

**YC Inox Co., Ltd.**

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2021 and 2020 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 sheets as of December 31, 2021 and 2020, the parent company only statements of comprehensive income, changes in equity and cash flows for the years 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, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The 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, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2021 is described 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, inventory 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.

#### **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 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2022

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

	2021		2020	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 728,661	4	\$ 479,934	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	267,852	1	-	-
Notes receivable (Notes 4 and 27)	166,220	1	60,333	-
Trade receivables (Notes 4, 9 and 27)	1,241,870	7	962,951	7
Other receivables (Note 4)	296,636	1	250,061	2
Inventories (Notes 4, 5 and 10)	6,514,836	35	3,012,232	23
Prepayments	378,218	2	18,163	-
Other current assets (Notes 4 and 28)	<u>3,001</u>	-	<u>2,985</u>	-
Total current assets	<u>9,597,294</u>	<u>51</u>	<u>4,786,659</u>	<u>36</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	2,328,150	12	2,124,359	16
Investments accounted for using the equity method (Notes 4 and 11)	1,951,085	10	1,686,625	13
Property, plant and equipment (Notes 4 and 12)	4,238,219	23	4,320,288	33
Right-of-use assets (Notes 4 and 13)	3,079	-	6,533	-
Computer software (Notes 4 and 14)	6,078	-	187	-
Deferred tax assets (Notes 4 and 22)	380,725	2	83,771	1
Prepayments for equipment	271,762	2	128,763	1
Other non-current assets (Note 4)	<u>52,404</u>	-	<u>53,093</u>	-
Total non-current assets	<u>9,231,502</u>	<u>49</u>	<u>8,403,619</u>	<u>64</u>
<b>TOTAL</b>	<u>\$ 18,828,796</u>	<u>100</u>	<u>\$ 13,190,278</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 5,489,180	29	\$ 1,496,550	11
Contract liabilities - current (Note 20)	518,204	3	290,364	2
Notes payable	14,557	-	181	-
Trade payables	771,356	4	121,084	1
Other payables (Notes 17 and 18)	464,281	2	330,866	3
Current tax liabilities (Notes 4 and 22)	299,201	2	42,517	-
Lease liabilities - current (Notes 4 and 13)	2,292	-	3,486	-
Current portion of long-term borrowings (Note 15)	119,643	1	87,500	1
Other current liabilities	<u>26,165</u>	-	<u>44,984</u>	-
Total current liabilities	<u>7,704,879</u>	<u>41</u>	<u>2,417,532</u>	<u>18</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 16)	966	-	1,500	-
Bonds payable (Notes 4 and 16)	775,775	4	954,978	7
Long-term borrowings (Note 15)	780,357	4	587,500	5
Deferred tax liabilities (Notes 4 and 22)	62,053	-	14,262	-
Lease liabilities - non-current (Notes 4 and 13)	814	-	3,106	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	71,257	1	78,885	1
Guarantee deposits received	<u>30,630</u>	-	<u>43,140</u>	-
Total non-current liabilities	<u>1,721,852</u>	<u>9</u>	<u>1,683,371</u>	<u>13</u>
Total liabilities	<u>9,426,731</u>	<u>50</u>	<u>4,100,903</u>	<u>31</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	4,445,345	24	4,371,307	33
Registered capital (pending change)	1,080	-	-	-
Capital surplus	1,994,700	10	1,882,352	14
Retained earnings				
Legal reserve	1,166,385	6	1,124,194	9
Special reserve	-	-	185,661	1
Unappropriated earnings	1,276,096	7	522,557	4
Other equity	<u>518,459</u>	<u>3</u>	<u>1,003,304</u>	<u>8</u>
Total equity	<u>9,402,065</u>	<u>50</u>	<u>9,089,375</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 18,828,796</u>	<u>100</u>	<u>\$ 13,190,278</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 17,777,919	100	\$ 12,717,152	100
OPERATING COSTS (Notes 5, 10 and 21)	<u>14,884,779</u>	<u>84</u>	<u>11,532,537</u>	<u>91</u>
GROSS PROFIT	<u>2,893,140</u>	<u>16</u>	<u>1,184,615</u>	<u>9</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	1,221,866	7	517,820	4
General and administrative expenses	263,271	1	190,881	1
Expected credit loss (Notes 4 and 9)	<u>820</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,485,957</u>	<u>8</u>	<u>708,701</u>	<u>5</u>
INCOME FROM OPERATIONS	<u>1,407,183</u>	<u>8</u>	<u>475,914</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Share of profits of subsidiaries (Notes 4 and 11)	237,844	1	52,952	-
Interest income	256	-	938	-
Other gains and losses, net (Note 27)	12,519	-	76,636	1
Interest expense (Notes 21)	(37,474)	-	(29,072)	-
Loss on disposal of property, plant and equipment	(22,788)	-	(12,783)	-
Foreign exchange loss, net	(11,554)	-	(65,746)	(1)
Gain (loss) on fair value changes of financial instruments at fair value through profit or loss	<u>(9,181)</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total non-operating income and expenses	<u>169,622</u>	<u>1</u>	<u>23,925</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,576,805	9	499,839	4
INCOME TAX EXPENSE (Notes 4 and 22)	<u>316,758</u>	<u>2</u>	<u>76,272</u>	<u>1</u>
NET INCOME	<u>1,260,047</u>	<u>7</u>	<u>423,567</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	3,069	-	(2,068)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	203,791	1	1,205,124	10
Share of other comprehensive income of subsidiaries accounted for using the equity method	17,676	-	157,719	1
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 22)	<u>73,146</u>	<u>1</u>	<u>414</u>	<u>-</u>
	<u>297,682</u>	<u>2</u>	<u>1,361,189</u>	<u>11</u>

(Continued)

# YC INOX CO., LTD.

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

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (971,011)	(6)	\$ (217,348)	(2)
Income tax related to items that may be reclassified subsequently to profit or loss (Note 22)	<u>194,202</u>	<u>1</u>	<u>43,470</u>	<u>1</u>
	<u>(776,809)</u>	<u>(5)</u>	<u>(173,878)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(479,127)</u>	<u>(3)</u>	<u>1,187,311</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 780,920</u>	<u>4</u>	<u>\$ 1,610,878</u>	<u>13</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 2.86</u>		<u>\$ 1.04</u>	
Diluted	<u>\$ 2.66</u>		<u>\$ 0.95</u>	

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

(Concluded)

**YC INOX CO., LTD.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars)

							Other Equity (Note 4)		
	Ordinary Shares (Note 19)			Retained Earnings (Note 19)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Total Equity
	Capital Stock Ordinary Shares	Registered Capital (Pending Change)	Capital Surplus (Note 19)	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 4,071,307	\$ -	\$ 1,663,578	\$ 1,061,821	\$ -	\$ 837,235	\$ (61,777)	\$ (123,884)	\$ 7,448,280
Appropriation of 2019 earnings									
Legal reserve	-	-	-	62,373	-	(62,373)	-	-	-
Special reserve	-	-	-	-	185,661	(185,661)	-	-	-
Cash dividends	-	-	-	-	-	(488,557)	-	-	(488,557)
Equity component of convertible bonds issued by the Company	-	-	40,913	-	-	-	-	-	40,913
Issuance of cash dividends from capital surplus	-	-	(122,139)	-	-	-	-	-	(122,139)
Net profit for the year ended December 31, 2020	-	-	-	-	-	423,567	-	-	423,567
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(1,654)	(173,878)	1,362,843	1,187,311
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	421,913	(173,878)	1,362,843	1,610,878
Issuance of ordinary shares for cash	300,000	-	300,000	-	-	-	-	-	600,000
BALANCE AT DECEMBER 31, 2020	4,371,307	-	1,882,352	1,124,194	185,661	522,557	(235,655)	1,238,959	9,089,375
Appropriation of 2020 earnings									
Legal reserve	-	-	-	42,191	-	(42,191)	-	-	-
Cash dividends	-	-	-	-	-	(655,696)	-	-	(655,696)
Reversal of special reserve	-	-	-	-	(185,661)	185,661	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,260,047	-	-	1,260,047
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	2,455	(776,809)	295,227	(479,127)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,262,502	(776,809)	295,227	780,920
Convertible bonds converted to ordinary shares	74,038	1,080	112,348	-	-	-	-	-	187,466
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	3,263	-	(3,263)	-
BALANCE AT DECEMBER 31, 2021	\$ 4,445,345	\$ 1,080	\$ 1,994,700	\$ 1,166,385	\$ -	\$ 1,276,096	\$ (1,012,464)	\$ 1,530,923	\$ 9,402,065

