

China Ecotek Corporation

Standalone Financial
Statements for the Years Ended
December 31, 2023 and 2022
and Independent Auditors'
Report

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Independent Auditors' Report

The Board of Directors and Shareholders
China Ecotek Corporation

Opinion

We have audited the accompanying standalone financial statements of China Ecotek Corporation (The “Company”), which comprise the standalone balance sheets as of December 31, 2023 and 2022, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2023 and 2022, and its standalone financial performance and its standalone 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 Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone 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 standalone financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we

do not provide a separate opinion on these matters.

Key audit matters of the Company's standalone financial statements for the year ended December 31, 2023 are stated as follows:

Assessment of the estimated total project cost

The Company has signed many construction contracts, and recognized construction revenues according to the percentage completion method. Construction progress is calculated based on the actual construction costs incurred under each contract as a percentage of the estimated total construction cost of the project. The estimated total project cost involves a major accounting estimate, and affects the recognition of construction progress and revenues. Hence, the assessment of estimated total project cost is listed as a key audit matter. For relevant accounting policies, major accounting estimates, and explanations of determination, please refer to the Standalone Financial Statements Note 4 and Note 5.

Our audit procedures performed included the following:

1. Understand control procedures for the assessment of the estimated total project cost, and conduct sampling inspections of the consistency between preparation process and internal controls.
2. Conduct a sampling inspection of documentation related to the assessment of the estimated total project cost for new projects and additions/reductions in the current year.
3. Conduct a sampling inspection to see if there are any major abnormalities between the actual total cost of projects concluded this year and their estimated total project cost, in order to verify the reasonableness of estimated total project cost. Conduct a sampling inspection of abnormal changes in estimated total cost, in order to determine the reasonableness of calculating the percentage of construction progress based on the estimated total project cost before the balance sheet date.

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

Management is responsible for the preparation and fair presentation of the standalone

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 standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Republic of China will always detect a material misstatement when it exists. Misstatement 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 standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone 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 omission, misrepresentation, 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 auditor's report to the related disclosures in the standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be

thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2023 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 Lee-Yuan Kuo and Chao-Chun Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

China Ecotek Corporation
Standalone Balance Sheets
December 31, 2023 and 2022

In Thousand of NTD

Code	Asset	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6, and 14)	\$ 426,644	6	\$ 1,000,064	15
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	85,081	1	94,311	1
1120	Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	31,050	-	-	-
1139	Financial assets for hedging - current (Notes 4 and 12)	929,260	14	984,542	14
1140	Contract assets - current (Notes 4, 25, and 31)	1,253,420	18	450,892	7
1150	Notes receivable (Notes 4 and 9)	-	-	43	-
1170	Accounts receivable, net (Notes 4 and 9)	43,837	1	239,763	4
1180	Accounts receivable - related parties (Notes 4, 9, and 31)	581,748	9	484,866	7
1200	Other receivables (Note 9)	11,414	-	12,645	-
1220	Current tax assets (Note 27)	-	-	6,496	-
130X	Inventories (Notes 4 and 10)	11,704	-	19,334	-
1476	Other financial assets - current (Notes 12 and 32)	350	-	351,553	5
1479	Other current assets (Note 13)	106,923	2	121,620	2
11XX	Total current assets	3,481,431	51	3,766,129	55
	Noncurrent assets				
1510	Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	31,880	-	32,207	-
1517	Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	124,976	2	102,782	2
1550	Investments accounted for using equity method (Notes 4 and 11)	2,084,026	31	2,062,574	30
1600	Property, plant and equipment (Notes 4 and 15)	591,372	9	310,550	5
1755	Right-of-use assets (Notes 4 and 16)	71,706	1	92,956	1
1760	Investment property (Notes 4, 17, and 31)	323,521	5	323,521	5
1780	Intangible assets (Note 4)	11,138	-	8,206	-
1840	Deferred tax assets (Note 27)	52,065	1	47,934	1
1915	Advance payments for equipment	705	-	101,801	1
1920	Refundable deposits	6,694	-	5,852	-
1995	Other noncurrent assets	1,609	-	445	-
15XX	Total noncurrent assets	3,299,692	49	3,088,828	45
1XXX	Total assets	\$ 6,781,123	100	\$ 6,854,957	100
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 4 and 18)	\$ 100,000	2	\$ -	-
2130	Contract liabilities - current (Notes 4, 14, 25, and 31)	1,060,741	16	1,597,256	23
2170	Accounts payable (Note 19)	847,952	13	601,610	9
2180	Accounts payable - related parties (Notes 19 and 31)	15,418	-	14,016	-
2200	Other payables (Notes 14 and 20)	601,245	9	588,815	8
2230	Current tax liabilities (Note 27)	67,283	1	56,904	1
2250	Provisions - current (Notes 4, 14, and 21)	8,577	-	35,314	1
2280	Lease liabilities - current (Notes 4, 16, and 31)	30,732	-	37,163	1
2399	Other current liabilities (Note 20)	89,851	1	99,213	1
21XX	Total current liabilities	2,821,799	42	3,030,291	44
	Noncurrent liabilities				
2527	Contract liabilities - noncurrent (Notes 4, 14, 25, and 31)	39,335	-	-	-
2550	Provisions - noncurrent (Notes 4, 14, and 21)	-	-	41,418	1
2570	Deferred tax liabilities (Note 27)	67,214	1	60,578	1
2580	Lease liabilities - noncurrent (Notes 4, 16, and 31)	39,859	1	55,991	1
2640	Net defined benefit liability (Notes 4 and 22)	151,768	2	155,640	2
25XX	Total noncurrent liabilities	298,176	4	313,627	5
2XXX	Total liabilities	3,119,975	46	3,343,918	49
	Equity (Note 24)				
3110	Capital - common stock	1,237,426	18	1,237,426	18
3200	Capital surplus	628,629	9	628,374	9
	Retained earnings				
3310	Legal reserve	725,889	11	671,306	10
3320	Special reserve	-	-	56,639	1
3350	Undistributed earnings	1,098,808	16	916,958	13
3300	Total retained earnings	1,824,697	27	1,644,903	24
3400	Other equity	(29,604)	-	336	-
3XXX	Total equity	3,661,148	54	3,511,039	51
	Total liabilities and equity interests	\$ 6,781,123	100	\$ 6,854,957	100

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation
Standalone Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022

In Thousand of NTD, Except EPS

Code	2023		2022	
	Amount	%	Amount	%
Operating revenues (Notes 4, 14, 25, and 31)				
4100 Sales revenue	\$ 136,176	1	\$ 113,139	1
4500 Construction revenue	9,193,833	96	8,115,265	95
4600 Technical service revenue	278,832	3	297,652	4
4000 Total operating revenue	9,608,841	100	8,526,056	100
Operating costs (Notes 10, 14, 26, and 31)				
5110 Cost of goods sold	108,215	1	86,213	1
5500 Construction costs	8,303,285	86	7,401,402	87
5600 Technical service costs	242,799	3	250,781	3
5000 Total operating costs	8,654,299	90	7,738,396	91
5900 Gross profit	954,542	10	787,660	9
5910 Less: Unrealized gain from sale	5,033	-	8,305	-
5920 Plus: Realized gain from sale	6,406	-	8,184	-
5950 Realized gross profit from operations	955,915	10	787,539	9
Operating expenses (Note 26)				
6100 Selling expenses	37,466	1	39,966	-
6200 General and administrative expenses	427,437	4	401,500	5
6300 Research and development expenses	12,115	-	14,793	-
6000 Total operating expenses	477,018	5	456,259	5
6900 Operating profit	478,897	5	331,280	4
Non-operating income and expenses (Notes 11, 26, and 31)				
7100 Interest income	32,470	-	19,935	-
7010 Other income	15,386	-	22,596	-
7020 Other profits and losses	(12,770)	-	85,587	1
7050 Financial costs	(1,113)	-	(797)	-
7060 Share of the profit of associates	156,148	2	143,573	2
7000 Total	190,121	2	270,894	3
7900 Profit before income tax	669,018	7	602,174	7
7950 Income tax expense (Notes 4 and 27)	112,126	1	81,655	1
8200 Net profit for the year	556,892	6	520,519	6

		2023		2022	
Code		Amount	%	Amount	%
	Other comprehensive income (Notes 22, 24, and 27)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of the net defined benefit	(12,107)	-	26,139	-
8316	Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	24,192	-	(29,286)	(1)
8317	Gains and losses on hedging instruments	(24,390)	-	58,485	1
8320	Share of the other comprehensive income of associates	(4,837)	-	(9,244)	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	2,861	-	(11,068)	-
8360	Items that may be reclassified subsequently to profit or loss				
8370	Share of the other comprehensive income of associates	(27,397)	(1)	60,290	1
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	5,868	-	(11,405)	-
8300	Other comprehensive income for the year, net of income tax	(35,810)	(1)	83,911	1
8500	Total comprehensive income in the current year	\$ 521,082	5	\$ 604,430	7
	Earnings per share (Note 28)				
9750	Basic	\$ 4.50		\$ 4.21	
9850	Diluted	4.48		4.18	

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation
Standalone Statements of Changes in Equity
January 1 to December 31, 2023 and 2022

In Thousand of NTD

		Equity attributable to owners of the Company											
								Other equity					
Code		Capital - common stock		Capital surplus	Retained earnings			Exchange differences on translating foreign operations	Unrealized gains and losses on financial assets at fair value through other comprehensive income	Gain and losses on hedging instruments	Total other equity	Total equity	
		Shares (In thousand)	Amount		Legal reserve	Special reserve	Undistributed earnings						Total
A1	Balance at January 1, 2022	123,743	\$ 1,237,426	\$ 628,374	\$ 631,546	\$ 95,811	\$ 693,450	\$ 1,420,807	\$ (103,630)	\$ 80,844	\$ (33,853)	\$ (56,639)	\$ 3,229,968
	Appropriation of 2021 earnings (Note 24)												
B1	Legal reserve	-	-	-	39,760	-	(39,760)	-	-	-	-	-	-
B3	Reversal special reserve	-	-	-	-	(39,172)	39,172	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(321,731)	(321,731)	-	-	-	-	(321,731)
		-	-	-	39,760	(39,172)	(322,319)	(321,731)	-	-	-	-	(321,731)
D1	Net income	-	-	-	-	-	520,519	520,519	-	-	-	-	520,519
D3	Other comprehensive income (loss), net of income tax	-	-	-	-	-	26,900	26,900	48,885	(42,721)	50,847	57,011	83,911
D5	Total comprehensive income (loss)	-	-	-	-	-	547,419	547,419	48,885	(42,721)	50,847	57,011	604,430
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	36	36	-	(36)	-	(36)	-
T1	Adjustment from changes in equity of associate for using equity method	-	-	-	-	-	(1,628)	(1,628)	-	-	-	-	(1,628)
Z1	Balance at December 31, 2022	123,743	1,237,426	628,374	671,306	56,639	916,958	1,644,903	(54,745)	38,087	16,994	336	3,511,039
	Appropriation of 2022 earnings (Note 24)												
B1	Legal reserve	-	-	-	54,583	-	(54,583)	-	-	-	-	-	-
B3	Reversal special reserve	-	-	-	-	(56,639)	56,639	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(371,228)	(371,228)	-	-	-	-	(371,228)
		-	-	-	54,583	(56,639)	(369,172)	(371,228)	-	-	-	-	(371,228)
D1	Net income	-	-	-	-	-	556,892	556,892	-	-	-	-	556,892
D3	Other comprehensive income (loss), net of income tax	-	-	-	-	-	(11,689)	(11,689)	(21,529)	16,599	(19,191)	(24,121)	(35,810)
D5	Total comprehensive income (loss)	-	-	-	-	-	545,203	545,203	(21,529)	16,599	(19,191)	(24,121)	521,082
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	5,819	5,819	-	(5,819)	-	(5,819)	-
T1	Adjustment from changes in equity of associate for using equity method	-	-	255	-	-	-	-	-	-	-	-	255
Z1	Balance at December 31, 2023	123,743	\$ 1,237,426	\$ 628,629	\$ 725,889	\$ -	\$ 1,098,808	\$ 1,824,697	\$ (76,274)	\$ 48,867	\$ (2,197)	\$ (29,604)	\$ 3,661,148

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation
Standalone Cash Flow Statements
January 1 to December 31, 2023 and 2022

In Thousand of NTD

Code		2023	2022
	Cash flow from operating activities		
A10000	Profit before income tax	\$ 669,018	\$ 602,174
A20010	Adjustments for:		
A20100	Depreciation expense	54,093	52,695
A20200	Amortization expense	6,776	5,410
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	12,099	(85,590)
A20900	Financial costs	1,113	797
A21200	Interest income	(32,470)	(19,935)
A21300	Dividend income	(1,125)	(14,529)
A22300	Share of the profit of associates	(156,148)	(143,573)
A22500	Loss (gain) on disposal of property, plant and equipment	483	(85)
A23900	Unrealized sales margin	5,033	8,305
A24000	Realized sales margin	(6,406)	(8,184)
A29900	Recognition of provisions	5,092	30,150
A29900	Others	108	(155)
A30000	Net changes in operating assets and liabilities		
A31120	Hedging financial assets	30,892	(177,540)
A31125	Contract assets	(802,528)	167,533
A31130	Notes receivable	43	(43)
A31150	Accounts receivable	195,926	(135,728)
A31160	Accounts receivable - related parties	(96,882)	200,020
A31180	Other receivables	(238)	84
A31200	Inventories	7,630	(13,120)
A31240	Other current assets	9,527	(47,597)
A32125	Contract liabilities	(544,204)	(108,260)
A32150	Accounts payable	246,342	(89,849)
A32160	Accounts payable - related parties	1,402	6,885
A32180	Other payables	(457)	60,453
A32200	Provisions	(26,223)	(30,414)
A32230	Other current liabilities	(606)	3,712
A32240	Net defined benefit liability	(15,979)	(81,884)
A33000	Cash used (generated) from operations	(437,689)	181,732
A33500	Income tax paid (received)	(84,017)	93
AAAA	Net cash used (generated) from operating activities	(521,706)	181,825
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(29,052)	-

