

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

TUNG HO STEEL ENTERPRISE CORPORATION

Parent Company Only Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Tung Ho Steel Enterprise Corporation:

Opinion

We have audited the financial statements of Tung Ho Steel Enterprise Corporation (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, the statements of changes in equity, and the statements of cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements as of and for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company’s financial statements are stated as follows:

1. Revenue recognition

Please refer to Note 4(n) “Revenue recognition” and Note 6(v) “Revenue from contracts with customers” in the parent company only financial statements.

Explanation of the key audit matter:

The Company mainly manufactures and sells deformed bars and sections. Revenue recognition is one of the key areas for our audit, and is where on which the report users and receivers pay great concern on. As a result, the test on revenue recognition is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing whether appropriate revenue recognition policies were applied and whether sufficient information was disclosed ;
- testing the manual or systems-based controls on its sales and collection cycle, perform reconciliations between the information from sales systems and the general ledger ;
- reading the sales contracts with significant clients and testing the consistency of their accounting policy ;
- performing year-to-year analysis on the revenue by product and the revenue from the ten customers with the largest sales volume to determine if there were any abnormalities ;
- taking appropriate samples, verifying the relevant internal and external information, and confirming whether the control of goods has already been transferred to the buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition ;
- vouching internal and external information of sales in the selected period before and after the reporting date (the length of the period was determined based on the sales terms) to determine whether sales revenue were recorded in the appropriate period.

2. Valuation of inventories

Please refer to Note 4(g) “Inventories”, and Note 6(f) “Inventories” in the parent company only financial statements.

Explanation of the key audit matter:

Due to the changes in the international trade environment and the impact of price fluctuations on the raw materials and finished products of the steel industry, the risk that the book value of the inventory to be higher than the net realizable value may arise. Therefore, the valuation of inventories is one of the key judgmental areas in our audit.

Our principal audit procedures included:

- assessing the rationality of accounting policies for inventory evaluation ;
- assessing whether the evaluation of inventory has been in accordance with the established accounting policies ;
- understanding the sales price used by management and the changes in market price of futures inventory to assess the rationality of the net realizable value of inventories ;
- taking appropriate samples and verifying the relevant internal and external information to confirm the adequacy and reasonableness of the net realized value basis used by management ;
- assessing whether the management’s disclosure of the inventory allowance is acceptable.

3. Investments accounted for using the equity method (construction contracts in subsidiaries)

Please refer to Note 4(i) “Investment in subsidiaries” and Note 6(g) “Investment accounted for using the equity method” of the parent company only financial statements.

Explanation of the key audit matter:

Contract accounting is considered to be an audit risk to the Company's subsidiary as it requires a high degree of estimation and judgment of matters such as the costs of the work required to complete the contract, the stage of completion of the contract, as well as the recognition of onerous contract. Different judgments could lead to different outcomes, which may have an impact on the Company's shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- reviewing significant contracts and discussing them with the management to obtain a full understanding of the specific terms and risks, to assess whether revenue was appropriately recognized ;
- selecting a sample from the ongoing constructions to verify the costs between the estimation and the contracts, discussing with the management about the estimates for total contract costs and forecasted costs, including taking into account the historical accuracy of such estimates ;
- selecting a sample from the completed constructions to assess the settlement of revenue by examination of external evidence ;
- for warranty under the construction contracts provided to the clients by the subsidiaries, obtaining the estimated warranty costs, vouching internal and external data to assess the rationality of the estimates and whether there are any abnormalities in the provisions estimated by the management ;
- assessing whether the loss recognized for onerous contracts appropriately reflect the expected contractual position.

4. Investments accounted for using the equity method (Impairment of property, plant and equipment in subsidiaries)

Please refer to Note 4(i) "Investment in subsidiaries" and Note 6(g) " Investment accounted for using the equity method" of the parent company only financial statements.

Explanation of the key audit matter:

Assets impairment accounting is considered to be an audit risk to the Company's subsidiary as it requires a high degree of estimation and judgment of matters such as determination of discount rates and expected growth rates. Different judgments could lead to different outcomes, which may have an impact on the Company's shares of gain or loss on investments accounted for using the equity method on its financial statements.