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

# YC INOX CO., LTD.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,576,805	\$ 499,839
Adjustments for:		
Depreciation expense	274,004	269,392
Amortization expense	2,403	5
Expected credit loss	820	-
Dividend income	(4,000)	-
Loss (gain) on financial instruments at fair value through profit or loss, net	9,181	(1,000)
Interest expense	37,474	29,072
Interest income	(256)	(938)
Share of profit of subsidiaries	(237,844)	(52,952)
Loss on disposal of property, plant and equipment	22,788	12,783
Write-down (reversal of write-down) of inventories	52,900	(131,500)
Loss on foreign currency exchange, net	1,194	9,122
Changes in operating assets and liabilities:		
Notes receivable	(105,887)	(14,481)
Trade receivables	(280,426)	255,672
Other receivables	(46,969)	244,151
Inventories	(3,555,504)	346,505
Prepayments	(360,055)	25,929
Other current assets	(16)	(485)
Contract liabilities	227,840	111,473
Notes payable	14,376	(10,020)
Trade payables	650,272	(67,892)
Other payables	132,509	(25,453)
Other current liabilities	(18,819)	22,365
Net defined benefit liabilities	(4,559)	(4,212)
Cash generated from (used in) operations	(1,611,769)	1,517,375
Interest received	256	938
Dividends received	4,000	-
Interest paid	(26,949)	(28,639)
Income tax paid	(41,889)	(31,092)
Net cash generated from (used in) operating activities	(1,676,351)	1,458,582
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(324,306)	(90,675)
Disposal of financial assets at fair value through profit or loss	46,739	-
Acquisition of subsidiaries	(979,951)	(726,146)
Acquisition of property, plant and equipment	(207,557)	(216,757)
Proceeds from disposal of property, plant and equipment	77,386	54,060
Decrease (increase) in refundable deposits	10	(1)
Acquisition of intangible assets	(6,821)	-
Decrease in other non-current assets	473	28,307
Increase in prepayments for equipment	(226,787)	(133,982)
Net cash used in investing activities	(1,620,814)	(1,085,194)

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## YC INOX CO., LTD.

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

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	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$ 3,992,630	\$ (1,462,238)
Proceeds from issuance of convertible bonds	-	998,000
Proceeds from long-term borrowings	600,000	500,000
Repayments of long-term borrowings	(375,000)	(625,000)
(Decrease) increase in guarantee deposits received	(12,510)	26,380
Repayments of the principal portion of lease liabilities	(3,532)	(1,648)
Cash dividends distributed	(655,696)	(610,696)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>600,000</u>
Net cash generated from (used in) financing activities	<u>3,545,892</u>	<u>(575,202)</u>
NET INCREASE (DECREASE) IN CASH	248,727	(201,814)
CASH AT THE BEGINNING OF THE YEAR	<u>479,934</u>	<u>681,748</u>
CASH AT THE END OF THE YEAR	<u>\$ 728,661</u>	<u>\$ 479,934</u>

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

(Concluded)

# YC INOX CO., LTD.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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### 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 sheets 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 18, 2022.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

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

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

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 (the “Regulations”).

##### 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.

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

##### 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 financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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.

For the purpose of presenting the parent company only financial statements, the financial statements of the Company's foreign operations (including subsidiaries in other countries or those that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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 group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at 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.

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. Computer software

1) Computer software acquired separately

Computer software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of computer software

On derecognition of computer software, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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.

j. 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 FVTPL, financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income (FVTOCI) and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, trade receivables, notes receivable, other receivables, pledged time deposits, 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.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amounts of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. 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) and investments in debt instruments that are measured at FVTOCI.

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

#### c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, 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) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

#### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

### 3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - other.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability component. Transaction costs relating to the equity component are recognized directly in equity.

### 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.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sales of goods comes from sales of stainless steel sheets, coils and pipes. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up 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.

The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

#### l. Leasing

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

##### 1) The Company as lessor

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

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

##### 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. 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. Lease liabilities are presented on a separate line in the parent company only balance sheets.

#### 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 those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

o. 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.

p. Taxation

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

1) Current tax

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

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

## 2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss 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 period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred tax

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 on 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 Company considers the possible economic implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty - 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	
	2021	2020
Cash on hand	\$ 1,010	\$ 1,208
Checking accounts and demand deposits	<u>727,651</u>	<u>478,726</u>
	<u>\$ 728,661</u>	<u>\$ 479,934</u>
Annual interest rate (%)		
Demand deposits	0.001-0.04	0.001-0.2

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

	December 31	
	2021	2020
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Domestic listed shares	<u>\$ 267,852</u>	<u>\$ -</u>

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

	December 31	
	2021	2020
Investments in equity instruments		
Foreign unlisted shares	\$ 164,311	\$ 258,744
Domestic unlisted shares	<u>2,163,839</u>	<u>1,865,615</u>
	<u>\$ 2,328,150</u>	<u>\$ 2,124,359</u>

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

## 9. TRADE RECEIVABLES

	December 31	
	2021	2020
At amortized cost		
Gross carrying amount	\$ 1,195,732	\$ 860,609
Less: Allowance for impairment loss	<u>(2,242)</u>	<u>(1,628)</u>
	1,193,490	858,981
At FVTOCI		
	<u>48,380</u>	<u>103,970</u>
	<u>\$ 1,241,870</u>	<u>\$ 962,951</u>

### a. At amortized cost

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 records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates 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:

	Not Past Due	Past Due 1-60 Days	Past Due 61-120 Days	Past Due 121-180 Days	Past Due More than 180 Days	Total
December 31, 2021						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,082,811	\$ 112,921	\$ -	\$ -	\$ -	\$ 1,195,732
Loss allowance	<u>-</u>	<u>(2,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,242)</u>
Amortized cost	<u>\$ 1,082,811</u>	<u>\$ 110,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,490</u>

	Not Past Due	Past Due 1-60 Days	Past Due 61-120 Days	Past Due 121-180 Days	Past Due More than 180 Days	Total
<u>December 31, 2020</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 770,806	\$ 89,667	\$ 29	\$ 107	\$ -	\$ 860,609
Loss allowance	<u>-</u>	<u>(1,571)</u>	<u>(3)</u>	<u>(54)</u>	<u>-</u>	<u>(1,628)</u>
Amortized cost	<u>\$ 770,806</u>	<u>\$ 88,096</u>	<u>\$ 26</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 858,981</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 1,628	\$ 1,845
Add: Net remeasurement of loss allowance	614	-
Less: Amounts written off	<u>-</u>	<u>(217)</u>
Balance at December 31	<u>\$ 2,242</u>	<u>\$ 1,628</u>

b. At FVTOCI

The Company will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

As of December 31, 2021 and 2020, the Company had no overdue trade receivables, and the allowance for impairment loss was \$0 in all aging periods.