Code		2023	2022
B00100	Acquisition of financial assets at fair value through profit or loss	(14,811)	-
B00200	Disposal of financial assets at fair value through profit or loss	12,269	248,929
B02400	Refunded payments for shares from capital reduction of investee recognized under the equity method	4,861	15,567
B02700	Acquisition of property, plant and equipment	(187,478)	(119,119)
B02800	Proceeds from disposal of property, plant and equipment	201	85
B03800	Decrease in refundable deposits	4,328	59,598
B04500	Acquisition of intangible assets	(9,708)	(9,660)
B06600	Decrease in other financial assets	351,203	133,154
B06700	Increase in other noncurrent assets	(1,164)	(398)
B07500	Interest received	33,939	13,566
B07600	Dividend received from associates	98,990	200,694
B07600	Dividend received from others	1,125	14,529
BBBB	Net cash generated in investing activities	<u>264,703</u>	<u>556,945</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	100,000	-
C03000	Increase in guarantee deposit received	-	2,423
C03100	Decrease in guarantee deposit received	(8,756)	-
C04020	Repayment of principal of lease liabilities	(35,343)	(32,124)
C04500	Cash dividends paid	(371,228)	(321,731)
C05600	Interest paid	(1,090)	(797)
CCCC	Net cash used in financing activities	<u>(316,417)</u>	<u>(352,229)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(573,420)	386,541
E00100	Cash and cash equivalents at the beginning of year	<u>1,000,064</u>	<u>613,523</u>
E00200	Cash and cash equivalents at the end of year	<u>\$ 426,644</u>	<u>\$ 1,000,064</u>

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

Chairman: Zhen-Jiang Chen

Managerial Officer: Chih-Feng Lee

Accounting Officer: Ya-Min Chuang

China Ecotek Corporation
Notes to Standalone Financial Statements
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Company History

China Ecotek Corporation (the “Company”) was established in March 1993, and its main shareholder is China Steel Corporation (owned 44.76% shares of the Company’s voting shares; parent company has substantive control over the Company). The Company mainly engages in the planning, design, installation, maintenance, and environmental impact assessment for environmental protection equipment, co-generation equipment, and steel industry equipment. The shares of the Company have been listed on the Taiwan Stock Exchange since September 2001.

The standalone financial statements are presented in the Company’s function currency, the New Taiwan dollars.

2. Date and Procedures of Approval of the Financial Statements

The standalone financial statements were approved by the board of directors and authorized for issue on February 27, 2024.

3. Application of New Standards, Amendments, and Interpretations

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

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

(II) The IFRSs endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective date Announced by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the standalone financial statements were passed by the Board of Directors and released, the Company has determined that other amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

(III) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective date Announced by IASB(Note1)
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative of translation difference in equity.

As of the date the standalone financial statements were passed by the Board of Directors and released, the Company is still assessing the impact of other amendments to standards and interpretations on its financial position and financial performance, and will disclose the results once assessment is completed.

4. Summarized of Significant Accounting Policies

(I) Statement of compliance

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

(II) Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments that 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).
3. Level 3 inputs are unobservable inputs for an asset or liability.

The Company used the equity method for subsidiaries and associates when preparing the standalone financial statements. For profit/loss, other comprehensive income, and equity in the current year in the standalone financial statements to match the profit/loss, other comprehensive income, and equity attributable to owners of the

Company in the consolidated financial statements, "investments recognized under the equity method," "share of profits/losses of subsidiaries and associates under the equity method," "share of other comprehensive income of subsidiaries and associates under the equity method," and related equity items were adjusted for several accounting differences between the standalone and consolidated basis.

(III) 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 and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period; and
3. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

The operating cycle of the construction business is longer than 1 year; hence the construction business of the Company was divided into current and noncurrent according to the general operating cycle.

(IV) Foreign currencies

When the Company was preparing the standalone financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. Except for currency translation difference resulting from hedging transactions against exchange rate risk, the currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current year.

Foreign currency-denominated nonmonetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated nonmonetary items carried at historical costs are converted on the transaction date and are not re-converted.

If the Company disposes of all equity interests in a foreign operation, or dispose of a portion of equity interests in the subsidiary of a foreign operation but loses control, or the retained equity interest after disposing of an associate of a foreign operation is a financial asset accounted according to the accounting policy for financial instruments, all accumulated currency translation difference related to the foreign operation will be reclassified as profit or loss.

If disposal of a portion of equity interest in a foreign operation by a subsidiary does not result in loss of control, accumulated currency translation difference will be proportionally recognized as an equity transaction but not recognized as profit or loss. Accumulated currency translation difference is reclassified to gains/losses according to the percentage of foreign operations disposed of in any other part.

(V) Inventory

Inventory includes raw materials and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. The cost of inventories is calculated at its weighted average.

(VI) Investments recognized under the equity method

The Company handles investments in subsidiaries and associates using the equity method.

1. Investment subsidiary

A subsidiary refers to an entity in which the Company exercises control.

Under the equity method, investments are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of subsidiaries and profit distribution. Furthermore, changes to other

equity interests of subsidiaries are recognized according to the Company's shareholding ratio.

Any change in the ownership interest that does not cause the Company to lose control of the subsidiary is accounted under the equity method. Difference between the book value of an investee and the fair value of considerations paid/received is directly recognized as equity.

When the Company's share of loss in a subsidiary is equal to or exceeds the Company's equity in the subsidiary (including the subsidiary's carrying amount under the equity method and other long-term equity interests that are part of the Company's net investment in the subsidiary), the loss is recognized according to the shareholding percentage.

When the Company assesses impairment, cash generating units are considered as a whole in financial statements and the recoverable amount is compared with the carrying amount. When the recoverable amount of assets increases, then impairment loss is reversed and recognized as gain. However, after reversal of impairment losses, the carrying amount of assets may not exceed the amortized carrying amount of assets before recognizing impairment loss. Goodwill impairment may not be reversed in subsequent periods.

When the Company loses control over a subsidiary, the Company measures the remaining investment in the former subsidiary based on the fair value on the date control was lost. The difference between the fair value of the remaining investment with the proceeds from disposal and the investment's carrying amount on

the date control is lost is listed as profit or loss in the current year. All amounts previously recognized in other comprehensive income related to the subsidiary shall be accounted on the same basis as if the subsidiary had directly disposed of such assets or liabilities.

Unrealized gains from downstream transactions between the Company and subsidiaries are eliminated from the standalone financial statements. Gains/losses arising from upstream transactions between the Company and subsidiaries and transactions among subsidiaries were not within the scope of control exercised by the Company over subsidiaries, and were thus recognized in the standalone financial statements.

2. Investment in associates

An associate is an enterprise in which the Company has significant influence, but is not a subsidiary or a joint venture. Joint venture refers to an agreement between the Company with other companies to have joint control and rights over net assets.

The Company's investments in associates are recognized under the equity method. Under the equity method, investments in associates are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of associates and profit distribution. Furthermore, changes to equity interests of associates are recognized according to shareholding ratio.

When an associate issues new shares, if the Company does not subscribe for the shares according to its shareholding percentage

and results in a change in shareholding percentage, which causes the net value of equity invested to increase or decrease, capital surplus – net value of equity of associates recognized under the equity method and investments recognized under the equity method will be adjusted according to the change. If ownership interest in an associate decreases due to not subscribing for or acquiring shares according shareholding ratio, all amounts previously recognized in other comprehensive income related to the associates will be reclassified according to the decreased percentage, and the basis for accounting treatment will be the same as if the associates had directly disposed of such assets or liabilities. If capital surplus needs to be decreased for the adjustment above and the balance of capital surplus from investments recognized under the equity method is insufficient, the difference is deducted from retained earnings.

When the Company is assessing impairment, the overall carrying amount of the investment is viewed as a single asset to compare the recoverable amount with carrying amount for impairment testing, and the impairment losses recognized is a part of the investment's carrying amount. Any reversal of impairment losses is recognized within the scope of increase in recoverable amount of the investment.

The Company stops using the equity method when the investee is no longer an associate, and retained interests in the original associates are measured at fair value. The difference between the fair value and proceeds from the disposal and carrying amount of the investment on the date the equity method is no longer used is listed as a profit or loss in the current year. All amounts previously recognized in other comprehensive income related to

associates shall be accounted on the same basis as if the associates had directly disposed of such assets or liabilities.

Gains or losses arising from upstream, downstream, and lateral transactions between the Company and associates were not within the scope of control exercised by the Company over associates, and were recognized in the standalone financial statements.

(VII) Joint operations

Joint operations refer to an agreement between the Company with other companies to have joint control and rights over net assets and jointly responsible for liabilities.

When the Company obtains equity in operations that meet the definition of joint operations, it is handled according to the accounting policy for company mergers. However, this does not apply when the parties that share joint control before and after equity of the joint operations is obtained are under the non-temporary control of the same ultimate controller.

With regard to equity of joint operations, the Company recognizes:

1. Its assets include the share of any jointly owned assets.
2. Its liabilities include the share of any jointly borne liabilities.
3. Its share of sales revenue from joint operations.
4. Its share of income from sale of joint operations.
5. Its expenses include the share of any jointly incurred expenses.

The Company handles assets, liabilities, revenues, and expenses related to joint operations they have an equity interest in according to the applicable standards.

The Company sells or invests assets in joint operations, profits or losses from the transaction are only recognized with the scope of equity interest other parties have in the joint operations. When the Company purchases assets from the joint operations, the share of the profit or loss is not recognized until the asset is sold to a third party.

(VIII) Property, plant and equipment

Property, plant and equipment are recognized at cost initially, then measured in cost less accumulated depreciation.

Property, plant and equipment under construction are recognized at cost. Costs include professional service fees. Such assets are measured at cost and net realizable value until they reach the expected level of utilization. Proceeds from sales and costs are recognized in profit or loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use, and depreciation expenses are recognized.

Depreciation is separately recognized for each major part of property, plant and equipment on a straight-line basis. The Company reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Investment properties

Investment properties are properties held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

The property of property, plant and equipment was reclassified to investment properties by carrying amount at the end of self-use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized as gains or losses.

(X) Intangible assets

1. Independently acquire

Independently acquired intangible assets with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Company reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting

estimates. Intangible assets with an indefinite useful life are listed at cost less accumulated impairment losses.

2. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the carrying amount of the assets are recognized as gains or losses in the current year.

(XI) Impairment of property, plant and equipment, right-of-use assets, investment properties, intangible assets, and assets related to contract cost

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties, and intangible assets on each balance sheet date. If any signs of impairment exist, then the asset's recoverable amount is estimated. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the entire cash-generating unit. The recoverable amount of corporate assets is allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its carrying amount, the Company will reduce the carrying amount of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

Impairment losses of inventory, property, plant and equipment, and intangible assets recognized due to customer contracts are first recognized according to inventory impairment rules and the provision above. The carrying amount of assets related to contract costs exceeding the balance of considerations that can be expected to be recovered from the provision of related products or professional services, minus directly related costs, is recognized as impairment loss. The carrying amount of contract cost related assets is then calculated in the cash-generating unit to assess the impairment of the cash-generating unit.

When impairment losses are reversed, the carrying amount of the asset, cash-generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased carrying amount may not exceed the asset, cash-generating unit, or contract cost related asset's book value in the previous year before impairment loss was recognized (less depreciation and amortization). Reversal of impairment losses is listed in profit and loss.

(XII) Financial instruments

When the Company is a party to contractual provisions of the instruments, financial assets and financial liabilities are recognized in the standalone balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then they are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the

acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

(1) Type of measurement

Financial assets held by the Company include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss. Financial assets required to be measured at fair value through profit or loss includes investments in equity instruments not specified by the Company to be measured at fair value through other comprehensive income, and investments in liability instruments that do not qualify to be measured at amortized cost or are measured at fair value through other comprehensive income.

For "financial assets at fair value through profit or loss," any profit or loss (including any dividends generated by the financial assets) from the remeasurement of fair value

is listed in income. Please refer to Note 30 for methods for determining fair value.

B. Financial assets at amortized cost

Financial assets that the Company invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

- a. Held under a certain business model that aims to collect cash flow from the financial asset; and
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets, and refundable deposits), they are measured at carrying amount determined using the effective interest rate method less any impairment losses. Any foreign exchange gains or losses are recognized in profit and loss.

Except for the two situations below, interest income is calculated by multiplying the effective interest rate with the financial asset's total carrying amount.

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by multiplying the

effective interest rate after credit adjustment by the amortized cost of the financial asset.

- b. For non-purchased or non-originated credit-impaired financial assets that subsequently become credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

Credit-impaired financial assets mean that the issuer or debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits and commercial paper that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

- C. Investments in equity instruments measured at fair value through other comprehensive income

The Company may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains or losses is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Company is determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets and contract assets

The Company evaluates the impairment loss of financial assets (including accounts receivable) and contract assets at amortized cost using expected credit losses (ECL) on each balance sheet date.

A loss provision is recognized for lifetime ECL for accounts receivables and contract assets. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential

default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Company may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

- A. There is internal or external information showing that the debtor is no longer able to repay debts.
- B. More than 120 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between carrying amount and consideration received is recognized in gain or loss. When derecognizing investments in equity instruments at fair value through other

comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Equity instruments issued by the Company are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in gain or loss.

(XIII) Hedge accounting

The Company engages in cash flow hedges using designated hedging tools (including non-derivative tools for avoiding exchange rate risk), and uses cash flow hedges for hedging against exchange rate risks of firm commitments.

Gain and loss on the effective portion of designated hedging tools that are cash flow hedges are recognized in other comprehensive income. The ineffective portion is immediately recognized as profit or loss.

When a hedge is recognized as profit or loss, the amount originally recognized in other comprehensive income will be reclassified to profit or loss, and recognized under hedged items in the Standalone Statements of Comprehensive Income. However, when expected hedging transactions are recognized as non-financial assets or non-financial liabilities, the amount originally recognized in other comprehensive income will be transferred from equity to the original cost of the non-financial asset or liability.