Our principal audit procedures included:

- obtaining the future cash flow forecast and the evaluation of the discount rate of the Vietnam subsidiary of the Company ;
- discussing with the management and raising professional skepticism of the significant key judgments used in forecasting future cash flows ;
- understanding whether the reference basis of the discount rate used by the Company's management is consistent, and comparing it with relevant internal and external information, evaluating whether the discount rate used by the management is reasonable. In addition, performing verification process on the value in use of the assets calculated by the Company's management.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of a parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lee, Tzu Hui and Kuo, Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2023

Notes to Readers

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

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(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 518,048	1	472,689	1	2100	Short-term loans (Note 6(k))	\$ 11,027,774	23	7,650,897	17
1110	Current financial assets at fair value through profit or loss (Note 6(b))	162,736	-	195,744	-	2111	Short-term notes and bills payable (Note 6(l))	599,500	1	-	-
1150	Notes receivable, net (Notes 6(d) and (v))	164,768	-	180,274	-	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	14,674	-	5,045	-
1170	Accounts receivable, net (Notes 6(d), (v) and 7)	3,014,900	7	4,090,559	9	2130	Current contract liabilities (Note 6(v))	1,338,529	3	1,336,905	3
1200	Other receivables (Notes 6(e) and 7)	935,744	2	13,904	-	2150	Notes payable	77,267	-	142,704	-
1310	Inventories (Note 6(f))	15,957,042	33	16,330,054	36	2170	Accounts payable (Note 7)	1,442,537	3	2,160,870	5
1410	Prepayments	189,402	-	181,008	1	2200	Other payables (Notes 6(q) and 7)	1,818,561	4	1,867,142	4
1470	Other current assets (Note 8)	127	-	39,504	-	2230	Current tax liabilities	421,637	1	849,368	2
	Total current assets	<u>20,942,767</u>	<u>43</u>	<u>21,503,736</u>	<u>47</u>	2280	Current lease liabilities (Note 6(o))	25,292	-	21,645	-
	Non-current assets:					2300	Other current liabilities	10,176	-	9,497	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	522,828	1	669,355	1		Total current liabilities	<u>16,775,947</u>	<u>35</u>	<u>14,044,073</u>	<u>31</u>
1550	Investments accounted for using the equity method (Notes 6(g) and 7)	10,512,705	23	9,523,761	21		Non-Current liabilities:				
1600	Property, plant and equipment (Notes 6(h) and 7)	13,824,070	29	11,319,898	25	2540	Long-term loans (Note 6(m))	1,950,000	4	1,800,000	4
1755	Right-of-use assets (Note 6(i))	139,402	-	140,529	-	2570	Deferred tax liabilities (Note 6(s))	187,095	-	169,814	-
1760	Investment property (Notes 6(h) and (j))	1,924,962	4	1,991,799	4	2580	Non-current lease liabilities (Note 6(o))	118,137	-	122,001	-
1840	Deferred tax assets (Note 6(s))	52,177	-	63,837	-	2640	Non-current defined benefit liability, net (Note 6(r))	260,957	1	403,987	1
1990	Other non-current assets	54,376	-	57,849	-	2645	Guarantee deposits received (Note 7)	9,111	-	12,707	-
1915	Prepayments for equipment	61,514	-	53,444	-		Total non-current liabilities	<u>2,525,300</u>	<u>5</u>	<u>2,508,509</u>	<u>5</u>
1920	Refundable deposits (Note 8)	72,411	-	770,843	2		Total liabilities	<u>19,301,247</u>	<u>40</u>	<u>16,552,582</u>	<u>36</u>
	Total non-current assets	<u>27,164,445</u>	<u>57</u>	<u>24,591,315</u>	<u>53</u>		Equity (Note 6(t))				