Refer to Note 26 for details of the factoring for trade receivables.

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 3,028,253	\$ 890,966
Work in progress	89,175	96,344
Semi-finished goods	489,871	389,615
Finished goods	2,889,264	1,609,339
Merchandise	<u>18,273</u>	<u>25,968</u>
	<u>\$ 6,514,836</u>	<u>\$ 3,012,232</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$14,884,779 thousand and \$11,532,537 thousand, respectively. The cost of goods sold included the loss on inventory write-downs of \$52,900 thousand and gain on reversal of inventory write-downs of \$131,500 thousand. Inventory write-downs were reversed as a result of increased selling prices of raw materials.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries	December 31			
	2021		2020	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Chi Mao Investment Co., Ltd. (Chi Mao Company)	\$ 272,532	100	\$ 255,824	100
YC INOX TR CELIK SANAYI VE TICARET A.S. (YC INOX TR Company)	<u>1,678,553</u>	100	<u>1,430,801</u>	100
	<u>\$ 1,951,085</u>		<u>\$ 1,686,625</u>	

For the nature of activities of the subsidiaries listed above, refer to Table 4.

The Company invested an additional \$726,146 thousand, \$334,236 thousand, \$279,870 thousand and \$365,845 thousand in YC INOX TR Company in September 2020, August 2021, October 2021 and December 2021, respectively. The aforementioned investments have been approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs.

The Company has been planning to increase the investment in YC INOX TR Company by TRY640,000 thousand, which was approved by the Company's board of directors in January 2022, and invested \$361,725 thousand (TRY175,918 thousand) in February 2022.

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, 2021 and 2020 was recognized based on the subsidiaries financial statements which have been audited for the same years.

## 12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2021				
	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	13,496	1,176	-	-	14,672
Buildings	1,485,497	15,160	(17,935)	-	1,482,722
Machinery and equipment	2,568,928	62,908	(58,879)	58,431	2,631,388
Transportation equipment	135,282	68,669	(80,951)	22,105	145,105
Office equipment	124,489	7,037	(2,005)	(2,357)	127,164
Other equipment	<u>614,522</u>	<u>51,390</u>	<u>(6,413)</u>	<u>3,095</u>	<u>662,594</u>
	<u>6,942,008</u>	<u>\$ 206,340</u>	<u>\$ (166,183)</u>	<u>\$ 81,274</u>	<u>7,063,439</u>

(Continued)

For the Year Ended December 31, 2021					
	Balance, Beginning of the Year	Additions	Disposals	Reclassifications	Balance, End of the Year
<u>Accumulated depreciation</u>					
Land improvements	\$ 8,040	\$ 1,546	\$ -	\$ -	\$ 9,586
Buildings	532,944	66,142	(12,288)	-	586,798
Machinery and equipment	1,698,531	126,746	(34,087)	-	1,791,190
Transportation equipment	37,392	19,013	(12,594)	-	43,811
Office equipment	82,453	14,076	(2,005)	(1,041)	93,483
Other equipment	262,360	43,027	(5,035)	-	300,352
	<u>2,621,720</u>	<u>\$ 270,550</u>	<u>\$ (66,009)</u>	<u>\$ (1,041)</u>	<u>2,825,220</u>
	<u>\$ 4,320,288</u>				<u>\$ 4,238,219</u> (Concluded)

For the Year Ended December 31, 2020					
	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	13,046	450	-	-	13,496
Buildings	1,424,307	18,931	-	42,259	1,485,497
Machinery and equipment	2,432,636	68,056	(78,971)	147,207	2,568,928
Transportation equipment	139,433	37,184	(57,855)	16,520	135,282
Office equipment	105,678	15,505	(1,667)	4,973	124,489
Other equipment	513,693	47,646	(7,035)	60,218	614,522
Construction in progress	25,621	-	-	(25,621)	-
	<u>6,654,208</u>	<u>\$ 187,772</u>	<u>\$ (145,528)</u>	<u>\$ 245,556</u>	<u>6,942,008</u>
<u>Accumulated depreciation</u>					
Land improvements	6,612	\$ 1,428	\$ -	\$ -	8,040
Buildings	463,979	68,965	-	-	532,944
Machinery and equipment	1,623,754	130,859	(56,082)	-	1,698,531
Transportation equipment	33,943	17,401	(13,952)	-	37,392
Office equipment	71,646	12,474	(1,667)	-	82,453
Other equipment	232,651	36,693	(6,984)	-	262,360
	<u>2,432,585</u>	<u>\$ 267,820</u>	<u>\$ (78,685)</u>	<u>\$ -</u>	<u>2,621,720</u>
	<u>\$ 4,221,623</u>				<u>\$ 4,320,288</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 years
Buildings	
Office buildings	20-35 years
Plants	10-20 years
Machinery and equipment	2-15 years
Transportation equipment	8 years
Office equipment	3-10 years
Other equipment	2-20 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, 2021 and 2020 as there was no indication of impairment.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 28	\$ 306
Buildings	1,200	1,600
Other equipment	<u>1,851</u>	<u>4,627</u>
	<u>\$ 3,079</u>	<u>\$ 6,533</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 7,437</u>
Depreciation of right-of-use assets		
Land	\$ 278	\$ 362
Buildings	400	400
Other equipment	<u>2,776</u>	<u>810</u>
	<u>\$ 3,454</u>	<u>\$ 1,572</u>

The Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

#### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	\$ 2,292	\$ 3,486
Non-current	<u>814</u>	<u>3,106</u>
	<u>\$ 3,106</u>	<u>\$ 6,592</u>

Discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.20%	1.20%
Buildings	1.15%	1.15%
Other equipment	0.88%	0.88%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to low value asset leases	\$ <u>130</u>	\$ <u>83</u>
Total cash outflow for leases	\$ <u>3,662</u>	\$ <u>1,731</u>

The Company leases certain office equipment which qualifies 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.

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

The Company leases certain land, buildings and other equipment for operating uses with lease terms of 2 to 12 years. The Company does not have bargain purchase options to acquire the leasehold land, buildings and other equipment at the end of the lease terms.

## 14. COMPUTER SOFTWARE

	<b>For the Year Ended December 31, 2021</b>			
	<b>Balance, Beginning of the Year</b>	<b>Additions</b>	<b>Reclassifications</b>	<b>Balance, End of the Year</b>
Cost	\$ 192	\$ <u>6,821</u>	\$ <u>2,514</u>	\$ 9,527
Accumulated amortization	<u>5</u>	\$ <u>2,403</u>	\$ <u>1,041</u>	<u>3,449</u>
	\$ <u>187</u>			\$ <u>6,078</u>
	<b>For the Year Ended December 31, 2020</b>			
	<b>Balance, Beginning of the Year</b>	<b>Additions</b>	<b>Reclassifications</b>	<b>Balance, End of the Year</b>
Cost	\$ -	\$ <u>-</u>	\$ <u>192</u>	\$ 192
Accumulated amortization	<u>-</u>	\$ <u>5</u>	\$ <u>-</u>	<u>5</u>
	\$ <u>-</u>			\$ <u>187</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-5 years.