The Company only extends or suspends hedge accounting when the hedging relationship no longer meets the criteria of hedge accounting. This includes the maturity, sale, termination, or exercise of hedging tools. The amount already recognized in other comprehensive income during the effective period of the hedge is still recognized in equity before the expected transaction occurs. When the expected transaction is no longer expected to occur, the amount originally recognized in other comprehensive income will be immediately recognized in profit or loss.

(XIV) Provision

The amount recognized as liability provision give considers to the risk and uncertainty of obligations. It represents the best estimate of the cash outlay needed to settle obligations on the balance sheet date. Liability provision is measured at the discounted cash flow required to settle obligations.

1. Onerous contracts of projects

When the Company expects that unavoidable costs of fulfilling obligations of a construction contract will exceed the economic benefits expected to be obtained from the contract, the present obligation of the project's onerous contract is recognized as a liability provision. When evaluating whether a contract is losing the contract cost includes both incremental cost and other allocated direct costs.

2. Decommissioning and maintenance reserve

When equipment maintenance reserve is recognized as an expense in the current year according to commercial practices, and there is new information that makes it necessary to revise previous estimates, a change in accounting estimate is made to adjust the profit or loss in the current year. When maintenance costs are paid, the equipment maintenance reserve is first offset, and any shortfall is recognized as an expense in the current year.

(XV) Revenue recognition

After the Company identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

1. Sale of goods

Sales revenue is recognized when the Company fulfills contractual obligations by transferring goods to the customer (in principle,

when the goods are shipped for domestic sales and when the goods are loaded on to the ship for exports).

Sales revenue is measured at the fair value of considerations (after commercial discounts and quantity discounts) agreed to by the Company with customers. For contracts in which the transfer of goods and collection of consideration is less than one year apart, the trading price of its significant financing component is not adjusted.

2. Construction revenue

Revenue from construction contracts is gradually recognized by the Company in the construction process. The costs incurred by construction are directly related to the fulfillment of contractual obligations, so the Company estimates progress based on the ratio of actual costs to the estimated total project cost. The Company gradually recognizes contract assets in the construction process, and lists them under accounts receivable when an invoice is issued. If the construction payment collected exceeds the amount recognized in revenue, the difference is recognized in contract liabilities. Pursuant to the terms and conditions of contracts, the purpose of construction retainage is to ensure that the Company completes all contractual obligations, and is recognized as a contract asset before the Company completes contract performance.

3. Provision of labor services

Revenue from the provision of labor services according to a contract is recognized according to the progress of contract completion.

(XVI) Lease

On the date a contract is formed, the Company evaluates if the contract is (or includes) a lease.

Where the Company is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost (including the original amount of lease liabilities), and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities (including fixed payments and variable lease payments determined by an index or rate) are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be

discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities were measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. If there is a change to the lease tenor or the index or fee rate used to determine lease payments that results in a change in future lease payments, the Company will remeasure lease liabilities and adjust corresponding right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, then the remaining remeasurement amount will be recognized in profit or loss. Lease liabilities are independently presented in the balance sheet.

Where the Company is the lessor

Proceeds received for an operating lease are recognized as income on a straight-line basis over the lease tenor. All initial and direct costs incurred in relation to the negotiation and arrangement of operating leases are added to the book value of the lease asset, and recognized as gains using the straight-line basis over the lease tenor. Under an operating lease agreement, contingent rent is recognized as gains in the year of occurrence.

(XVII) Borrowing costs

Borrowing costs directly attributable to the 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.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

(XVIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; the cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current period) and net interest accrued on net defined benefit liabilities are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses and return on assets of the plans less interest) is recognized in other

comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

Net defined benefit liability is the deficit of contributions to defined benefit plans.

(XIX) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

The Company determines current income (loss) according to the regulations enacted by each income tax reporting jurisdiction, and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities from the taxable income that was calculated. Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when

there is likely to be taxable income to offset the temporary difference.

Taxable temporary differences relating to subsidiaries, associated companies and joint ventures are recognized as deferred income tax liabilities, except in cases where the Company is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Company expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

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 management will continuously review the estimates and underlying assumptions when developing significant accounting estimates in the Company.

Key Sources of Estimation Uncertainty

Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Incentives and penalties stipulated in the contract are considered as variable consideration and should be included in the contract revenue only when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The estimated total contract costs and contractual items are assessed and determined by management, based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts.

6. Cash and cash equivalents

	<u>December 31,2023</u>	<u>December 31,2022</u>
Cash on hand	\$ 875	\$ 877
Checking accounts and demand deposits	155,769	199,187
Cash equivalents (investments with original maturities of less than 3 months)		
Commercial papers	<u>270,000</u>	<u>800,000</u>
	<u>\$ 426,644</u>	<u>\$ 1,000,064</u>

7. Financial instruments at fair value through profit or loss

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Emerging market shares in Taiwan	\$ <u>85,081</u>	\$ <u>94,311</u>
<u>Noncurrent</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets -		
Unlisted shares in Taiwan	\$ <u>31,880</u>	\$ <u>32,207</u>

8. Financial instruments at fair value through other comprehensive income

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Current</u>		
Equity instrument investments		
Listed shares	\$ <u>31,050</u>	\$ <u>-</u>
<u>Noncurrent</u>		
Equity instrument investments		
Foreign investments – Unlisted shares	\$ <u>124,976</u>	\$ <u>102,782</u>

9. Notes, Accounts receivable and other receivables

	<u>December 31,2023</u>	<u>December 31,2022</u>
Notes receivable		
Measured at amortized cost	\$ <u>-</u>	\$ <u>43</u>
Accounts receivable (including related parties)		
Measured at amortized cost	\$ <u>625,585</u>	\$ <u>724,629</u>
Other receivables		
Interest receivable	\$ 5,998	\$ 7,467
Technical service revenue receivable	5,416	4,968
Others	-	210
	\$ <u>11,414</u>	\$ <u>12,645</u>

(I) Accounts receivable

The Company's accounts receivable is measured at amortized cost. The Company makes prudent assessment of their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. The Company continues to manage the financial condition and entire credit risk of their customers, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment.

The Company continues to monitor the collection of receivables to ensure that proper actions are made to collect past due receivables. Additionally, the Company reviews the recoverable amounts of receivables one by one on the balance sheet date to ensure that proper allowances are recognized for unrecoverable receivables.

The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is evidence 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 following table details the loss allowance of accounts receivable based on the impaired aging analysis.

December 31, 2023

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 625,542	\$ 32	\$ 11	\$ -	\$ -	\$ 625,585
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 625,542</u>	<u>\$ 32</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,585</u>

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 724,672	\$ -	\$ -	\$ -	\$ -	\$ 724,672
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 724,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724,672</u>

(II) Other receivables

The Company estimates the unrecoverable amount based on its historical experience and analysis of current financial position, and allocates a loss provision accordingly.

There was no loss provision balance as at December 31, 2023 and 2022.

10. Inventories

	<u>December 31,2023</u>	<u>December 31,2022</u>
Raw materials	\$ 4,712	\$ 4,595
Finished goods	6,992	14,739
	<u>\$ 11,704</u>	<u>\$ 19,334</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2023 and 2022 were NT\$108,215 thousand and NT\$86,213 thousand, respectively.

11. Investments recognized under the equity method

	<u>December 31,2023</u>	<u>December 31,2022</u>
Investment in subsidiary	\$ 1,019,560	\$ 1,027,067
Investment in associates	1,064,466	1,035,507
	<u>\$ 2,084,026</u>	<u>\$ 2,062,574</u>

Investment in subsidiaries

	<u>December 31,2023</u>		<u>December 31,2022</u>	
	<u>Amount</u>	<u>% of Ownership</u>	<u>Amount</u>	<u>% of Ownership</u>
CEC Development Corporation	\$ 984,713	100	\$ 986,012	100
CEC International Corporation	34,812	100	41,017	100
China Ecotek India Private Limited	35	0.1	38	0.1
	<u>\$ 1,019,560</u>		<u>\$ 1,027,067</u>	

Investment in associates

	December 31,2023	December 31,2022
Material associates		
China Steel Machinery Corporation (CSMC)	\$ 558,730	\$ 529,821
CSC Solar Corporation (CSCSOLAR)	293,643	280,240
	852,373	810,061
Associates that are not individually material	212,093	225,446
	<u>\$ 1,064,466</u>	<u>\$ 1,035,507</u>

(I) Material associates

Name of Associate	Main Businesses	Principal place of business	Shareholding and voting rights (%)	
			December 31, 2023	December 31, 2022
CSMC	Production and sales of machinery and equipment, such as steel equipment, railway vehicles, transportation equipment, and power generators	Kaohsiung City	26.02	26.02
CSCSOLAR	Solar power generation	Kaohsiung City	20	20

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

CSMC

	December 31,2023	December 31,2022
Current assets	\$ 3,862,592	\$ 3,776,675
Noncurrent assets	1,296,783	1,367,849
Current liabilities	(2,842,659)	(2,836,946)
Noncurrent liabilities	(169,407)	(271,372)
Equity	<u>\$ 2,147,309</u>	<u>\$ 2,036,206</u>
Proportion of the Corporation's ownership (%)	26.02	26.02
Equity attributable to the Corporation (carrying amount of the investment)	<u>\$ 558,730</u>	<u>\$ 529,821</u>

	2023	2022
Operating revenue	\$ <u>5,511,709</u>	\$ <u>6,106,697</u>
Net profit for the year	\$ 391,776	\$ 293,158
Other comprehensive income	<u>(1,991)</u>	<u>50,197</u>
Total comprehensive income	\$ <u>389,785</u>	\$ <u>343,355</u>

CSCSOLAR

	December 31,2023	December 31,2022
Current assets	\$ 167,577	\$ 148,887
Noncurrent assets	4,154,301	4,122,408
Current liabilities	(950,131)	(969,251)
Noncurrent liabilities	<u>(1,402,628)</u>	<u>(1,393,073)</u>
Equity	\$ <u>1,969,119</u>	\$ <u>1,908,971</u>

Proportion of the Corporation's ownership (%)	20	20
---	----	----

Equity attributable to the Corporation	\$ 393,824	\$ 381,794
Unrealized gains or losses resulting from transactions	<u>(100,181)</u>	<u>(101,554)</u>
Carrying amount of the investment	\$ <u>293,643</u>	\$ <u>280,240</u>

	2023	2022
Operating revenue	\$ <u>527,517</u>	\$ <u>482,647</u>
Net profit for the year	\$ 116,446	\$ 121,014
Other comprehensive income	<u>4,742</u>	<u>(2,380)</u>
Total comprehensive income	\$ <u>121,188</u>	\$ <u>118,634</u>

Aggregate information of associates that are not individually material

	2023	2022
The Corporation's share of		
Net profit for the year	\$ 2,908	\$ 11,392
Other comprehensive income	<u>(3,562)</u>	<u>(18,564)</u>
Total comprehensive income	\$ <u>(654)</u>	\$ <u>(7,172)</u>

The Company held more than 20% of the shares with its parent company CSC and fellow subsidiaries are accounted for using the equity method.

Refer to Table 5 “Information on Investees” and Table 6 “Information on Investments in Mainland China” for the nature of business, principal place of business, and country of registration of the investees above.

12. Hedging financial assets and other financial assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets for hedging - current</u>		
Time deposits	\$ 825,449	\$ 654,994
Demand deposits	<u>103,811</u>	<u>329,548</u>
	<u>\$ 929,260</u>	<u>\$ 984,542</u>

The Company purchases foreign currency bank deposits to pay for materials purchased from other countries for construction projects, in order to lower the cash flow risk generated by exchange rate fluctuations. Please refer to Note 30.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Other financial assets - current</u>		
Restricted bank deposits (Note 32)	\$ 350	\$ 251,553
Time deposits with original maturities more than 3 months	<u>-</u>	<u>100,000</u>
	<u>\$ 350</u>	<u>\$ 351,553</u>

13. Other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Advance payments	\$ 51,809	\$ 39,973
Temporary and stand-in payments	33,914	56,914
Refundable deposits	19,563	24,733
Prepaid sales tax and excess VAT paid	<u>1,637</u>	<u>-</u>
	<u>\$ 106,923</u>	<u>\$ 121,620</u>

14. Joint control operations

Since March 2004, the Company and jointly contracted were contracted to jointly operate and maintain water treatment equipment of Chengcing Lake water treatment plant for a 15-year period until February 2019. The Company obtained a new contract to February 2022, and according to the agreement in the contract the performance period was extended to February 2025. According to the contract, operation and maintenance work should be jointly controlled and operated by both parties. The assets, liabilities, revenue and costs related to this project are shared by the Company (51%) and foreign contractor (49%). A bank account for working capital was opened in the Company's name.

Items handled by the contractor include:

	<u>December 31,2023</u>	<u>December 31,2022</u>
Demand deposits	\$ <u>92,747</u>	\$ <u>111,491</u>
Temporary receipts (funds collected on behalf of the joint company)	\$ <u>42,613</u>	\$ <u>46,586</u>

As of December 31, 2023 and 2022, the bank has provided Taiwan Water Corporation with a performance guarantee of NT\$51,000 thousand.