	Total assets	<u>\$ 48,107,212</u>	<u>100</u>	<u>46,095,051</u>	<u>100</u>	3100	Capital stock	7,302,138	15	7,302,138	16
						3200	Capital surplus	7,684,679	16	7,684,679	16
							Retained earnings:				
						3310	Legal reserve	4,718,218	10	4,128,399	9
						3320	Special reserve	157,889	-	822,363	2
						3350	Unappropriated retained earnings	9,254,928	19	9,762,779	21
							Total retained earnings	<u>14,131,035</u>	<u>29</u>	<u>14,713,541</u>	<u>32</u>
						3400	Other equity interest	(311,887)	-	(157,889)	-
							Total equity	<u>28,805,965</u>	<u>60</u>	<u>29,542,469</u>	<u>64</u>
							Total liabilities and equity	<u>\$ 48,107,212</u>	<u>100</u>	<u>46,095,051</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	For the years ended December 31,			
	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (Notes 6(v) and 7)	\$ 47,003,192	100	45,569,308	100
5000 Operating costs (Notes 6(f), (r) and 7)	<u>40,527,363</u>	<u>86</u>	<u>37,582,832</u>	<u>82</u>
5900 Gross profit from operations	6,475,829	14	7,986,476	18
5910 Less: Unrealized profit (loss) from sales (Note 7)	64,907	-	96,349	-
5920 Add: Realized profit (loss) from sales (Note 7)	<u>96,349</u>	<u>-</u>	<u>82,953</u>	<u>-</u>
5950 Gross profit, net	<u>6,507,271</u>	<u>14</u>	<u>7,973,080</u>	<u>18</u>
6000 Operating expenses:				
6100 Selling expenses (Notes 6(r), (w) and 7)	791,436	2	815,440	2
6200 Administrative expenses (Notes 6(r), (w) and 7)	1,066,436	2	1,150,838	3
6450 Expected credit loss (Note 6(d))	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
6500 Total operating expenses	<u>1,858,322</u>	<u>4</u>	<u>1,966,278</u>	<u>5</u>
6900 Operating income	<u>4,648,949</u>	<u>10</u>	<u>6,006,802</u>	<u>13</u>
7000 Non-operating income and expenses:				
7010 Other income (Notes 6(x) and 7)	114,646	-	99,217	-
7100 Interest income (Notes 6(x) and 7)	22,547	-	10,247	-
7020 Other gains and losses, net (Notes 6(g), (n) and (x))	249,878	1	118,696	1
7050 Finance costs, net(Note 6(x))	(125,809)	-	(34,189)	-
7060 Share of profit of subsidiaries and associates accounted for using the equity method, net	<u>145,621</u>	<u>-</u>	<u>1,001,232</u>	<u>2</u>
Total non-operating income and expenses	<u>406,883</u>	<u>1</u>	<u>1,195,203</u>	<u>3</u>
7900 Income before income tax	5,055,832	11	7,202,005	16
7950 Less: Income tax expenses (Note 6(s))	<u>1,061,828</u>	<u>2</u>	<u>1,295,758</u>	<u>3</u>
Net income	<u>3,994,004</u>	<u>9</u>	<u>5,906,247</u>	<u>13</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss:				
8311 Losses on remeasurements of defined benefit plans (Note 6(r))	99,635	-	18,134	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(151,796)	-	207,524	-
8330 Share of other comprehensive income of subsidiaries and associates accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss (Note 6(h))	303	-	1,553	-
8349 Less : income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(s))	<u>-</u>	<u>-</u>	<u>3,627</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(51,858)</u>	<u>-</u>	<u>223,584</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign financial statements	(5,282)	-	426,466	1
8399 Less : income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(5,282)</u>	<u>-</u>	<u>426,466</u>	<u>1</u>
8300 Other comprehensive income	<u>(57,140)</u>	<u>-</u>	<u>650,050</u>	<u>1</u>
8500 Total comprehensive income for the period	<u>\$ 3,936,864</u>	<u>9</u>	<u>6,556,297</u>	<u>14</u>
9750 Basic earnings per share (in dollars) (Note 6(u))	<u>\$ 5.47</u>		<u>5.95</u>	
9850 Diluted earnings per share(in dollars) (Note 6(u))	<u>\$ 5.45</u>		<u>5.92</u>	