## 15. BORROWINGS

### a. Short-term borrowings

	December 31	
	2021	2020
Letter of credit borrowings and export bills	\$ 3,789,180	\$ 1,196,550
Line of credit borrowings	<u>1,700,000</u>	<u>300,000</u>
	<u>\$ 5,489,180</u>	<u>\$ 1,496,550</u>
<u>Annual interest rate range (%)</u>		
Letter of credit borrowings and export bills	0.32-0.80	0.43-0.83
Line of credit borrowings	0.46-0.98	0.72-0.83

### b. Long-term borrowings

	December 31	
	2021	2020
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 900,000	\$ 675,000
Less: Current portion	<u>(119,643)</u>	<u>(87,500)</u>
	<u>\$ 780,357</u>	<u>\$ 587,500</u>
Annual interest rate range (%)	0.88-0.90	0.88-0.90

The line of credit borrowings of the Company will be repaid in New Taiwan dollars. The borrowings are repayable in installments at varying amounts from March 2024 to October 2026.

## 16. BONDS PAYABLE

	December 31	
	2021	2020
3 <sup>rd</sup> domestic unsecured convertible bonds	<u>\$ 775,775</u>	<u>\$ 954,978</u>

On December 15, 2020, the Company issued 5-year, 0% NTD-denominated unsecured convertible bonds in Taiwan for \$1,000,000 thousand, and the maturity date of the bonds is December 15, 2025. Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$26.5, such conversion price shall be later adjusted in accordance with the formula started in the Anti-dilution provisions of the “Rules and conditions of issuance and conversion of the 3<sup>rd</sup> domestic unsecured corporate bonds” (as of December 31, 2021, the conversion price has been adjusted to \$25). For the period from the day following three months after the date of issuance of the convertible bonds (March 16, 2021) to 40 days before the maturity date (November 5, 2025), if the closing share price of the Company exceed 30% of the prevailing conversion price for 30 consecutive business days, or the outstanding balance falls lower than 10% of the original total issuance amount, the Company may redeem the bonds in cash at face value. In addition, holders may request to sell the bonds they hold back to the Company at any time within 30 days before the expiry of the third year from the date of issuance (December 15, 2023).

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

As of December 31, 2021, the face value of the bonds payable converted by the holders was \$195,200 thousand.

Changes in the master contract of the debt and sell-back rights of derivatives (recognized as financial liabilities at FVTPL - non-current) are as follows:

	<b>Debt Instrument for Master Contracts</b>
Proceeds from issuance (less issuance costs of \$2,000 thousand)	\$ 998,000
Equity component (less issuance costs allocated to the equity component of \$87 thousand)	(40,913)
Financial liabilities	<u>(2,500)</u>
Liability component at the date of issuance	954,587
Amortization of discount in 2020	<u>391</u>
Balance at January 1, 2021	954,978
Converted into ordinary shares this year	(187,466)
Amortization of discount this year	<u>8,263</u>
Balance at December 31, 2021	<u>\$ 775,775</u>

Derivate instrument - put options (financial liabilities)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1, 2021	\$ 1,500	\$ -
Bonds payable issued	-	1,500
Changes in fair value	<u>(534)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 966</u>	<u>\$ 1,500</u>

## 17. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Payables for salaries and bonuses	\$ 164,141	\$ 108,087
Payables for acquisition of equipment	59,710	60,927
Payables for employees' profit sharing bonus and directors' remuneration	118,684	37,622
Payables for commission	3,853	11,369
Others	<u>117,893</u>	<u>112,861</u>
	<u>\$ 464,281</u>	<u>\$ 330,866</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (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 Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 150,641	\$ 160,629
Fair value of plan assets	<u>(79,000)</u>	<u>(81,321)</u>
Net liabilities recognized in the parent company only balance sheets	71,641	79,308
Other payables	<u>(384)</u>	<u>(423)</u>
Net defined benefit liabilities	<u>\$ 71,257</u>	<u>\$ 78,885</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Liabilities Recognized in the Parent Company only Balance Sheets</b>
Balance at January 1, 2020	<u>\$ 162,903</u>	<u>\$ (81,447)</u>	<u>\$ 81,456</u>
Service cost			
Current service cost	403	-	403
Net interest expense (income)	<u>1,205</u>	<u>(616)</u>	<u>589</u>
Recognized in profit or loss	<u>1,608</u>	<u>(616)</u>	<u>992</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,716)	(2,716)
Actuarial gain-Changes in demographic assumptions	(2)	-	(2)

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Liabilities Recognized in the Parent Company only Balance Sheets</b>
Actuarial loss-Changes in financial assumptions	\$ 7,015	\$ -	\$ 7,015
Actuarial gain-Experience adjustments	<u>(2,229)</u>	<u>-</u>	<u>(2,229)</u>
Recognized in other comprehensive (income) loss	<u>4,784</u>	<u>(2,716)</u>	<u>2,068</u>
Contributions from the employer	-	(5,208)	(5,208)
Benefits paid	<u>(8,666)</u>	<u>8,666</u>	<u>-</u>
Balance at December 31, 2020	<u>160,629</u>	<u>(81,321)</u>	<u>79,308</u>
Service cost			
Current service cost	310	-	310
Net interest expense (income)	<u>477</u>	<u>(247)</u>	<u>230</u>
Recognized in profit or loss	<u>787</u>	<u>(247)</u>	<u>540</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,220)	(1,220)
Actuarial loss-changes in demographic assumptions	326	-	326
Actuarial gain-changes in financial assumptions	(5,725)	-	(5,725)
Actuarial loss-experience adjustments	<u>3,550</u>	<u>-</u>	<u>3,550</u>
Recognized in other comprehensive (income) loss	<u>(1,849)</u>	<u>(1,220)</u>	<u>(3,069)</u>
Contributions from the employer	-	(5,138)	(5,138)
Benefits paid	<u>(8,926)</u>	<u>8,926</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 150,641</u>	<u>\$ (79,000)</u>	<u>\$ 71,641</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.70%	0.30%
Expected rate of salary increase	2.00%	2.00%

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	\$ (3,468)	\$ (3,953)
0.25% decrease	\$ 3,589	\$ 4,097
Expected rate of salary increase/decrease		
0.25% increase	\$ 3,534	\$ 4,017
0.25% decrease	\$ (3,433)	\$ (3,897)

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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	\$ 5,606	\$ 5,606
Average duration of the defined benefit obligation	9 years	9 years

## 19. EQUITY

### a. Capital stock

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Authorized shares (in thousands of shares)	499,000	499,000
Authorized capital	\$ 4,990,000	\$ 4,990,000
Issued and paid shares (in thousands of shares)	444,535	437,131
Issued capital	\$ 4,445,345	\$ 4,371,307
Registered capital (pending change)	\$ 1,080	\$ -

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

In October 2020, the Company's board of directors resolved to issue cash capital increase of 30,000 thousand ordinary shares at par value of \$10, which increased the paid-in capital to \$4,371,307 thousand. Such cash capital increase was approved by the FSC and entered into effective on November 25, 2020, the book closure ending date was December 28, 2020, and the change of paid-in capital registration has completed.

	<b>Ordinary Share Capital - including registered capital (pending change) (in thousands of shares)</b>
Balance at January 1, 2021	\$ 437,131
Convertible bonds converted to ordinary shares at September 3, 2021 and November 5, 2021	7,404
Convertible bonds converted to ordinary shares (registered capital - pending change)	<u>108</u>
Balance at December 31, 2021	<u>\$ 444,643</u>

b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to capital</u>		
Additional paid-in capital	\$ 1,466,300	\$ 1,466,300
Conversion of bonds	490,234	369,900
Interest premium payable on convertible bonds	5,239	5,239
<u>Not allowed to be used for any purpose</u>		
Share warrants of convertible bonds	<u>32,927</u>	<u>40,913</u>
	<u>\$ 1,994,700</u>	<u>\$ 1,882,352</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock and the conversion of bonds 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 employees' profit sharing bonus and directors' remuneration, please refer to Note 21.

