u>87,500</u>	<u>100,000</u>
				<u>\$ 37,500</u>	<u>\$ 762,500</u>	<u>\$ 800,000</u>

YC INOX CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Lease Period	Discount Rate (%)	Ending Balance
Land	2009.09-2021.09	1.20	\$ 495
Land	2010.04-2022.04	1.20	<u>266</u>
			<u>\$ 761</u>

YC INOX CO., LTD.**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Quantity (Tons)	Amount
Stainless Steel Plates/Coils	123,711	\$ 8,334,218
Stainless Steel Tubes	88,519	7,681,747
Others	3,870	<u>292,774</u>
Operating revenue		<u>\$ 16,308,739</u>

YC INOX CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods outsourced	
Goods at the beginning of the year	\$ 41,904
Add: Purchases this year	58,506
Transferred from materials	149,601
Less: Others	(9,585)
Goods at the end of the year	<u>(26,428)</u>
Total cost of goods purchased	\$ 213,998
Cost of self-produced goods	
Raw materials at the beginning of the year	1,370,506
Add: Materials purchased this year	12,905,043
Others	4,638
Less: Transferred to goods	(149,601)
Raw materials at the end of the year	<u>(1,266,045)</u>
Raw materials consumed	12,864,541
Direct labor	290,694
Manufacturing expense	<u>1,033,702</u>
Manufacturing cost	14,188,937
Add: Work in process at the beginning of the year	84,561
Transferred from finished goods	5,702,801
Transferred from semi-finished goods	6,219,019
Less: Other	(4,449)
Work in process at the end of the year	(87,502)
Add: Semi-finished goods at the beginning of the year	294,236
Others	80,453
Less: Transferred from work in process	(6,219,019)
Semi-finished goods at the end of the year	<u>(348,517)</u>
Cost of finished goods	19,910,520
Add: Finished goods at the beginning of the year	1,963,689
Less: Transferred to work in process	(5,702,801)
Others	(6,477)
Finished goods at the end of the year	<u>(1,584,797)</u>
Cost of goods sold	14,580,134
Processing costs	98
Sales of scraps	(92,425)
Inventory surplus	4,743
Write downs of inventory	<u>20,600</u>
Operating costs	<u>\$ 14,727,148</u>

YC INOX CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Marketing	General and Administrative	Total
Salary	\$ 84,186	\$ 98,832	\$ 183,018
Freight	266,742	20	266,762
Depreciation	5,444	21,423	26,867
Entertainment expense	4,535	14,155	18,690
Commissions	33,067	-	33,067
Import/export expense	165,463	-	165,463
Others	<u>15,022</u>	<u>61,963</u>	<u>76,985</u>
	<u>\$ 574,459</u>	<u>\$ 196,393</u>	<u>\$ 770,852</u>