The Company recognized the following amounts of assets, liabilities, revenue, and costs of joint operations in the standalone financial statements:

(1) Assets

	<u>December 31,2023</u>	<u>December 31,2022</u>
Demand deposits	\$ <u>47,301</u>	\$ <u>56,860</u>

(2) Liabilities

	December 31,2023	December 31,2022
Contract liabilities (including current and noncurrent)	\$ 18,708	\$ -
Other payables (Note 20)	12,787	19,648
Provision (including current and noncurrent)	-	18,198
	<u>\$ 31,495</u>	<u>\$ 37,846</u>

(3) Revenues and costs

	2023	2022
Operating revenue	\$ 134,960	\$ 158,116
Operating costs	130,387	136,761
Gross profit	<u>\$ 4,573</u>	<u>\$ 21,355</u>

15. Property, plant and equipment

2023

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2023	\$ 205,627	\$ 96,469	\$ 99,721	\$ 6,619	\$ 63,113	\$ 43,062	\$ 5,031	\$ 519,642
Additions	-	-	9,974	1,511	-	10,145	279,808	301,438
Disposals	-	-	(3,972)	(738)	-	(6,666)	-	(11,376)
Reclassify	-	-	-	-	-	-	131	131
Balance at December 31, 2023	<u>\$ 205,627</u>	<u>\$ 96,469</u>	<u>\$ 105,723</u>	<u>\$ 7,392</u>	<u>\$ 63,113</u>	<u>\$ 46,541</u>	<u>\$ 284,970</u>	<u>\$ 809,835</u>
Accumulated depreciation								
Balance at January 1, 2023	\$ -	\$ 50,680	\$ 58,693	\$ 5,436	\$ 59,933	\$ 34,350	\$ -	\$ 209,092
Depreciation	-	2,076	8,345	397	3,180	6,065	-	20,063
Disposals	-	-	(3,291)	(738)	-	(6,663)	-	(10,692)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 52,756</u>	<u>\$ 63,747</u>	<u>\$ 5,095</u>	<u>\$ 63,113</u>	<u>\$ 33,752</u>	<u>\$ -</u>	<u>\$ 218,463</u>
Carrying amount at December 31, 2023	<u>\$ 205,627</u>	<u>\$ 43,713</u>	<u>\$ 41,976</u>	<u>\$ 2,297</u>	<u>\$ -</u>	<u>\$ 12,789</u>	<u>\$ 284,970</u>	<u>\$ 591,372</u>

2022

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2022	\$ 529,148	\$ 96,469	\$ 117,977	\$ 6,667	\$ 63,113	\$ 42,668	\$ 500	\$ 856,542
Additions	-	-	7,473	-	-	4,895	4,531	16,899
Disposals	-	-	(25,729)	(48)	-	(4,501)	-	(30,278)

2022

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold improvements	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Reclassify to investment property	(323,521)	-	-	-	-	-	-	(323,521)
Balance at December 31, 2022	\$ 205,627	\$ 96,469	\$ 99,721	\$ 6,619	\$ 63,113	\$ 43,062	\$ 5,031	\$ 519,642
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 48,563	\$ 77,171	\$ 5,040	\$ 55,395	\$ 34,249	\$ -	\$ 220,418
Depreciation	-	2,117	7,251	444	4,538	4,602	-	18,952
Disposals	-	-	(25,729)	(48)	-	(4,501)	-	(30,278)
Balance at December 31, 2022	\$ -	\$ 50,680	\$ 58,693	\$ 5,436	\$ 59,933	\$ 34,350	\$ -	\$ 209,092
Carrying amount at December 31, 2022	\$ 205,627	\$ 45,789	\$ 41,028	\$ 1,183	\$ 3,180	\$ 8,712	\$ 5,031	\$ 310,550

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings

Main building 35-55 years

Renovation 10 years

Machinery and equipment 3-10 years

Transportation equipment 3-10 years

Leasehold improvements 4-10 years

Other Equipment 3-10 years

16. Lease agreement

(I) Right-of-use assets

	December 31,2023	December 31,2022
Right-of-use assets		
Land	\$ 3,383	\$ 10,150
Buildings	51,220	68,909
Machinery	572	1,000
Transportation equipment	16,531	12,897
	<u>\$ 71,706</u>	<u>\$ 92,956</u>

	2023	2022
Additions to right-of-use assets	\$ <u>12,780</u>	\$ <u>34,272</u>
Depreciation charge for right-of-use assets		
Land	\$ 6,767	\$ 6,766
Buildings	17,689	18,397
Machinery	428	429
Transportation equipment	<u>9,146</u>	<u>8,151</u>
	\$ <u>34,030</u>	\$ <u>33,743</u>

Except for the additions and depreciation charge above, there was no significant sub-lease and impairment of the Company's right-of-use assets in 2023 and 2022.

(II) Lease liabilities

	December 31,2023	December 31,2022
Current	\$ <u>30,732</u>	\$ <u>37,163</u>
Non-current	\$ <u>39,859</u>	\$ <u>55,991</u>

Range of discount rate (%) for lease liabilities was as follows:

	December 31,2023	December 31,2022
Land	0.56	0.56
Buildings	0.56-1.71	0.56-1.71
Machinery	0.57	0.57
Transportation equipment	0.56-1.68	0.56-1.68

(III) Important lease activities and clauses

The Company leased factories, land, and offices for operations from non-related parties Pwu Diing Enterprise Co., Ltd., You Cheng Enterprise Co., Ltd., Port of Taichung, and Jye Chi Corporation, and the parent company CSC with a lease period of 3-10 years.

(IV) Others lease information

	2023	2022
Expenses relating to short-term leases and low-value asset leases	\$ <u>5,673</u>	\$ <u>5,311</u>
Expenses relating to variable leases payments not included in the measurement of lease liabilities	\$ <u>2,321</u>	\$ <u>1,446</u>
Total cash outflow for leases	\$ <u>44,289</u>	\$ <u>39,677</u>

For buildings and transportation equipments which qualify as short-term leases and as low-value asset leases, the Company has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

For the agreement of the Company to lease its own investment properties, please refer to Note 17.

17. Investment property

	December 31,2023	December 31,2022
Land	\$ <u>323,521</u>	\$ <u>323,521</u>

The fair value of investment property on December 31, 2023 was NT\$361,000 thousand. The fair value has not been evaluated by an independent evaluator, but was measured by the company's management with reference to market evidence of similar real estate transaction prices using level 3 input values.

Future minimum leases for operating leases had been fully charged.

The investment property is owned by the Company.

For the leased transactions to related parties, please refer to Note 31.

18. Borrowings

	<u>December 31,2023</u>	<u>December 31,2022</u>
Unsecured loans	\$ <u>100,000</u>	\$ <u>-</u>
Interest rate (%)	1.66	-

19. Accounts payable

The company's accounts payable (including related parties) are all incurred due to business operations, and the Company does not provide collateral to creditors for accounts payable (including related parties).

The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance, hence interest does not need to be added.

Accounts payable include construction retainage in construction contracts. Interest is not accrued on construction retainage, and is paid after the retention period of the construction contract ends. The retention period is the normal business cycle of the Company, and usually exceeds 1 year.

20. Other liabilities

<u>Current</u>	<u>December 31,2023</u>	<u>December 31,2022</u>
Other payables		
Salaries and bonus	\$ 512,530	\$ 472,570
Compensation of employees and remuneration of directors	28,331	31,355
Equipment operation and maintenance expenses (Note 14)	12,787	19,648
Business tax	-	33,552
Others	47,597	31,690
	\$ <u>601,245</u>	\$ <u>588,815</u>

	<u>December 31,2023</u>	<u>December 31,2022</u>
Other current liabilities		
Temporary receipts	\$ 44,146	\$ 48,140
Collections for third parties	29,230	25,842
Deposits received	11,615	20,371
Others	<u>4,860</u>	<u>4,860</u>
	<u>\$ 89,851</u>	<u>\$ 99,213</u>

21. Provision

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Current</u>		
Onerous contracts	\$ 8,577	\$ 18,209
Decommissioning and maintenance reserve	<u>-</u>	<u>17,105</u>
	<u>\$ 8,577</u>	<u>\$ 35,314</u>
<u>Non-current</u>		
Decommissioning and maintenance reserve	<u>\$ -</u>	<u>\$ 41,418</u>

	<u>Onerous contracts</u>	<u>Decommissioning and maintenance reserve</u>	<u>Total</u>
Balance at January 1,2023	\$ 18,209	\$ 58,523	\$ 76,732
Recognized (Reversal)	8,505	(3,413)	5,092
Paid	(18,137)	(8,086)	(26,223)
Reclassify	<u>-</u>	<u>(47,024)</u>	<u>(47,024)</u>
Balance at December 31,2023	<u>\$ 8,577</u>	<u>\$ -</u>	<u>\$ 8,577</u>
Balance at January 1,2022	\$ 23,638	\$ 53,358	\$ 76,996
Recognized	2,200	27,950	30,150
Paid	<u>(7,629)</u>	<u>(22,785)</u>	<u>(30,414)</u>
Balance at December 31,2022	<u>\$ 18,209</u>	<u>\$ 58,523</u>	<u>\$ 76,732</u>

22. Retirement benefit plans

(I) Defined contribution plans

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

(II) Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. 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 amount of defined benefit plans included in the standalone balance sheets were as follows:

	<u>December 31,2023</u>	<u>December 31,2022</u>
Present value of defined benefit obligation	\$ 626,653	\$ 605,305
Fair value of plan assets	<u>(474,885)</u>	<u>(449,665)</u>
Net defined benefit liabilities	<u>\$ 151,768</u>	<u>\$ 155,640</u>

Movements of net defined benefit liabilities were as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1,2023	\$ 605,305	\$ (449,665)	\$ 155,640
Service cost			
Current service cost	9,420	-	9,420
Interest expense (income)	9,080	(6,919)	2,161
Recognized in profit or loss	<u>18,500</u>	<u>(6,919)</u>	<u>11,581</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,596)	(2,596)
Actuarial loss - changes in financial assumptions	13,958	-	13,958
Actuarial loss - experience adjustments	<u>745</u>	<u>-</u>	<u>745</u>
Recognized in other comprehensive income	<u>14,703</u>	<u>(2,596)</u>	<u>12,107</u>
Benefits paid	<u>(11,855)</u>	<u>7,436</u>	<u>(4,419)</u>
Contributions from the employer	<u>-</u>	<u>(23,141)</u>	<u>(23,141)</u>
Balance at December 31,2023	<u>\$ 626,653</u>	<u>\$ (474,885)</u>	<u>\$ 151,768</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1,2022	\$ 618,862	\$ (355,199)	\$ 263,663
Service cost			
Current service cost	11,073	-	11,073
Interest expense (income)	3,067	(1,784)	1,283
Recognized in profit or loss	14,140	(1,784)	12,356
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(24,402)	(24,402)
Actuarial gain - changes in financial assumptions	(16,455)	-	(16,455)
Actuarial loss - experience adjustments	14,718	-	14,718
Recognized in other comprehensive income	(1,737)	(24,402)	(26,139)
Benefits paid	(25,960)	16,098	(9,862)
Contributions from the employer	-	(84,378)	(84,378)
Balance at December 31,2022	\$ 605,305	\$ (449,665)	\$ 155,640

Summary of defined benefit plans recognized in profit or loss by function:

	2023	2022
Summary by function		
Operating costs	\$ 9,407	\$ 9,204
Selling expenses	336	445
Administrative expenses	1,778	2,649
R&D expenses	60	58
	\$ 11,581	\$ 12,356

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

1. Investment risks

The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

A decrease in government bond interest rate will cause the present value of defined benefit liabilities to increase. However, this will be partially offset by an increase in the return on the plan's debt investments.

3. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2023	December 31, 2022
Discount rate (%)	1.250	1.500
Estimated salary growth rate (%)	3.500	3.500
Mortality rate	Sixth Taiwan Standard Ordinary Experience Mortality Table	Sixth Taiwan Standard Ordinary Experience Mortality Table
Employee turnover rate (%)	0-4.0	0-4.0
Disability rate	10% of mortality rate	10% of mortality rate

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	December 31,2023	December 31,2022
Discount rate		
0.25% increase	\$ <u>(13,958)</u>	\$ <u>(14,391)</u>
0.25% decrease	\$ <u>14,418</u>	\$ <u>14,888</u>
Expected rate of salary increase		
0.25% increase	\$ <u>13,891</u>	\$ <u>14,371</u>
0.25% decrease	\$ <u>(13,521)</u>	\$ <u>(13,967)</u>

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

	December 31,2023	December 31,2022
The expected contributions to the plan for the next year	\$ <u>18,842</u>	\$ <u>23,289</u>
The average duration of the defined benefit obligation	8.8 years	9.6 years

23. Asset and liability maturity analysis

Assets and liabilities of the Company related to environmental protection projects are divided into current and noncurrent based on business cycle. Accounts are listed by amount expected to be collected or paid within 1 year or longer than 1 year after the balance sheet date:

	Within 1 year	Over 1 Year	Total
December 31,2023			
Assets			
Contract assets-current	\$ 1,229,007	\$ 24,413	\$ 1,253,420
Accounts receivable (including related parties)	625,585	-	625,585
Restricted bank deposits - recognized in other financial assets	-	350	350
Refundable deposits - recognized in other current assets	19,563	-	19,563
	<u>\$ 1,874,155</u>	<u>\$ 24,763</u>	<u>\$ 1,898,918</u>
Liabilities			
Contract liabilities - current	\$ 1,040,897	\$ -	\$ 1,040,897
Accounts payable (including related parties)	808,908	54,462	863,370
Provisions - current	2,082	6,495	8,577
Deposits received - recognized in other current liabilities	5,048	6,567	11,615
	<u>\$ 1,856,935</u>	<u>\$ 67,524</u>	<u>\$ 1,924,459</u>
	Within 1 year	Over 1 Year	Total
December 31,2022			
Assets			
Contract assets-current	\$ 312,147	\$ 138,745	\$ 450,892
Notes receivable	43	-	43

	Within 1 year	Over 1 Year	Total
Accounts receivable (including related parties)	724,629	-	724,629
Restricted bank deposits - recognized in other financial assets	251,203	350	251,553
Refundable deposits - recognized in other current assets	15,952	8,781	24,733
	<u>\$ 1,303,974</u>	<u>\$ 147,876</u>	<u>\$ 1,451,850</u>

Liabilities

Contract liabilities - current	\$ 1,260,235	\$ 337,021	\$ 1,597,256
Accounts payable (including related parties)	558,970	56,656	615,626
Provisions - current	32,236	3,078	35,314
Refund liabilities - recognized in other current liabilities	12,699	7,672	20,371
	<u>\$ 1,864,140</u>	<u>\$ 404,427</u>	<u>\$ 2,268,567</u>

24. Equity

(I) Capital – common stock

	December 31,2023	December 31,2022
Number of shares authorized (in thousands)	<u>220,000</u>	<u>220,000</u>
Authorized capital	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>123,743</u>	<u>123,743</u>
Issued capital	<u>\$ 1,237,426</u>	<u>\$ 1,237,426</u>

The Company's common shares have a face value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

	<u>December 31,2023</u>	<u>December 31,2022</u>
May be used to offset deficit, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	\$ <u>628,364</u>	\$ <u>628,364</u>
May be used to offset deficit only		
Gains on the disposal of fixed assets	10	10
Adjustment from changes in equity of associate for using equity method	255	-
	<u>265</u>	<u>10</u>
	\$ <u><u>628,629</u></u>	\$ <u><u>628,374</u></u>

Note: The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital).