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.

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.

Items referred to under Rule No. 1090150022 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings in August 2021 and June 2020, respectively, were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 42,191	\$ 62,373
(Reversal of) special reserve	\$ (185,661)	\$ 185,661
Cash dividends	\$ 655,696	\$ 488,557
Cash dividends per share (NT\$)	\$ 1.5	\$ 1.2

The appropriation of \$122,139 thousand cash dividends from capital surplus was approved in the shareholders' meetings in June 2020.

The appropriation of earnings for 2021, which has been proposed by the Company's board of directors on March 18, 2022, was as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 126,576
Cash dividends	\$ 666,964
Cash dividends per share (NT\$)	\$ 1.5

The appropriation of earnings will be resolved by the shareholders in their meeting to be held in June 2022.

## 20. NET REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 17,777,919	\$ 12,717,152

## Contract liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Contract balance		
Sale of goods	\$ 518,204	\$ 290,364

## **21. NET PROFIT**

### a. Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on borrowings	\$ 29,003	\$ 28,672
Interest on short-term bills payable	162	207
Interest on lease liabilities	46	42
Interest on bonds payable	<u>8,263</u>	<u>391</u>
	37,474	29,312
Less: Capitalized interest amount	<u>-</u>	<u>(240)</u>
	<u>\$ 37,474</u>	<u>\$ 29,072</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	\$ -	\$ 240
Capitalization rate (%)	-	0.66-1.18

### b. Employee benefits expense, depreciation expense and amortization expense

	<b>For the Year Ended December 31</b>					
	<b>2021</b>			<b>2020</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expense						
Salaries expense	\$ 543,862	\$ 209,152	\$ 753,014	\$ 442,757	\$ 144,146	\$ 586,903
Post-employment benefits						
Defined contribution plans	18,317	4,616	22,933	15,879	4,611	20,490
Defined benefit plans	436	104	540	740	252	992
Directors' remuneration	-	35,930	35,930	-	12,699	12,699
Labor and health insurance expense	45,649	10,897	56,546	41,067	10,521	51,588
Other employee benefits	52,447	8,437	60,884	36,630	6,258	42,888
Depreciation expense	241,079	32,925	274,004	240,448	28,944	269,392
Amortization expense	114	2,289	2,403	-	5	5

As of December 31, 2021 and 2020, the Company had 844 and 869 employees, respectively; and the number of directors not concurrently serving as employees was 6 and 5. The calculation basis is consistent with that for employee benefits expense.

As of December 31, 2021 and 2020, average employee benefits expense was \$1,065 thousand and \$813 thousand, respectively, and average employee salary expense was \$898 thousand and \$679 thousand, respectively. Average employee salary expense increased by 32% compared to the previous year.

The principles of directors' remuneration and the payment of salary and traveling expenditures to directors shall follow the "Regulations for the Compensation of Directors and their Concurrently-Serving Functional Committees" and refer to the arms' length range of the same industry.

The performance evaluation of the Company's managerial officers not only considers the Company's overall operating performance, future business risks and development trends of the industry, but also the individual's performance achievement rate and contribution to the Company's performance to grant the reasonable compensation. The payment shall be determined in compliance with the "Policies and Regulations of Salary and Compensation" and salary-related management regulations of the Company, which shall be sufficient to commend the responsibility and risk they bear.

The performance evaluation and reasonableness of the compensation for directors shall be reviewed and approved by the Compensation Committee and the Board of Directors, by referring to the salary level of the similar position in the same industry, and by considering the reasonableness of their compensation with their personal performance, the Company's performance, and future business risks. The compensation system shall be reviewed from time to time in compliance with actual operating conditions and relevant laws and regulations, to pursue the balance between the Company's sustainable operation and risk control.

The compensation paid to employees is determined based on the provisions of the "Payroll Policy", and referred to the salary level of the similar position in the same industry, their responsibilities in the Company, and their contribution to the Company's operating goals, to grant reasonable compensation.

c. Employees' profit sharing bonus and directors' remuneration

According to the Articles of Incorporation of the Company, if the Company has profit in the year, the Company should accrue employees' profit sharing bonus and directors' remuneration at the rates of 5% and no higher than 2%, respectively, of net income before income tax. Employees' profit sharing bonus and directors' remuneration for the years ended December 31, 2021 and 2020 were estimated as follows:

	For the Year Ended December 31			
	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' profit sharing bonus	5%	\$ 84,774	5%	\$ 26,873
Directors' remuneration	2%	33,909	2%	10,749

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 employees' profit sharing bonus and directors' remuneration paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' profit sharing bonus and directors' remuneration resolved by the board of directors of the Company is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 299,216	\$ 42,598
Adjustment for prior years	<u>(643)</u>	<u>(6,121)</u>
	298,573	36,477
Deferred tax		
In respect of the current year	<u>18,185</u>	<u>39,795</u>
Income tax expense recognized in profit or loss	<u>\$ 316,758</u>	<u>\$ 76,272</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense calculated at the statutory rate	\$ 315,362	\$ 99,968
Nondeductible expenses in determining taxable income	6,326	1,475
Benefits not counted in tax	(4,287)	(19,050)
Income tax adjustments on prior years	<u>(643)</u>	<u>(6,121)</u>
Income tax expense recognized in profit or loss	<u>\$ 316,758</u>	<u>\$ 76,272</u>

### b. Deferred tax assets and liabilities

	<b>For the Year Ended December 31, 2021</b>			
	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 58,914	\$ -	\$ 194,202	\$ 253,116
Unrealized valuation gain (loss) on financial assets at FVTOCI	-	-	73,760	73,760
Unrecognized gross profit of declared exports	-	21,292	-	21,292
Defined benefit obligations	15,862	(920)	(614)	14,328
Unrealized loss on inventories	2,880	10,580	-	13,460
Payables for annual leave	4,629	140	-	4,769
Others	<u>1,486</u>	<u>(1,486)</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,771</u>	<u>\$ 29,606</u>	<u>\$ 267,348</u>	<u>\$ 380,725</u>

For the Year Ended December 31, 2021				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 11,648	\$ 47,763	\$ -	\$ 59,411
Allowance for impairment loss on trade receivables	1,724	-	-	1,724
Others	<u>890</u>	<u>28</u>	<u>-</u>	<u>918</u>
	<u>\$ 14,262</u>	<u>\$ 47,791</u>	<u>\$ -</u>	<u>\$ 62,053</u>
For the Year Ended December 31, 2020				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 15,444	\$ -	\$ 43,470	\$ 58,914
Defined benefit obligations	16,292	(844)	414	15,862
Payables for annual leave	4,420	209	-	4,629
Unrealized loss on inventories	29,180	(26,300)	-	2,880
Others	<u>6,374</u>	<u>(4,888)</u>	<u>-</u>	<u>1,486</u>
	<u>\$ 71,710</u>	<u>\$ (31,823)</u>	<u>\$ 43,884</u>	<u>\$ 83,771</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 3,228	\$ 8,420	\$ -	\$ 11,648
Allowance for impairment loss on trade receivables	2,172	(448)	-	1,724
Others	<u>890</u>	<u>-</u>	<u>-</u>	<u>890</u>
	<u>\$ 6,290</u>	<u>\$ 7,972</u>	<u>\$ -</u>	<u>\$ 14,262</u>

c. Income tax assessments

The tax returns through 2019 of the Company have been assessed by the tax authorities.

## 23. 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, 2021</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 1,260,047	440,544	<u>\$2.86</u>
Effect of potentially dilutive ordinary shares:			
Employees' profit sharing bonus	-	2,860	
Convertible bonds	<u>6,611</u>	<u>32,192</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,266,658</u>	<u>475,596</u>	<u>\$2.66</u>

### For the Year Ended December 31, 2020

Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 423,567	407,460	<u>\$1.04</u>
Effect of potentially dilutive ordinary shares:			
Employees' profit sharing bonus	-	1,401	
Convertible bonds	<u>48</u>	<u>38,461</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 423,615</u>	<u>447,322</u>	<u>\$0.95</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.

## 24. CASH FLOW INFORMATION

### a. Non-cash transactions

In addition to those disclosed in other notes, the amount of cash paid for the acquisition of property, plant and equipment during the years ended December 31, 2021 and 2020, respectively, was as follow:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$ 206,340	\$ 187,772
Net changes in payables for acquisition of equipment	<u>1,217</u>	<u>28,985</u>
Payments for property, plant and equipment	<u>\$ 207,557</u>	<u>\$ 216,757</u>

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Exercise of Conversion Option	Discount Amortization	Interest Amortization	
Short-term borrowings	\$ 1,496,550	\$ 3,992,630	\$ -	\$ -	\$ -	\$ 5,489,180
Bonds payable	954,978	-	(187,466)	8,263	-	775,775
Long-term borrowings (including current portion)	675,000	225,000	-	-	-	900,000
Guarantee deposits received	43,140	(12,510)	-	-	-	30,630
Lease liabilities	6,592	(3,532)	-	-	46	3,106
	<u>\$ 3,176,260</u>	<u>\$ 4,201,588</u>	<u>\$ (187,466)</u>	<u>\$ 8,263</u>	<u>\$ 46</u>	<u>\$ 7,198,691</u>

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes				Closing Balance
			Exercise of Conversion Option	Discount Amortization	New Lease	Interest Amortization	
Short-term borrowings	\$ 2,958,788	\$(1,462,238)	\$ -	\$ -	\$ -	\$ -	\$ 1,496,550
Bonds payable	-	998,000	(43,413)	391	-	-	954,978
Long-term borrowings (including current portion)	800,000	(125,000)	-	-	-	-	675,000
Guarantee deposits received	16,760	26,380	-	-	-	-	43,140
Lease liabilities	761	(1,648)	-	-	7,437	42	6,592
	<u>\$ 3,776,309</u>	<u>\$ (564,506)</u>	<u>\$ (43,413)</u>	<u>\$ 391</u>	<u>\$ 7,437</u>	<u>\$ 42</u>	<u>\$ 3,176,260</u>

## 25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as going concern 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.

## 26. 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

a) Fair Value Hierarchy

The following analysis details the measurement of financial instruments since initial recognition. 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.

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 267,852	\$ -	\$ -	\$ 267,852
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	2,163,839	-	164,311	2,328,150
Investments in debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>48,380</u>	<u>48,380</u>
	<u>\$ 2,431,691</u>	<u>\$ -</u>	<u>\$ 212,691</u>	<u>\$ 2,644,382</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 966</u>
<u>December 31, 2020</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	\$ 1,865,615	\$ -	\$ 258,744	\$ 2,124,359
Investments In debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>103,970</u>	<u>103,970</u>
	<u>\$ 1,865,615</u>	<u>\$ -</u>	<u>\$ 362,714</u>	<u>\$ 2,228,329</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>

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

In 2020, the Company transferred \$1,865,615 thousand from Level 3 to Level 1 as its investee company is listed on the emerging stock board of the Taipei Exchange and thus assessed as being traded in an active market.

b) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2021	\$ 258,744	\$ 103,970	\$ 362,714
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(94,433)	-	(94,433)
Net increase in trade receivables	-	376,845	376,845
Factored trade receivables to banks without recourse	-	(432,435)	(432,435)
Balance at December 31, 2021	<u>\$ 164,311</u>	<u>\$ 48,380</u>	<u>\$ 212,691</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2020	\$ 380,723	\$ 108,647	\$ 489,370
Purchase	90,675	-	90,675
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(212,654)	-	(212,654)
Net increase in trade receivables	-	187,683	187,683
Trade receivables factoring	-	(192,360)	(192,360)
Balance at December 31, 2020	<u>\$ 258,744</u>	<u>\$ 103,970</u>	<u>\$ 362,714</u>

Financial Liabilities at FVTPL	For the Year Ended December 31	
	2021	2020

Derivatives

Balance at January 1	\$ 1,500	\$ -
Addition	-	1,500
Recognized in profit or loss (included in other gains and losses)	(534)	-
Balance at December 31	<u>\$ 966</u>	<u>\$ 1,500</u>

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

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
Foreign unlisted shares in equity instruments	<p>Discounted cash flow:</p> <p>Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period.</p> <p>Market approach:</p> <p>In the market approach, the selling price of comparable companies was used to estimate the fair value of the target asset through comparison, analysis and adjustments.</p>
Factored trade receivables	As the effect of discounting is not significant, the fair value is measured based on the original invoice amount.
Financial liabilities at FVTPL	<p>The binomial tree evaluation model of convertible bonds:</p> <p>Consideration of the duration, the share price and volatility of the convertible bond object, conversion price, risk-free interest rate, discount rate, liquidity risk of the convertible bonds and other factors</p>

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 267,582	\$ -
Financial assets at amortized cost	2,388,136	1,652,449
Financial assets at FVTOCI		
Equity instruments	2,328,150	2,124,359
Trade receivables	48,380	103,970
<u>Financial liabilities</u>		
Amortized cost	8,445,780	3,621,798
FVTPL		
Derivatives	966	1,500

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

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 payables, other payables, bonds payable and guarantee deposits received.

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 30.

Sensitivity analysis

The Company is mainly exposed to the USD.

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 income before income tax 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 the balances below would be negative.

	USD Impact	
	For the Year Ended	
	December 31	
	2021	2020
Profit or loss	\$ 11,361	\$ 9,842

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 the Company borrows 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	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 2,985	\$ 2,985
Financial liabilities	778,881	961,570
Cash flow interest rate risk		
Financial assets	713,105	478,599
Financial liabilities	6,389,180	2,171,550

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% increase or decrease in interest rates 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.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's income before income tax for the years ended December 31, 2021 and 2020 would have decreased/increased by \$5,676 thousand and \$1,693 thousand, respectively.

The Company's sensitivity to interest rates increased during the current year mainly due to the increase in financial liabilities with cash flow interest rate risk.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. The Company manages this exposure by maintaining a portfolio of investments with different risk.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher or lower, pre-tax profit for the year ended December 31, 2021 would have changed by \$2,679 thousand; there was no effect since the Company did not hold the financial assets at FVTPL for the year ended December 31, 2020.

### 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 trade receivables, 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. As of December 31, 2021 and 2020, the amount of unused financing facilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Amount unused	<u>\$ 11,874,500</u>	<u>\$ 13,915,290</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	More than 1 Year	Total
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 1,768,398	\$ -	\$ 1,768,398
Lease liabilities	2,308	823	3,131
Floating interest rate liabilities	<u>5,608,823</u>	<u>780,357</u>	<u>6,389,180</u>
	<u>\$ 7,379,529</u>	<u>\$ 781,180</u>	<u>\$ 8,160,709</u>

December 31, 2020

Non-interest bearing liabilities	\$ 742,495	\$ -	\$ 742,495
Lease liabilities	3,531	3,131	6,662
Floating interest rate liabilities	<u>1,584,050</u>	<u>587,500</u>	<u>2,171,550</u>
	<u>\$ 2,330,076</u>	<u>\$ 590,631</u>	<u>\$ 2,920,707</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
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 2,308</u>	<u>\$ 823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 3,531</u>	<u>\$ 3,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the year were as follows:

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used)
<u>December 31, 2021</u>					
Fubon bank	\$ 737,877	\$ 206,800	\$ 98,130	\$ 531,077	2M TAFIX3 +0.25%
	(USD 26,657)	(USD 7,471)	(USD 3,545)	(USD 19,186)	
<u>December 31, 2020</u>					
Fubon bank	\$ 338,380	\$ 218,354	\$ 170,451	\$ 120,026	2M TAFIX3 +0.25%
	(USD 11,881)	(USD 7,667)	(USD 5,985)	(USD 4,214)	

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 (Receivables factoring proceeds are classified as other receivables).