(III) Retained earnings and dividend policy

Pursuant to the Articles of Incorporation, if there is a profit after year-end closing, after compensating for losses of previous years, it shall be distributed in the following order:

1. Appropriate 10% as the legal reserve, until the aggregate amount has reached the Company's paid-in capital.
2. Set aside or reverse a special reserve depending on operating needs and regulatory requirements.
3. Where there are still distributable earnings, the board of directors shall then submit an earnings distribution proposal to the shareholders' meeting for approval

The Company is in a high-tech engineering market with stable growth and also develops diverse strategies at the same time. The Company also expands the business operating foundation in the development of investment plans, including environmental protection and energy etc. During the establishment of the proposal for distribution of earnings by the board of directors, it is necessary to consider the stability of dividends. Except when there is need for capital, the earnings distributed each year shall account for more than 50 percent of the distributable earnings, and where the shareholders' cash dividend shall not be less than 10 percent of the shareholders' dividend.

The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that exceeds 25% of paid-in capital may be capitalized and may also be distributed in cash.

The Company passed the 2022 and 2021 earnings distribution in the annual general meeting in June 2023 and 2022, respectively:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 54,583	\$ 39,760		
Special reserve (reversal)	(56,639)	(39,172)		
Cash dividends	371,228	321,731	\$ 3.0	\$ 2.6
	<u>\$ 369,172</u>	<u>\$ 322,319</u>		

The Company passed the 2023 earnings distribution in the Board meeting in February 2024:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
Legal reserve	\$	55,102		
Special reserve		29,604		
Cash dividends		408,350	\$	3.3

	Appropriation of Earnings	Dividend Per Share (NT\$)
	<u> </u>	<u> </u>
	\$ <u> 493,056 </u>	

The appropriations of earnings for 2023 are subject to the resolution of the shareholder's meeting to be held in June 2024.

(IV) Other equity items

1. Exchange differences on translating foreign operations

	2023	2022
	<u> </u>	<u> </u>
Balance, beginning of the year	\$ (54,745)	\$ (103,630)
Recognized during the year		
Share from subsidiaries and associates accounted for using the equity method	(27,397)	60,290
Income tax relating to share from subsidiaries and associates accounted for using the equity method	<u>5,868</u>	<u>(11,405)</u>
Other comprehensive income (loss) recognized in the year	<u>(21,529)</u>	<u>48,885</u>
Balance, end of the year	\$ <u><u>(76,274)</u></u>	\$ <u><u>(54,745)</u></u>

2. Unrealized gains and losses on financial assets at fair value through other comprehensive income

	2023	2022
	<u> </u>	<u> </u>
Balance, beginning of the year	\$ <u>38,087</u>	\$ <u>80,844</u>
Recognized during the year		
Unrealized gains and losses - equity instruments	24,192	(29,286)

	2023	2022
Share from associates accounted for using the equity method	(3,154)	(19,292)
Income tax effect	(4,439)	5,857
Other comprehensive income (loss) recognized in the year	16,599	(42,721)
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	(5,819)	(36)
Balance, end of the year	\$ <u>48,867</u>	\$ <u>38,087</u>

3. Gains and losses on hedging instrument

	2023	2022
Balance, beginning of the year	\$ <u>16,994</u>	\$ <u>(33,853)</u>
Recognized during the year		
Profit or loss from changes in fair value of hedging tools - Exchange rate risk	2,438	4,557
Share from associates accounted for using the equity method	321	4,059
Income tax effect	(488)	(911)
Reclassification adjustment		
Profit or loss from changes in fair value of hedging tools - Exchange rate risk	(26,828)	53,928
Income tax effect	5,366	(10,786)
Other comprehensive income (loss) recognized in the year	(19,191)	50,847
Balance, end of the year	\$ <u>(2,197)</u>	\$ <u>16,994</u>

25. Revenues

The Company's operating revenues on the Standalone Statement of Comprehensive Income are all from contracts with customers, and have been divided according to economic factors.

(I) Contract balance

	December 31,2023	December 31,2022	January 1,2021
Notes and accounts receivable (including related parties)	\$ <u>625,585</u>	\$ <u>724,672</u>	\$ <u>788,921</u>
Contract assets-current			
Construction contracts	\$ <u>1,253,420</u>	\$ <u>450,892</u>	\$ <u>618,425</u>
Contract liabilities - current and noncurrent			
Construction contracts	\$ 1,040,897	\$ 1,597,256	\$ 1,705,420
Technical service revenue	59,179	-	-
Sales contracts	<u>-</u>	<u>-</u>	<u>96</u>
	\$ <u>1,100,076</u>	\$ <u>1,597,256</u>	\$ <u>1,705,516</u>

The changes in the balance of contract assets and contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

	<u>2023</u>	<u>2022</u>
From the contract liabilities at the beginning of the year		
Construction contracts	\$ 1,276,805	\$ 1,203,136
Sale contracts	<u>-</u>	<u>96</u>
	<u>\$ 1,276,805</u>	<u>\$ 1,203,232</u>

(II) Partially completed contracts

As of December 31, 2023 and 2022, the transaction price allocated to the performance obligations that were not fully satisfied amounted to NT\$14,921,273 thousand and NT\$17,448,064 thousand, respectively. The Company will recognize revenue as the construction is being completed and expected timing for recognition of revenue is on various dates through June 2027.

26. Profit before income tax

Profit before income tax includes the following items:

(I) Interest income

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 25,695	\$ 16,202
Others	<u>6,775</u>	<u>3,733</u>
	<u>\$ 32,470</u>	<u>\$ 19,935</u>

(II) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 11,664	\$ 7,510
Dividend income	1,125	14,529
Others	<u>2,597</u>	<u>557</u>
	<u>\$ 15,386</u>	<u>\$ 22,596</u>

(III) Other profits and losses

	2023	2022
Gains (Losses) on financial assets at fair value through profit or loss	\$ (12,099)	\$ 85,590
Net foreign exchange gain	87	1,033
Others	(758)	(1,036)
	<u>\$ (12,770)</u>	<u>\$ 85,587</u>

The net foreign exchange gains or losses above includes:

	2023	2022
Foreign exchange gain	\$ 1,123	\$ 2,002
Foreign exchange loss	(1,036)	(969)
Net exchange gain	<u>\$ 87</u>	<u>\$ 1,033</u>

(IV) Financial costs

	2023	2022
Interest of lease liabilities	\$ 952	\$ 796
Others	161	1
	<u>\$ 1,113</u>	<u>\$ 797</u>

(V) Depreciation and amortization

	2023	2022
Property, plant and equipment	\$ 20,063	\$ 18,952
Right-of-use assets	34,030	33,743
Intangible assets	6,776	5,410
	<u>\$ 60,869</u>	<u>\$ 58,105</u>

An analysis of depreciation by function

Operating costs	\$ 25,372	\$ 23,486
Operating expenses	28,721	29,209

	2023	2022
	\$ <u>54,093</u>	\$ <u>52,695</u>

An analysis of amortization by function

Operating expenses	\$ <u>6,776</u>	\$ <u>5,410</u>
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(VI) Employee benefit expenses

	2023	2022
Short-term employee benefits		
Salaries	\$ 1,402,689	\$ 1,294,496
Labor and health insurance	108,359	99,947
Others	<u>29,668</u>	<u>24,647</u>
	<u>1,540,716</u>	<u>1,419,090</u>

Post-employment benefits (Note 22)

Defined contribution plans	45,933	42,728
Defined benefit plans	<u>11,581</u>	<u>12,356</u>
	<u>57,514</u>	<u>55,084</u>

Employee benefit expenses	\$ <u>1,598,230</u>	\$ <u>1,474,174</u>
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An analysis of employee benefits by function

Operating costs	\$ 1,249,137	\$ 1,137,643
Operating expenses	<u>349,093</u>	<u>336,531</u>
	<u>\$ 1,598,230</u>	<u>\$ 1,474,174</u>

(VII) Compensation of employees and remuneration of directors

According to the Articles of Incorporation, the article stipulate the Company distributed compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 1%, respectively, of pre-tax profit prior to deducting compensation of employees and remuneration of directors. The Board of Directors

adopted the following resolutions in February 2024 and 2023 on compensation of employees and remuneration of directors in 2023 and 2022 (all distributed in cash):

	<u>2023</u>	<u>2022</u>
Compensation of employees	\$ 23,609	\$ 26,129
Remuneration of directors	4,722	5,226

If there is any change in the amounts after the annual standalone financial statements are authorized for issue, the difference is record as a change in accounting estimate in the next following year.

The appropriations for compensation of employees and remuneration of directors for 2022 and 2021 which had been approved by the board of directors' meeting in February 2023 and 2022, respectively, were as follows:

	<u>2022</u>	<u>2021</u>
Compensation of employees	\$ 26,129	\$ 20,165
Remuneration of directors	5,226	4,033

The amounts recognized in the standalone financial statement for 2022 and 2021 are the same as which approved in the board of directors' meeting.

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

27. Income tax

(I) Income tax recognized in profit or loss

The major components of income tax were as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 100,561	\$ 58,070
In respect of prior years	<u>331</u>	<u>740</u>
	<u>100,892</u>	<u>58,810</u>
Deferred tax		
In respect of the current year	9,790	22,845
In respect of prior years	<u>1,444</u>	<u>-</u>
	<u>11,234</u>	<u>22,845</u>
	<u>\$ 112,126</u>	<u>\$ 81,655</u>

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

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ <u>669,018</u>	\$ <u>602,174</u>
Income tax expense calculated at the statutory rate	\$ 133,804	\$ 120,435
Tax-exempt income	(23,453)	(39,520)
In respect of prior years	<u>1,775</u>	<u>740</u>
	<u>\$ 112,126</u>	<u>\$ 81,655</u>

(II) Income tax gains (expenses) recognized in other comprehensive income

	2023	2022
Deferred tax		
Remeasurement of defined benefit plans	\$ 2,422	\$ (5,228)
Investments in equity instruments measured at fair value through other comprehensive income	(4,439)	5,857
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	5,868	(11,405)
Profit or loss from hedging instruments	4,878	(11,697)
	<u>\$ 8,729</u>	<u>\$ (22,473)</u>

(III) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax assets		
Tax refunds receivable	\$ -	\$ 6,496
Current income tax liabilities		
Income tax payable	\$ 67,283	\$ 56,904

(IV) Deferred income tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred tax assets				
Temporary differences				
Provision	\$ 9,553	\$ (149)	\$ -	\$ 9,404

2023

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Difference between tax reporting and financial reporting - construction revenues and costs	3,686	(1,978)	-	1,708
Unrealized gain on the transactions with subsidiaries and associates	20,311	(274)	-	20,037
Currency translation difference of foreign operations	13,793	-	5,868	19,661
Others	591	90	574	1,255
	<u>\$ 47,934</u>	<u>\$ (2,311)</u>	<u>\$ 6,442</u>	<u>\$ 52,065</u>

Deferred tax liabilities

Temporary differences

Financial assets at fair value through other comprehensive income	\$ 17,807	\$ -	\$ 4,439	\$ 22,246
Foreign investment gain	37,622	5,738	-	43,360
Defined benefit pension plan	834	3,196	(2,422)	1,608
Others	4,315	(11)	(4,304)	-
	<u>\$ 60,578</u>	<u>\$ 8,923</u>	<u>\$ (2,287)</u>	<u>\$ 67,214</u>

2022

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Deferred tax assets				
<u>Temporary differences</u>				
Defined benefit pension plan	\$ 20,771	\$ (15,543)	\$ (5,228)	-
Provision	7,874	1,679	-	9,553
Difference between tax reporting and financial reporting - construction revenues and costs	4,706	(1,020)	-	3,686
Unrealized gain on the transactions with subsidiaries and associates	20,286	25	-	20,311
Currency translation difference of foreign operations	25,198	-	(11,405)	13,793

2022

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, end of year
Losses carried forward	3,331	(3,331)	-	-
Others	8,182	(197)	(7,394)	591
	<u>\$ 90,348</u>	<u>\$ (18,387)</u>	<u>\$ (24,027)</u>	<u>\$ 47,934</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Financial assets at fair value through other comprehensive income	\$ 23,664	\$ -	\$ (5,857)	\$ 17,807
Foreign investment gain	34,010	3,612	-	37,622
Defined benefit pension plan	-	834	-	834
Others	-	12	4,303	4,315
	<u>\$ 57,674</u>	<u>\$ 4,458</u>	<u>\$ (1,554)</u>	<u>\$ 60,578</u>

Other temporary differences above are mainly temporary differences between cash flow hedges and net amount of unrealized foreign exchange gain or loss.

(V) Income tax assessment

The Company's income tax returns through 2021 have been assessed by the tax authorities.

28. Earnings per share

The earnings and weighted average number of shares outstanding used to computation of earnings per share were as follows:

Net profit for the year

	2023	2022
Net profit for the year	\$ <u>556,892</u>	\$ <u>520,519</u>

Number of shares (in thousand shares)

	Number of shares (in thousand shares)	
	2023	2022
Weighted average number of ordinary shares used in computation of basic earnings per share	123,743	123,743
Effect of dilutive potential ordinary shares-Compensation of employees	<u>497</u>	<u>683</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>124,240</u>	<u>124,426</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. Capital risk management

The Company engages in capital management to ensure that it can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that it is able to continue as a going concern.

The Company's capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings, and other equity item). The Company is not required to comply with other external capital related regulations.