## 27. TRANSACTIONS WITH RELATED PARTIES

### a. Categories of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Chi Mao Company	Subsidiary
Tai Chyang Investment Co., Ltd.	Other Related Party
Chin Ying Fa Mechanical Ind. Co., Ltd.	Other Related Party

### b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Other related parties	\$ <u>3,820</u>	\$ <u>4,282</u>

### c. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2021</u>	<u>2020</u>
Notes receivable	Other Related Parties	\$ 238	\$ -
Trade receivables	Other Related Parties	<u>1,252</u>	<u>712</u>
		\$ <u>1,490</u>	\$ <u>712</u>

### d. Other income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 66	\$ 66
Other related parties	<u>30</u>	<u>30</u>
	\$ <u>96</u>	\$ <u>96</u>

### e. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 86,471	\$ 45,819
Post-employment benefits	<u>491</u>	<u>509</u>
	\$ <u>86,962</u>	\$ <u>46,328</u>

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

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2021	2020
Pledged time deposits (classified as other current assets)	\$ 2,985	\$ 2,985

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Company as of December 31, 2021 and 2020 were as follows:

- As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials amounted to \$879,998 thousand and \$436,516 thousand, respectively.
- As of December 31, 2021 and 2020, unpaid contracts for purchases of raw materials and equipment amounted to \$1,998,898 thousand and \$221,855 thousand, respectively.

## 30. 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:

	December 31					
	2021			2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Monetary items</u>						
Financial assets						
USD	\$ 41,044	27.68	\$ 1,136,088	\$ 34,558	28.48	\$ 984,213
<u>Non-monetary items</u>						
Investments accounted for using the equity method						
TRY	808,551	2.076	1,678,553	372,964	3.8363	1,430,801

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

	For the Year Ended December 31			
	2021		2020	
	Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Net Foreign Exchange Gains (Losses)
USD		28.01 (USD:NTD)	\$ (10,019)	\$ (66,333)

### 31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 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 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 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) Information on investees (Table 4)

b. Information on investments in mainland China (None)

c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

**TABLE 1**

**YC INOX CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currency)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	YC INOX TR Company	Subsidiary	\$ 1,880,413	\$ 276,800 (USD 10,000)	\$ 276,800 (USD 10,000)	\$ -	\$ -	3	\$ 3,760,826	Y	-	-	-

Note 1: 0 represents the parent company.

Note 2: The endorsement/guarantee limit for each entity and aggregate endorsement/guarantee limit are 20% and 40%, respectively, of the net assets of the Company.

Note 3: Figures in foreign currency in the table above were converted into New Taiwan Dollars at the exchange rate on the balance sheet date.

**TABLE 2**

**YC INOX CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars and Shares)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	<u>Ordinary Shares</u>						
	Ta Chen Stainless Pipe Co., Ltd	None	Financial assets at FVTPL - current	5,791	\$ 267,852	0.30	\$ 267,852
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	11,051	57,688	9.33	57,688
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	7,720	2,163,839	7.03	2,163,839
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-2	None	Financial assets at FVTOCI - non-current	20,426	106,623	23.00	106,623
Chi Mao Company	<u>Ordinary Shares</u>						
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	560	2,923	0.47	2,923
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	900	252,261	0.82	252,261
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-1	None	Financial assets at FVTOCI - non-current	15,915	83,077	4.74	83,077

**TABLE 3**

**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, 2021  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 2)		Acquisition (Note 3)		As of December 31, 2021				Ending Balance (Note 2)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	Ordinary shares (Note 1)	Investment accounted for using the equity method	YC INOX TR Company	Subsidiary	360	\$ 1,430,801	360	\$ 979,951	-	\$ -	\$ -	\$ -	720	\$ 1,678,553

Note 1: YC INOX TR Company’s ordinary shares have a par value of TRY1,000 thousand.

Note 2: The balance included the share of profit or loss from investments in subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 3: Refer to Note 11.

**TABLE 4**

**YC INOX CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount		
The Company	Chi Mao Company	Xizhou Township, Changhua County, Taiwan	Investment	\$ 100,120	\$ 100,120	10,000,000	100	\$ 272,532	\$ (968)	\$ (968)
	YC INOX TR Company	Turkey	Manufacturing and distribution of stainless steel tubes/pipes and sheets/coils	2,647,080	1,667,129	720	100	1,678,553	238,812	238,812

**TABLE 5****YC INOX CO., LTD****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

---

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of Ownership
Tai Chyang Investment Co. Ltd.	59,909,508	13.47%
Shun Chyang Investment Co. Ltd.	25,317,298	5.69%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

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**STATEMENT 1**

**YC INOX CO., LTD.**

**STATEMENT OF CASH**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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Item	Amount
Cash on hand	<u>\$ 1,010</u>
Cash in banks	
Checking account deposits	14,546
Demand deposits	126,909
Foreign deposits (Note)	<u>586,196</u>
	<u><u>\$ 728,661</u></u>

Note: Including US\$20,503 thousand and EUR\$596 thousand. The exchange rates are US1=NT\$27.68, and EUR1=NT\$31.32.

**STATEMENT 2**

**YC INOX CO., LTD.**

**STATEMENT OF NOTES RECEIVABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
LXX818	\$ 28,260
LXX108	23,215
LXX125	10,377
LXX152	9,619
Other (Note)	<u>94,749</u>
	<u>\$ 166,220</u>

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

**STATEMENT 3**

**YC INOX CO., LTD.**

**STATEMENT OF TRADE RECEIVABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
LXX837	\$ 75,219
Others (Note)	1,168,893
Less: Allowance for impairment loss	<u>(2,242)</u>
	<u>\$ 1,241,870</u>

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

**STATEMENT 4**

**YC INOX CO., LTD.**

**STATEMENT OF OTHER RECEIVABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Factored receivables	\$ 206,800
Value-added tax refund receivables	83,816
Others	<u>6,020</u>
	<u>\$ 296,636</u>

**STATEMENT 5****YC INOX CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value (Note)</b>
Raw materials	\$ 3,071,953	\$ 3,028,253
Work in progress	89,175	89,175
Semi-manufactured goods	500,471	489,871
Finished goods	2,900,464	2,889,264
Merchandise	<u>20,073</u>	<u>18,273</u>
	6,582,136	<u>\$ 6,514,836</u>
Less: Allowance for loss on inventory valuation	<u>(67,300)</u>	
	<u>\$ 6,514,836</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 CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Beginning Balance		Acquisition		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	Exchange of Financial Statements of Foreign Operations			Market Value or Net Equity
	Number of Shares	Amount	Number of Shares	Amount				Shareholding			
								Number of Shares	Percentage (%)	Amount	
Chi Mao Company	10,000,000	\$ 255,824	-	\$ -	\$ (968)	\$ -	\$ 17,676	10,000,000	100	\$ 272,532	\$ 272,532
YC INOX TR Company	360	<u>1,430,801</u>	360	<u>979,951</u>	<u>238,812</u>	<u>(971,011)</u>	<u>-</u>	720	100	<u>1,678,553</u>	<u>1,678,553</u>
		<u>\$ 1,686,625</u>		<u>\$ 979,951</u>	<u>\$ 237,844</u>	<u>\$ (971,011)</u>	<u>\$ 17,676</u>	-		<u>\$ 1,951,085</u>	<u>\$ 1,951,085</u>