30. Financial instruments

(I) Information on fair value

1. Information on fair value –Fair value of financial instruments that are measured at fair value on a recurring basis

<u>December 31,2023</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Emerging market shares in Taiwan	\$ -	\$ -	\$ 85,081	\$ 85,081
Unlisted shares in Taiwan	-	-	31,880	31,880
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,961</u>	<u>\$ 116,961</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Listed shares	\$ 31,050	\$ -	\$ -	\$ 31,050
Foreign unlisted shares	-	-	124,976	124,976
	<u>\$ 31,050</u>	<u>\$ -</u>	<u>\$ 124,976</u>	<u>\$ 156,026</u>
<u>December 31,2022</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Emerging market shares in Taiwan	\$ -	\$ -	\$ 94,311	\$ 94,311
Unlisted shares in Taiwan	-	-	32,207	32,207
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,518</u>	<u>\$ 126,518</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Foreign unlisted shares	\$ -	\$ -	\$ 102,782	\$ 102,782

There was no transfer between level 1 and level 2 fair value measurements in 2023 and 2022.

2. Reconciliation of Level 3 fair value measurements of financial assets

2023

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, beginning of the year	\$ 126,518	\$ 102,782	\$ 229,300
Additions	14,811	-	14,811
Disposals	(12,269)	-	(12,269)
Recognized in profit or loss	(12,099)	-	(12,099)
Recognized in other comprehensive income	-	22,194	22,194
Balance, end of the year	<u>\$ 116,961</u>	<u>\$ 124,976</u>	<u>\$ 241,937</u>
Unrealized gains and losses for the year	<u>\$ (20,619)</u>		<u>\$ (20,619)</u>

2022

Financial Asset	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance, beginning of the year	\$ 84,876	\$ 132,068	\$ 216,944
Disposals	(45,899)	-	(45,899)
Recognized in profit or loss	87,541	-	87,541
Recognized in other comprehensive income	-	(29,286)	(29,286)
Balance, end of the year	<u>\$ 126,518</u>	<u>\$ 102,782</u>	<u>\$ 229,300</u>
Unrealized gains and losses for the year	<u>\$ 53,929</u>		<u>\$ 53,929</u>

3. Valuation techniques and inputs applied for the purpose of measuring level 3 fair value measurement

(1) The fair value of emerging stock is estimated based on its closing price and taking into consideration its liquidity.

(2) The fair value of domestic unlisted stock is estimated based on the most recent net value of the investee or transaction price. The fair value of foreign unlisted stocks is estimated using the market approach.

(II) Financial instruments by category

	<u>December 31,2023</u>	<u>December 31,2022</u>
<u>Financial Asset</u>		
Financial assets at fair value through profit or loss	\$ 116,961	\$ 126,518
Financial assets for hedging	929,260	984,542
Financial assets at amortized cost 1)	1,090,250	2,119,519
Financial assets at fair value through other comprehensive income	156,026	102,782
<u>Financial liabilities</u>		
Financial liabilities at amortized cost 2)	1,576,230	1,224,812

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other financial assets, refundable deposits (the current portion is listed in other current assets), and other financial assets at amortized cost.

Note 2: The balance includes short -term borrowings, accounts payable (including related parties), other payables, and deposits

received (the current portion is listed under other current liabilities), and other financial liabilities at amortized cost.

(III) The purpose and policy of financial risk management

The Company's main financial instruments include financial assets for hedging, accounts receivable, equity investments, other financial assets, borrowings, accounts payable, and lease liabilities. The financial management department provides services to business units, coordinates operations in domestic and foreign financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Company's operations. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The significant financial activities of the Company are reviewed by the Board of Directors according to regulations and the internal control system. Internal auditors continue to review policy compliance and exposure. The Company has not used financial instruments (including derivative financial instruments) for speculative trading.

1. Market Risk

(1) Foreign exchange risk

The Company purchases and sells goods denominated in foreign currencies, and is thus exposed to the risk of exchange rate fluctuations. The Company manages exposure to foreign exchange risk using foreign currency deposits and firm commitment opposite to exchange rate fluctuations within the scope permitted by policy.

Please see Note 34 for the carrying amount of the Company's major monetary assets not denominated in the functional currency on the balance sheet date.

The table below shows the Company's sensitivity analysis when NTD (the functional currency) appreciates/depreciates 1% against foreign currencies. A positive number is the amount that pre-tax profit or equity will increase when NTD depreciates 1% against CNY and USD. Pre-tax profit or equity will decrease the same amount when NTD appreciates 1% against CNY and USD.

	USD Impact		CNY Impact	
	2023	2022	2023	2022
Profit before income tax	\$ 126	\$ 37	\$ (227)	\$ 53
Equity	3,497	1,619	6,241	8,493

(2) Interest rate risk

The carrying amount of the Company's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial liabilities	\$ 70,591	\$ 93,154
Cash flow interest rate risk		
Financial assets	243,140	497,388

The Company is exposed to interest rate risk due to financial assets with floating interest rates. The method for analyzing floating interest rate assets assumes that the amount of assets

outstanding on the balance sheet date were outstanding throughout the year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have been higher/lower by NT\$2,431 thousand and NT\$4,974 thousand, respectively, and is mainly due to the Company's floating interest rate bank deposits.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties. As of the balance sheet date, the Company's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the standalone balance sheet.

Among the balance of the Company's accounts receivable, customers that account for over 10% of total accounts receivable are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Parent company	\$ 229,314	\$ 305,299
Dragon Steel	176,000	94,010
CSCSOLAR	152,318	81,454
Customer D	-	206,121
	<u>\$ 557,632</u>	<u>\$ 686,884</u>

3. Liquidity risk

The Company manages and maintains a sufficient position of cash and cash equivalents or financial products that can easily be liquidated, and maintains a suitable credit limit through loan agreements with financial institutions to meet the needs of operations.

The table below provides the maturity analysis of remaining non-derivative financial liabilities for the repayment period agreed to by the Company. It is prepared based on the non-discounted cash flow (including principal and interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Company.

	Within 1 year	Over 1 year	Total
<u>December 31,2023</u>			
Short-term Borrowing	\$ 100,264	\$ -	\$ 100,264
Accounts payable (including related parties)	808,908	54,462	863,370
Other payables	601,245	-	601,245
Lease liabilities	31,433	40,628	72,061
Deposits received	5,048	6,567	11,615
	<u>\$ 1,546,898</u>	<u>\$ 101,657</u>	<u>\$ 1,648,555</u>
<u>December 31,2022</u>			
Accounts payable (including related parties)	\$ 558,970	\$ 56,656	\$ 615,626
Other payables	588,815	-	588,815
Lease liabilities	38,026	57,238	95,264
Deposits received	12,699	7,672	20,371
	<u>\$ 1,198,510</u>	<u>\$ 121,566</u>	<u>\$ 1,320,076</u>

4. Cash flow hedging

December 31, 2023

Hedging instruments	Currency	Contract amount	Maturity	Forward price	Line items on the balance sheets	Carry amount	
						Asset	Liability
Cash flow hedging							
Hedging deposits	JPY	\$ 280,050	NA	NA	Financial assets for hedging	\$ 60,827	\$ -
	USD	7,320	NA	NA	Financial assets for hedging	224,754	-
	EUR	577	NA	NA	Financial assets for hedging	19,605	-
	CNY	144,228	NA	NA	Financial assets for hedging	624,074	-
						\$ 929,260	\$ -

December 31, 2023

Hedged Items		Change in fair value of hedged items used for calculating hedge ineffectiveness	Balance in other equity	
			Continuing hedges	Discontinuing hedges
Cash flow hedging				
Forecast contracts	purchases and construction	\$ 24,390	\$ (2,872)	\$ —

2023

Effect on Comprehensive Income (Loss)	Hedging Gains (Losses)	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedging					
Hedging deposits	\$ (19,512)	\$ -	-	\$ -	\$ -

December 31, 2022

						Carry amount	
Hedging instruments	Currency	Contract amount	Maturity	Forward price	Line items on the balance sheets	Asset	Liability
Cash flow hedging							
Hedging deposits	JPY	\$ 132,576	NA	NA	Financial assets for hedging	\$ 30,811	\$ -
	USD	1,924	NA	NA	Financial assets for hedging	59,077	-
	EUR	1,385	NA	NA	Financial assets for hedging	45,332	-
	CNY	192,677	NA	NA	Financial assets for hedging	849,322	-
						\$ 984,542	\$ -

December 31, 2022

Hedged Items	Change in fair value of hedged items used for calculating hedge ineffectiveness	Balance in other equity	
		Continuing hedges	Discontinuing hedges
Cash flow hedging			
Forecast purchases and construction contracts	\$ (58,485)	\$ 21,518	\$ -

2022

	Hedging Gains (Losses)	Amount of Hedge Ineffectiveness Recognized in P/L	Line Item in Which Hedge Ineffectiveness is Included	Amount Reclassified to P/L and the Adjusted Line Item	
				Due to Hedged Item Affecting P/L	Due to Hedged Future Cash Flows No Longer Expected to Occur
Effect on Comprehensive Income (Loss)	Recognized in OCI				
Cash flow hedging					
Hedging deposits and commercial paper	\$ 46,788	\$ -	-	\$ -	\$ -

31. Related Party Transactions

(I) Name and relationship of related parties

Name of related party	Relationship with the Company
China Steel Corporation	Parent company
China Ecotek Vietnam Company Ltd.	Subsidiary
Dragon Steel Corporation (Dragon Steel)	Fellow subsidiary
China Steel Machinery Corporation	Fellow subsidiary
United Steel Engineering & Construction Corporation	Fellow subsidiary
CSC Solar Corporation (CSCSOLAR)	Fellow subsidiary
Chung Hung Steel Corporation	Fellow subsidiary
C.S. Aluminum Corporation	Fellow subsidiary
Steel Castle Technology Corporation	Fellow subsidiary
China Steel Chemical Corporation	Fellow subsidiary
InfoChamp Systems Corporation	Fellow subsidiary
China Steel Security Corporation	Fellow subsidiary
CHC Resources Corporation	Fellow subsidiary

<u>Name of related party</u>	<u>Relationship with the Company</u>
China Steel and Nippon Steel Vietnam Joint Stock Company	Fellow subsidiary
China Steel Management Consulting Corporation	Fellow subsidiary
Union Steel Development Corporation	Fellow subsidiary
Universal Exchange Inc.	Fellow subsidiary
Sing Da Marine Structure Corporation	Fellow subsidiary
Betacera Inc.	Fellow subsidiary
China Steel Global Trading Corporation	Fellow subsidiary
China Steel Structure Co., Ltd.	Fellow subsidiary
China Steel Express Corporation	Fellow subsidiary
HIMAG Magnetic Corporation	Fellow subsidiary
Taiwan Intelligent Transportation Co., Ltd.	Fellow subsidiary
China Rosperity Development Corporation	Fellow subsidiary
China Prosperity Construction Corporation	Fellow subsidiary
Honley Auto. Parts Co., Ltd.	Associate
Formosa Ha Tinh Steel Corporation	Other related party
Hua Eng Wire and Cable Co., Ltd.	Director of the Company
Great Grandeul Steel Co., Ltd.	Director of the Company

(II) Business transaction

	<u>2023</u>	<u>2022</u>
<u>Operating revenue</u>		
Parent company	\$ 6,084,192	\$ 5,836,308
Subsidiary	-	1,579
Fellow subsidiary		
Dragon Steel	1,321,037	1,210,868
Others	496,596	410,344
Associate	220	-
Other related parties	8,642	16,418
Director of the Company	-	114
	<u>\$ 7,910,687</u>	<u>\$ 7,475,631</u>

		2023		2022
Purchase of goods and outsourcing fees				
Parent company	\$	4,090	\$	14,224
Fellow subsidiary		77,827		279,475
Director of the Company		8,345		4,428
	\$	<u>90,262</u>	\$	<u>298,127</u>

The Company's operating revenues were mainly from construction revenues from the companies above, and the total contract price was negotiated based on the scale or nature of each project. The receivables were collected within approximately 2-3 months after the invoice is issued. The Company's contracts with related parties were different from unrelated parties, so there were no similar transactions for comparison.

Purchase of goods and outsourcing fees were negotiated based on the model or nature of the project, and payment was paid within 1-2 months. The Company's transactions with related parties were different from unrelated parties, so there were no similar transactions for comparison.

The balances of contract assets, contract liabilities, and accounts payable/receivable to/from related parties on the balance sheet date were as follows:

Account Items	Related Parties Types	December 31, 2023	December 31, 2022
Contract assets-current	Parent company	\$ 690,392	\$ 364,423
	Fellow subsidiary		
	Dragon Steel	350,177	67,567
	Others	<u>71,683</u>	<u>6,858</u>
		\$ <u>1,112,252</u>	\$ <u>438,848</u>

<u>Account Items</u>	<u>Related Parties Types</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities-current	Parent company	\$ 822,900	\$ 1,159,154
	Fellow subsidiary	127,225	162,896
	Other related parties	<u>9,792</u>	<u>11,574</u>
		<u>\$ 959,917</u>	<u>\$ 1,333,624</u>
Accounts receivable-related parties	Parent company	\$ 229,314	\$ 305,299
	Fellow subsidiary		
	Dragon Steel	176,000	94,010
	CSCSOLAR	152,318	81,454
	Others	24,016	4,103
	Associate	<u>100</u>	<u>-</u>
		<u>\$ 581,748</u>	<u>\$ 484,866</u>
Accounts payable-related parties	Parent company	\$ 17	\$ 23
	Fellow subsidiary	12,634	13,993
	Director of the Company	<u>2,767</u>	<u>-</u>
		<u>\$ 15,418</u>	<u>\$ 14,016</u>

The outstanding accounts payable to related parties were unsecured and will be settled in cash. Accounts receivable from related parties were also unsecured and no impairment loss was recognized as of December 31, 2023 and 2022.

(III) Other transactions

1. Construction contracts

The balance of construction contracts not yet performed in operating revenues is listed below:

	December 31, 2023	December 31, 2022
Parent company	\$ 11,068,023	\$ 12,100,564
Fellow subsidiary		
Dragon Steel	2,030,735	2,268,478
Others	358,182	566,898
Other related parties	12,149	13,930
	<u>\$ 13,469,089</u>	<u>\$ 14,949,870</u>

Accumulated balance of construction progress of construction contracts is listed below:

	December 31, 2023	December 31, 2022
Parent company	\$ 10,365,837	\$ 7,816,541
Fellow subsidiary		
Dragon Steel	2,310,391	1,939,911
Others	549,372	329,215
Other related parties	1,673,257	1,671,475
	<u>\$ 14,898,857</u>	<u>\$ 11,757,142</u>

2. Lease agreements

Account Items	Related Parties Types	December 31, 2023	December 31, 2022
Lease liabilities (current and noncurrent)	Parent company	\$ <u>13,849</u>	\$ <u>25,600</u>
		<u>2023</u>	<u>2022</u>
<u>Related Parties Types</u>			
Interest expense			
Parent company		\$ <u>318</u>	\$ <u>129</u>
Rental expenses			
Parent company		\$ <u>2,535</u>	\$ <u>1,666</u>

The Company leased offices and production equipment from the parent company with a lease period of 3-5 years. The rental was based on the rental for similar assets and was paid quarterly or semi-annually according to the lease agreements.

Rent expenses included short-term leases and low value asset leases of buildings and transportation equipment and variable lease payments that were not included in the measurement of the lease liability.

(IV) Lease arrangements

As described in Note 17, the Company leased out land, which was located in the Linyuan District, Kaohsiung City to its parent entity. Price was negotiated between both sides and collected every half year. The lease term of the contract will end in May 2023. As of December 31, 2023, the gross lease payment had been fully received. The amount of lease income recognized for 2023 and 2022 were NT\$11,664 thousand and NT\$6,804 thousand, respectively.

(V) Compensation for management

	2023	2022
Short-term employee benefits (salary, dividends, and bonuses)	\$ <u>27,026</u>	\$ <u>27,004</u>

Remuneration of directors and management was determined by the remuneration committee based on the personal performance evaluation and market trends.

32. Pledged Assets

The Company provides the following assets as guarantee for contract performance:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits (recognized in other financial assets-current)		
	\$ <u>350</u>	\$ <u>251,553</u>

33. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in other notes, the Company also has the following major commitments and contingencies on December 31, 2023

- (I) The Company provided approximately NT\$565,118 thousand in performance bond and warranty bond through a bank for construction contracts.
- (II) The Company provided approximately NT\$95,685 thousand in notes as the performance bond and warranty bond for major projects.
- (III) The Company's balance of issued but unutilized L/C for the purchase of construction equipment is approximately NT\$17,770 thousand.
- (IV) Property purchase and construction contracts for NT\$136,320 thousand were signed but not yet recorded.

34. Significant assets and liabilities denominated in foreign currencies

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

	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2023			
Foreign currency assets			
Monetary items			
USD	\$ 7,731	30.7050 \$	237,392
CNY	144,912	4.3270	627,032
EUR	585	33.9800	19,878
JPY	280,054	0.2172	60,828
Non-monetary items			
Financial assets at fair value through other comprehensive income			
USD	4,070	30.7050	124,976
Foreign currency liabilities			
Monetary items			
CNY	5,920	4.3270	25,618
December 31, 2022			
Foreign currency assets			
Monetary items			
USD	\$ 2,070	30.7100 \$	63,569
CNY	193,884	4.4080	854,642
EUR	1,386	32.7200	45,341
JPY	132,580	0.2324	30,812

	Foreign Currencies (In Thousands)	Exchange rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Non-monetary items			
Financial assets at fair value through other comprehensive income			
USD	3,347	30.7100	102,782
Foreign currency liabilities			
Monetary items			
USD	25	30.7100	767

For 2023 and 2022, realized and unrealized net foreign exchange gains and losses were NT\$87 thousand and NT\$1,033 thousand. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies of the Company.

35. Separately disclosed items

Matters required to be disclosed in 2023 are as follows:

(I) Information about significant transactions and (II) investees

1. Financing provided to others: None.
2. Endorsements or guarantees provided: None.
3. Marketable securities held at the end of the year (excluding investments in subsidiaries and associate): Table1.
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.

5. Acquisition of individual real estate 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: Table 2.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
9. Derivatives trading: None.
10. Other: The business relationship and key transactions between intra-group companies and amount: Table 4.
11. Information investees: Table 5.

(III) Information on investments in mainland China

1. Information on any investee in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.

- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
- (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
- (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

(IV) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: Table 7.

36. Segment Information

The Company had already disclosed segment information in the consolidated financial statements, so it is not required to disclose such information in the standalone financial statements.

China Ecotek Corporation and Subsidiaries
Marketable securities held at the end of the year
December 31, 2023

Table 1

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

Held Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the year				Note
				shares/ units	Carrying Value	Percentage of Ownership (%)	Fair value	
The Company	Stock							
	Yeong Long Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss-noncurrent	440,000	\$ 15,079	1.13	\$ 15,079	
	Hsin Yu Energy Development Co., Ltd.	-	Financial assets at fair value through profit or loss-noncurrent	391,249	-	0.16	-	
	Green Shepherd Corporation	-	Financial assets at fair value through profit or loss-noncurrent	784,000	16,801	5.55	16,801	
					<u>\$ 31,880</u>		<u>\$ 31,880</u>	
	Stock							
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss-current	2,990,000	\$ 74,750	1.50	\$ 74,750	
	Lianyou Metals Co., Ltd.	-	Financial assets at fair value through profit or loss-current	114,000	6,331	0.37	6,331	
	TFBS Bioscience, Inc	-	Financial assets at fair value through profit or loss-current	104,000	4,000	0.30	4,000	
					<u>\$ 85,081</u>		<u>\$ 85,081</u>	
	Stock							
	China Steel Corporation	Parent company	Financial assets at fair value through other comprehensive income-current	1,150,000	\$ 31,050	0.01	\$ 31,050	
	Stock							
	Asia Pacific Energy Development Company Limited	The held company as its director	Financial assets at fair value through other comprehensive income-noncurrent	2,212,590	\$ 124,976	11.11	\$ 124,976	

China Ecotek Corporation and Subsidiaries

Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

From January 1 to December 31, 2023

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

Table 2

Purchaser/Seller	Related Party	Relationship	Transaction				Abnormal transaction		Receivables (Payables)		Note
			Purchase (sales)	Amount	Percentage of total purchases (sales) (%)	Payment Terms			Ending balance	As a percentage of total accounts receivable (payable)	
							Unit price	Credit period			
The Company	China Steel Corporation	Parent company	Construction revenue	\$ (5,947,799)	(62)	Contract period	Note	Note	\$ 229,314	37	
	Dragon Steel Corporation	Fellow subsidiary	Construction revenue	(1,304,272)	(14)	Contract period	Note	Note	176,000	28	
	CSC Solar Corporation	Fellow subsidiary	Construction revenue	(340,037)	(4)	Contract period	Note	Note	152,318	24	

Note: Please refer to Note 31.

China Ecotek Corporation and Subsidiaries
Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital
December 31, 2023

Table 3

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

Company Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	China Steel Corporation	Parent company	\$ 229,314	22.76	\$ -	-	\$ 227,285	\$ -
	Dragon Steel Corporation	Fellow subsidiary	176,000	9.79	-	-	71,548	-
	CSC Solar Corporation	Fellow subsidiary	152,318	2.95	-	-	3,044	-

China Ecotek Corporation and Subsidiaries
The business relationship and key transactions between intra-group companies and amount
From January 1 to December 31, 2023

Table 4

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

No	Company Name	Related Party	Relationship	Transaction			
				Item	Amount	Trade terms	As a percentage of total revenue or total assets
1	The Company	China Ecotek Vietnam Company Limited	subsidiary	General and administrative expenses	\$ 11,012	According to the contract	-

China Ecotek Corporation and Subsidiaries

Information investees

From January 1 to December 31, 2023

Table 5

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

Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment amount		Shareholding at the end of year			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				End of the current year	End of the previous year	Number of Shares	Percentage (%)	Carrying Amount			
The Company	CEC Development Corporation	Samoa	General investment	\$ 478,579	\$ 478,579	17,000,000	100.00	\$ 984,713	\$ 27,766	\$ 27,766	Subsidiary
The Company	CEC International Corporation	Samoa	General investment	30,642	30,642	10,000,000	100.00	34,812	237	237	Subsidiary
The Company	China Steel Machinery Corporation	Kaohsiung City	Manufacture and sale of products for iron and steel equipment, vehicle transportation equipment, power generation and other mechanical equipment	329,174	329,174	35,204,170	26.02	558,730	391,776	101,948	
The Company	Chiun Yu Investment Corporation	Kaohsiung City	General investment	14,233	14,233	1,196,000	40.00	26,596	(1,449)	(580)	
The Company	Chi-Yi Investment Corporation	Kaohsiung City	General investment	8,000	8,000	800,000	40.00	18,183	1,628	651	
The Company	Jiing-Cherng-Fa Investment Corporation	Kaohsiung City	General investment	8,050	8,050	805,000	35.00	17,359	2,904	1,016	
The Company	United Steel International Development Corporation	British Virgin Islands	Holding and investment	-	8,262	-	-	-	(58,958)	(359)	
The Company	Hung-chuan Investment Corporation	Kaohsiung City	General investment	6,000	6,000	600,000	30.00	13,547	1,617	485	
The Company	CSC Solar Corporation	Kaohsiung City	Solar power generation	348,800	348,800	34,880,000	20.00	293,643	116,446	23,289	
The Company	Eminent III Venture Capital Corporation	Taipei City	General investment	100,000	100,000	10,000,000	5.52	69,032	(7,398)	(408)	
The Company	Pro-Ascentek Investment Corporation	Kaohsiung City	General investment	60,000	60,000	6,000,000	5.00	67,376	42,059	2,103	
The Company	China Ecotek India Private Limited	India	Construction engineering	27	27	5,000	0.10	35	849	-	Subsidiary
CEC Development Corporation	China Ecotek Vietnam Company Limited	Vietnam	Construction engineering	302,065	302,065	-	100.00	796,836	27,295	27,295	Subsidiary
CEC International Corporation	China Ecotek India Private Limited	India	Construction engineering	27,070	27,070	4,995,000	99.90	34,568	849	849	Subsidiary

China Ecotek Corporation and Subsidiaries
Information on Investments in Mainland China
From January 1 to December 31, 2023

Table 6

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

Investee Company	Main Businesses and Products	Paid-in capital	Investment method	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	Percentage of shares held directly or indirectly by the Company (%)	Investment Gain (Loss) (Note1)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Ningbo Huayang Aluminium-Tech Co., Ltd	Production and sale of aluminum products	\$ -	Through investment in an existing company (United Steel International Development Corporation) in a third region for further investment in the Chinese company	\$ 9,212	-	\$ 9,212	\$ -	\$ 48,202	-	\$ 294	\$ -	\$ 665	
Xiamen Ecotek PRC Company Limited	Sales agency for import and export of equipment and materials	184,230	Through investment in an existing company (CEC Development Corporation) in a third region for further investment in the Chinese company	184,230	-	-	184,230	418	100.00	418	181,681	-	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	The Company's Uapper Limit On Investment In Mainland China (Note2)
China Ecotek Corporation	\$184,230	\$184,230	\$2,196,689

Note 1: Recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 2: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" by the Investment Commission on August 29, 2008, investments shall not exceed 60% of its net worth.

China Ecotek Corporation
Information on Major Shareholders
December 31, 2023

Table 7

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio (%)
China Steel Corporation	55,393,138	44.76
Hua Eng Wire and Cable Co., Ltd.	11,843,730	9.57
Mega International Commercial Bank Trust Treasury Account-Employee finances trust account	6,927,156	5.59

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the standalone financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If the shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

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China Ecotek Corporation
Statement of cash and cash equivalents

December 31, 2023

Statement 1

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

Item	Maturity Date	Interest rate (%)	Amount
Petty cash and working capital			\$ 875
Cash in banks			
Checking accounts and demand deposits			145,417
Foreign currency demand deposits (Note 1 and Note 2)			10,352
Cash equivalents (Investments within 3 months of its original maturity date)			
Commercial papers	2023.12.26- 2024.01.11	1.35	270,000
			\$ 426,644

Note 1: Foreign currency demand deposits include USD 235 thousand, JPY 4 thousand, EUR 8 thousand, and CNY 665 thousand.

Note 2: The exchange rates for USD, EUR, CNY, and JPY are US\$1=NT\$30.705, EUR\$1=NT\$33.98, CNY \$1=NT\$4.327, and JPY\$1=NT\$0.2172.

China Ecotek Corporation
Statement of financial assets at fair value through profit or loss - current
December 31, 2023

Statement 2

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

Name of financial instrument	shares or units	Acquisition cost	Fair value		Note
			Unit price (NTD)	Total amount	
Stock					
Locus Cell Co., Ltd.	2,990,000	\$ 29,900	\$ 25.0000	\$ 74,750	
Lianyou Metals Co., Ltd.	114,000	8,974	55.5360	6,331	
TFBS Bioscience, Inc	104,000	5,837	38.4640	4,000	
		<u>\$ 44,711</u>		<u>\$ 85,081</u>	

Note: Fair value is measured on the closing prices of stocks on the balance sheet date and after considering liquidity.

China Ecotek Corporation
Statement of financial assets at fair value through other comprehensive income – current
December 31, 2023

Statement 3

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

Name of financial instrument	shares or units	Acquisition cost	Fair value		Note
			Unit price (NTD)	Total amount	
Stock					
China Steel Corporation	1,150,000	\$ <u>29,052</u>	\$ 27.0000	\$ <u>31,050</u>	

Note: Fair value is measured on the closing prices of stocks on the balance sheet date.