**STATEMENT 7****YC INOX CO., LTD.****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Cost				
Land	\$ 4,343	\$ -	\$ (3,001)	\$ 1,342
Buildings	2,000	-	-	2,000
Other equipment	5,437	-	-	5,437
	<u>11,780</u>	<u>\$ -</u>	<u>\$ (3,001)</u>	<u>8,779</u>
Accumulated Depreciation				
Land	4,037	\$ 278	\$ (3,001)	1,314
Buildings	400	400	-	800
Other equipment	810	2,776	-	3,586
	<u>5,247</u>	<u>\$ 3,454</u>	<u>\$ (3,001)</u>	<u>5,700</u>
	<u>\$ 6,533</u>			<u>\$ 3,079</u>

**STATEMENT 8**

**YC INOX CO., LTD.**

**STATEMENT OF OTHER NON-CURRENT ASSETS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Decorations	\$ 52,260
Refundable deposits	144
Overdue receivables	206
Less: Allowance for impairment loss	<u>(206)</u>
	<u>\$ 52,404</u>

**STATEMENT 9****YC INOX CO., LTD.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

<b>Credit Type and Bank</b>	<b>Maturity Date (Note)</b>	<b>Annual Interest Rate Range (%)</b>	<b>Amount</b>
Letter of credit borrowings and export bills			
Bank of Taiwan Yuan-Lin Branch	2022.04.26		\$ 729,805
Hua Nan Commercial Bank Yuan-Lin Branch	2022.06.28		912,395
Taipei Fubon Bank Zhong-Gang Branch	2022.06.25	0.32-0.80	970,241
Mega International Commercial Bank South Chunghwa Branch	2022.03.30		517,066
E. Sun Bank Taichung Branch	2022.03.30		<u>659,673</u>
			<u>\$ 3,789,180</u>
Line of Credit Borrowings			
The Export-Import Bank of the Republic of China Taichung Branch	2022.07.26		\$ 300,000
Taipei Fubon Bank Zhong-Gang Branch	2022.04.22	0.46-0.98	100,000
Bank of Taiwan Yuan-Lin Branch	2022.03.29		300,000
Mega International Commercial Bank South Chunghwa Branch	2022.05.13		300,000
HSBC Bank Taichung Branch	2022.04.25		<u>700,000</u>
			<u>\$ 1,700,000</u>

Note: Shown maturity date is the last maturity date of all the loans.

**STATEMENT 10**

**YC INOX CO., LTD.**

**STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
FXX104	\$ 620,565
Others (Note)	<u>150,791</u>
	<u>\$ 771,356</u>

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

YC INOX CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Credit Type and Bank	Loan Period	Repayment Method	Annual Interest Rate (%)	Current Portion	Maturity after One Year	Total
Unsecured Borrowings						
Bank of Taiwan Yuan-Lin Branch	2021.10.25-2024.10.25	Interest payable monthly, one-time repayment of principal in full on the maturity date		\$ -	\$ 200,000	\$ 200,000
Export-Import Bank of the Republic of China Taichung Branch	2020.03.31-2025.03.31	Interest payable quarterly, one-time repayment of principal in full on the maturity date		57,143	142,857	200,000
"	2021.09.24-2026.09.24	Interest payable quarterly, one-time repayment of principal in full on the maturity date		-	100,000	100,000
"	2021.10.26-2026.10.26	Interest payable quarterly, one-time repayment of principal in full on the maturity date	0.88-0.90	-	100,000	100,000
Hua Nan Commercial Bank Yuan-Lin Branch	2020.08.11-2025.08.11	Interest payable monthly, one-time repayment of principal in full, one year after the maturity date		25,000	75,000	100,000
"	2021.10.25-2024.10.25	Interest payable monthly, one-time repayment of principal in full on the maturity date		-	100,000	100,000
E. Sun Bank	2021.03.29-2024.03.29	Interest payable monthly, one-time repayment of principal in full, one year after the maturity date		<u>37,500</u>	<u>62,500</u>	<u>100,000</u>
				<u>\$ 119,643</u>	<u>\$ 780,357</u>	<u>\$ 900,000</u>

**STATEMENT 12****YC INOX CO., LTD.****STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Lease Period</b>	<b>Discount Rate (%)</b>	<b>Ending Balance</b>
Land	2010.04-2022.04	1.20	\$ 30
Building	2020.01-2024.12	1.15	1,214
Other equipment	2020.09-2022.08	0.88	638
Other equipment	2020.09-2022.08	0.88	638
Other equipment	2020.09-2022.08	0.88	<u>586</u>
			<u>\$ 3,106</u>

**STATEMENT 13**

**YC INOX CO., LTD.**

**STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity (Tons)</b>	<b>Amount</b>
Stainless Steel Sheets/Coils	93,144	\$ 8,047,890
Stainless Steel Tubes/Pipes	89,612	9,478,885
Others	2,441	<u>251,144</u>
Net revenue		<u>\$ 17,777,919</u>

**STATEMENT 14****YC INOX CO., LTD.**
**STATEMENT OF COST OF GOODS SOLD**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**


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Item	Amount
Cost of goods purchased	
Goods at the beginning of the year	\$ 29,868
Add: Purchases this year	108,611
Transferred from materials	417,531
Less: Others	(9,397)
Goods at the end of the year	<u>(20,073)</u>
Total cost of goods purchased	\$ 526,540
Cost of produced goods	
Raw materials at the beginning of the year	827,526
Add: Materials purchased this year	16,823,410
Others	15,451
Less: Transferred to goods	(417,531)
Raw materials at the end of the year	<u>(3,000,941)</u>
Raw materials used	14,247,915
Direct labor	312,057
Manufacturing expenses	<u>1,187,752</u>
Manufacturing cost	15,747,724
Add: Work in process at the beginning of the year	96,544
Transferred from finished goods	5,394,316
Transferred from semi-finished goods	7,473,081
Less: Other	(14,395)
Work in process at the end of the year	(89,175)
Add: Semi-finished goods at the beginning of the year	390,415
Others	57,650
Less: Transferred to work in process	(7,473,081)
Semi-finished goods at the end of the year	<u>(500,471)</u>
Cost of finished goods	21,082,608
Add: Finished goods at the beginning of the year	1,617,439
Less: Transferred to work in process	(5,394,316)
Others	9,310
Finished goods at the end of the year	<u>(2,900,464)</u>
Cost of produced goods sold	14,414,577
Processing cost	9,934
Sales of scraps	(138,595)
Inventory surplus	19,423
Loss on write-down of inventories	<u>52,900</u>
Cost of goods sold	<u>\$ 14,884,779</u>

**YC INOX CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total</b>
Salary	\$ 91,792	\$ 141,414	\$ 233,206
Freight	969,258	26	969,284
Depreciation	4,927	27,998	32,925
Entertainment fees	547	17,862	18,409
Commissions	17,474	-	17,474
Import and export fees	129,676	-	129,676
Others	<u>8,192</u>	<u>75,971</u>	<u>84,163</u>
	<u>\$ 1,221,866</u>	<u>\$ 263,271</u>	<u>\$ 1,485,137</u>