China Ecotek Corporation
Statement of hedging financial assets - current

December 31, 2023

Statement 4 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	(Note)	Maturity Date	Interest rate (%)	Amount
Time deposits				
USD	6,500 thousand	2023.05.29-2024.05.29	5.18~5.60	\$ 199,583
CNY	140,716 thousand	2023.09.20-2024.06.21	2.20~3.70	608,876
EUR	500 thousand	2023.10.24-2024.04.24	1.5	16,990
Demand deposits				
JPY	280,050 thousand			60,827
USD	820 thousand			25,171
CNY	3,512 thousand			15,198
EUR	77 thousand			<u>2,615</u>
				<u>\$ 929,260</u>

Note: The exchange rates for USD, EUR, CNY, and JPY are US\$1=NT\$30.705, EUR\$1=NT\$33.98, CNY\$1=NT\$4.327, and JPY\$1=NT\$0.2172.

China Ecotek Corporation
Statement of accounts receivable

December 31, 2023

Statement 5

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

	<u>Amount</u>	<u>Overdue for 1 year and above</u>	<u>Note</u>
Non-related party			
Taiwan Water Corporation	\$ 23,096	\$ -	Construction
Kinmen County Water Plant.	9,002	-	Construction
Pharmosa Biopharm Inc.,	4,248	-	Construction
TFBS BIOSCIENCE, INC.	3,570	-	Construction
Others (Note)	<u>3,921</u>	<u>-</u>	
	<u>\$ 43,837</u>	<u>\$ -</u>	
Related party			
China Steel Corporation	\$ 229,314	\$ -	Construction and sales
Dragon Steel Corporation	176,000	-	Construction and sales
CSC Solar Corporation	152,318	-	Construction
Others (Note)	<u>24,116</u>	<u>-</u>	
	<u>\$ 581,748</u>	<u>\$ -</u>	

Note: The amount of individual customer included in others does not exceed 5% of the account balance

China Ecotek Corporation

Statement of other financial assets – current

December 31, 2023

Statement 6

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

Item	Maturity Date	Interest rate (%)	Amount
Restricted bank deposits			
Time deposits			
NTD	2023.12.21-2024.03.21	1.16	\$ <u>350</u>

China Ecotek Corporation
Statement of changes in financial assets at fair value through profit or loss – noncurrent
2023

Statement 7

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

Name	Beginning of year		Additions		Decrease		End of the year		Collateral	Note
	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value (Note 1)		
Stock										
Yeong Long Technologies Co., Ltd.	440,000	\$ 15,507	-	\$ -	-	\$ 428	440,000	\$ 15,079	None	
Ecotek Industrial Aquaculture Corp.	74,681	600	-	-	74,681	600	-	-	None	Note2
Hsin Yu Energy Development Co., Ltd.	391,249	-	-	-	-	-	391,249	-	None	
Green Shepherd Corporation	784,000	<u>16,100</u>	-	<u>701</u>	-	<u>-</u>	784,000	<u>16,801</u>	None	
		<u>\$ 32,207</u>		<u>\$ 701</u>		<u>\$ 1,028</u>		<u>\$ 31,880</u>		

Note 1: Please refer to Note 30 for the valuation method for determining fair value.

Note 2: The decrease in the current year is due to disposal of financial assets at fair value through profit or loss - current.

China Ecotek Corporation
Statement of changes in financial assets at fair value through other comprehensive income - noncurrent
2023

Statement 8

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

Name	Beginning of year		Additions		Decrease		End of the year		Collateral	Note
	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value	Number of shares	Fair value (Note 1)		
Stock										
Asia Pacific Energy Development Company Limited	2,212,590	\$ <u>102,782</u>	-	\$ <u>22,194</u>	-	\$ <u>-</u>	2,212,590	\$ <u>124,976</u>	None	

Note 1: Please refer to Note 30 for the valuation method for determining fair value.

China Ecotek Corporation
Statement of changes in investments recognized under the equity method
2023

Statement 9 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Opening balance		Addition		Decrease		End of the year		Market price or net value of equity	Collateral	Note
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			
Unlisted company											
CEC Development Corporation	17,000,000	\$ 986,012	-	\$ -	-	\$ 1,299	17,000,000	\$ 984,713	\$ 984,713	None	
China Steel Machinery Corporation	35,204,170	529,821	-	28,909	-	-	35,204,170	558,730	558,730	None	
CEC International Corporation	10,000,000	41,017	-	-	-	6,205	10,000,000	34,812	34,812	None	
Chiun Yu Investment Corporation	1,196,000	30,217	-	-	-	3,621	1,196,000	26,596	26,596	None	
Chi-Yi Investment Corporation	800,000	21,145	-	-	-	2,962	800,000	18,183	18,183	None	
Jiing-Cherng-Fa Investment Corporation	805,000	19,603	-	-	-	2,244	805,000	17,359	17,359	None	
United Steel International Development Corporation	300,000	4,516	-	-	300,000	4,516	-	-	-	None	
Hung-chuan Investment Corporation	600,000	15,755	-	-	-	2,208	600,000	13,547	13,547	None	
CSC Solar Corporation	34,880,000	280,240	-	13,403	-	-	34,880,000	293,643	393,824	None	
Eminent III Venture Capital Corporation	10,000,000	76,208	-	-	-	7,176	10,000,000	69,032	69,032	None	
China Ecotek India Private Limited	5,000	38	-	-	-	3	5,000	35	35	None	
Pro-Ascentek Investment Corporation	6,000,000	58,002	-	9,374	-	-	6,000,000	67,376	67,376	None	
		\$ 2,062,574		\$ 51,686		\$ 30,234		\$ 2,084,026	\$ 2,184,207		

Note: Increases and decreases in the current year except for proceeds collected for the liquidation of associates, the change in the current year mainly from investment gains and losses and equity-related adjustments recognized under the equity method, and the net amount of cash dividends.

China Ecotek Corporation
Statement of changes in right-of-use assets

2023

Statement 10

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

Item	Opening balance	Additions	Decrease	Closing balance
Cost				
Land	\$ 20,299	\$ -	\$ -	20,299
Buildings	91,861	-	-	91,861
Machinery and equipment	1,715	-	-	1,715
Transportation equipment	23,619	12,780	7,564	28,835
Total	<u>137,494</u>	<u>\$ 12,780</u>	<u>\$ 7,564</u>	<u>142,710</u>
Accumulated depreciation				
Land	10,149	\$ 6,767	-	16,916
Buildings	22,952	17,689	-	40,641
Machinery and equipment	715	428	-	1,143
Transportation equipment	10,722	9,146	7,564	12,304
Total	<u>44,538</u>	<u>\$ 34,030</u>	<u>\$ 7,564</u>	<u>71,004</u>
	<u>\$ 92,956</u>			<u>\$ 71,706</u>

China Ecotek Corporation
Statement of short-term borrowing
December 31, 2023

Statement 11

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

<u>Type</u>	<u>Contract period</u>	<u>Interest Rate (%)</u>	<u>Balance, End of The Year</u>	<u>Loan Commitments</u>	<u>Collateral</u>
Unsecured loans					
Taipei Fubon Commercial Bank	2023.11.27-2024-02.27	1.66	\$ <u>100,000</u>	\$ <u>500,000</u>	None

China Ecotek Corporation
Statement of accounts payable

December 31, 2023

Statement 12

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

Name of vendor	Amount
Non-related party	
Others (Note)	\$ <u>847,952</u>
Related party	
InfoChamp Systems Corporation	\$ 7,909
Steel Castle Technology Corporation	4,188
Hua Eng Wire and Cable Co., Ltd.	2,767
Others (Note)	<u>554</u>
	\$ <u>15,418</u>

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

China Ecotek Corporation
Statement of lease liabilities

December 31, 2023

Statement 13 (In Thousands of New Taiwan Dollars,
Unless Stated Otherwise)

Item	Object	Period (Note 2)	Discount rate (%)	Balance
Land	Leased land	2021.07.01- 2024.06.30	Note 1	\$ 3,407
Buildings	Leased plant and offices	2019.04.17- 2029.12.31	Note 1	49,892
Machinery and equipment	Construction equipment	2021.05.01- 2026.04.30	Note 1	522
Transportation equipment	Corporate vehicle lease	2020.02.27- 2026.12.14	Note 1	<u>16,770</u>
				70,591
Less: Current portion (Note 3)				<u>30,732</u>
				\$ <u><u>39,859</u></u>

Note 1: Please refer to Note 16.

Note 2: Refers to the lease period defined in Paragraphs 18-21 of IFRS 16 and not the contract period.

Note 3: Lease liabilities that will mature within one year shall be listed as current liabilities.

China Ecotek Corporation
Statement of operating revenue

2023

Statement 14

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

Item	Amount
Sales revenue	
CSVC Expansion Project for Procurement of No. 4 Air Compressor Equipment	\$ 39,757
Water treatment agent of power plant	26,282
Others (Note)	70,137
	<u>136,176</u>
Construction revenue	
Others (Note)	<u>9,193,833</u>
Technical service revenue	
Operation of Chengcing Lake Water Treatment Plant	134,960
IWI operation and maintenance project	46,344
Operation and maintenance of Kinmen Taihu Water Treatment Plant	44,243
Others (Note)	53,285
	<u>278,832</u>
	<u>\$ 9,608,841</u>

Note: There is no single amount that exceeds 10% of the amount for this item.

China Ecotek Corporation
Statement of operating costs

2023

Statement 15

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

Item	Amount
Construction costs	
Construction materials	\$ 2,062,519
Construction labors	1,187,971
Construction expenses	<u>5,065,517</u>
	8,316,007
Plus: Construction in progress at the beginning of the year	18,589,104
Net amount of construction profit recognized according to the percentage of completion	891,915
Construction costs recognized according to the percentage of completion	8,303,285
Provision at the end of the year	8,577
Less: Construction in progress at the end of the year	(18,216,163)
Offsets of construction payments collected in advance recognized according to the percentage of completion	(9,571,231)
Provision at the beginning of the year	<u>(18,209)</u>
	8,303,285
Technical service costs	242,799
Cost of goods sold	<u>108,215</u>
	<u><u>\$ 8,654,299</u></u>

China Ecotek Corporation
Statement of operating expenses

2023

Statement 16

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

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll expense	\$ 36,419	\$ 303,387	\$ 9,287	\$ 349,093
Professional fees	-	10,571	1,568	12,139
Depreciation expense and amortization	-	35,396	101	35,497
Tools and Consumables	-	382	915	1,297
Others (Note)	<u>1,047</u>	<u>77,701</u>	<u>244</u>	<u>78,992</u>
	<u>\$ 37,466</u>	<u>\$ 427,437</u>	<u>\$ 12,115</u>	<u>\$ 477,018</u>

Note: None of the balances exceed 5% of the balance for this item.

China Ecotek Corporation
Summary of employee benefits, depreciation and amortization expenses

2023 and 2022

Statement 17

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

	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	\$ 1,120,371	\$ 274,267	\$ 1,394,638	\$ 1,017,631	\$ 265,529	\$ 1,283,160
Labor and health insurance	81,081	27,278	108,359	75,368	24,579	99,947
Post-employment benefits	47,603	9,911	57,514	44,644	10,440	55,084
Director's remuneration	-	8,051	8,051	-	11,336	11,336
Others	82	29,586	29,668	-	24,647	24,647
	<u>\$ 1,249,137</u>	<u>\$ 349,093</u>	<u>\$ 1,598,230</u>	<u>\$ 1,137,643</u>	<u>\$ 336,531</u>	<u>\$ 1,474,174</u>
Depreciation	\$ 25,372	\$ 28,721	\$ 54,093	\$ 23,486	\$ 29,209	\$ 52,695
Amortization	\$ -	\$ 6,776	\$ 6,776	\$ -	\$ 5,410	\$ 5,410

Note 1: The Company had 1,201 and 1,186 employees in 2023 and 2022, respectively. Among them, 9 directors did not serve concurrently as employees in 2023 and 2022, respectively.

Note 2: Additional disclosures are as follows:

1. Average employee benefit expenses [(Total employee benefit expenses - Total director's remuneration)/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,334 thousand this year.
Average employee benefit expenses [(Total employee benefit expenses - Total director's remuneration)/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,243 thousand in the previous year.
2. Average employee salary expenses [Total employee salary expenses/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,170 thousand this year.
Average employee salary expenses [Total employee salary expenses/ (Number of employees - Number of directors who not concurrently employees)] was NT\$1,090 thousand in the previous year.

thousand in the previous year.

3. Adjustments and changes to average employee salary expenses [(Average employee salary expenses in the current year - Average employee salary expenses in the previous year)/Average employee salary expenses in the previous year]: 7.3%.
4. The Company's remuneration policy:
 - (1) Directors' remuneration policy:

Director's remuneration is specified in Article 32 of the Articles of Incorporation. Where the Company has a profit for a fiscal year, no more than 1% of such profit shall be appropriated as directors' remuneration through a resolution of the board of directors' meeting. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before directors' remuneration can be allocated according to the above percentage.
 - (2) President and vice presidents' remuneration policy

The Company's remuneration to the president and vice presidents is in accordance with the Remuneration Management Regulations and reported to the Board of Directors for approval. A certain proportion of profits in the previous year is allocated as a performance bonus that is distributed to all employees according to related regulations on rewards, and is directly related to business performance.
 - (3) Employees' remuneration policy:

Employees' remuneration mainly includes basic salary, performance bonuses, and employee bonuses.

 - A. Remuneration standards are set based on supply and demand in the labor market and the industry standard. Basic salaries are in principle higher than the minimum required by the Ministry of Labor, and take into consideration the job, education, and relevant experience. Standards may be revised each year based on the consumer price index, salaries offered in the market, and the Company's business situation. Employees are evaluated for a raise each year based on the Company's business situation, their individual work performance, and the work performance of their unit.
 - B. A certain proportion of profits in the previous year is allocated as a performance bonus that is distributed to all employees according to related regulations on rewards, and is directly related to business performance. Furthermore, employee bonuses is specified in Article 32 of the Articles of Incorporation. Where the Company has a profit for a fiscal year, no less than 0.1% of such profit shall be appropriated as employee bonuses through a resolution of the board of directors' meeting. The recipients of employee bonuses include employees of affiliates meeting certain criteria. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before employee bonuses can be allocated according to the above percentage.