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TUNG HO STEEL ENTERPRISE CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Capital stock			Retained earnings				Total other equity interest				Total equity
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Total capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	
Balance at January 1, 2021	\$ 10,167,902	419,697	10,587,599	7,287,920	3,775,123	706,221	5,968,807	10,450,151	(941,368)	119,005	(822,363)	27,503,307
Net income for the period	-	-	-	-	-	-	5,906,247	5,906,247	-	-	-	5,906,247
Other comprehensive income for the period	-	-	-	-	-	-	14,312	14,312	426,466	209,272	635,738	650,050
Total comprehensive income for the period	-	-	-	-	-	-	5,920,559	5,920,559	426,466	209,272	635,738	6,556,297
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	353,276	-	(353,276)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	116,142	(116,142)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(1,634,807)	(1,634,807)	-	-	-	(1,634,807)
Capital reduction	(3,596,576)	-	(3,596,576)	32	-	-	-	-	-	-	-	(3,596,544)
Conversion of convertible bonds	730,812	(419,697)	311,115	396,740	-	-	-	-	-	-	-	707,855
Changes in ownership interests in subsidiaries	-	-	-	(13)	-	-	-	-	-	-	-	(13)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(22,362)	(22,362)	-	28,736	28,736	6,374
Balance at December 31, 2021	7,302,138	-	7,302,138	7,684,679	4,128,399	822,363	9,762,779	14,713,541	(514,902)	357,013	(157,889)	29,542,469
Net income for the period	-	-	-	-	-	-	3,994,004	3,994,004	-	-	-	3,994,004
Other comprehensive income for the period	-	-	-	-	-	-	101,256	101,256	(5,282)	(153,114)	(158,396)	(57,140)
Total comprehensive income for the period	-	-	-	-	-	-	4,095,260	4,095,260	(5,282)	(153,114)	(158,396)	3,936,864
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	589,819	-	(589,819)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	(664,474)	664,474	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(4,673,368)	(4,673,368)	-	-	-	(4,673,368)
Capital reduction of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(4,398)	(4,398)	-	4,398	4,398	-
Balance as of December 31, 2022	\$ 7,302,138	-	7,302,138	7,684,679	4,718,218	157,889	9,254,928	14,131,035	(520,184)	208,297	(311,887)	28,805,965

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Income before income tax	\$ 5,055,832	7,202,005
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	961,101	983,876
Amortization expense	7,877	10,262
Expected credit loss	450	-
Net gain on financial assets or liabilities at fair value through profit or loss	(177,928)	(50,675)
Interest expense	125,809	34,189
Interest income	(22,547)	(10,247)
Dividend income	(45,032)	(30,889)
Share of gain of subsidiaries and associates accounted for using the equity method	(145,621)	(1,001,232)
Loss on disposal of property, plant and equipment	2,797	8
Unrealized profit from sales	64,907	96,349
Realized profit from sales	(96,349)	(82,953)
Unrealized foreign currency exchange (gain) loss	(87,373)	435
Loss on bond redemption	-	14
Total adjustments to reconcile profit or loss	588,091	(50,863)
Changes in operating assets and liabilities:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	220,566	15,771
Decrease in notes receivable	15,506	108,219
Decrease (increase) in accounts receivable	536,769	(1,288,345)
Decrease (increase) in accounts receivable from related parties	538,496	(225,616)
Increase in other receivable	(549)	(7,971)
Decrease (increase) in inventories	373,362	(6,002,918)
Increase in prepayments	(8,894)	(47,246)
Decrease (increase) in other current assets	42,049	(39,403)
Increase in other operating assets	(4,405)	-
Total changes in operating assets	1,712,900	(7,487,509)
Increase in contract liabilities	1,624	548,537
(Decrease) increase in notes payable	(65,437)	81,880
(Decrease) increase in accounts payable	(718,333)	664,739
Decrease in accounts payable to related parties	-	(8,619)
(Decrease) increase in other payables	(50,386)	234,044
Increase in other current liabilities	679	998
Decrease in net defined benefit liability	(43,395)	(136,703)
Total changes in operating liabilities	(875,248)	1,384,876
Net changes in operating assets and liabilities	837,652	(6,102,633)
Total adjustments	1,425,743	(6,153,496)
Cash inflow generated from operations	6,481,575	1,048,509
Interest received	22,553	10,252
Dividends received	455,441	442,745
Interest paid	(120,051)	(31,675)
Income taxes paid	(1,460,618)	(1,009,688)
Net cash flows from operating activities	5,378,900	460,143
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(5,269)	(4,601)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	5,770
Acquisition of investments accounted for using equity method	(1,228,032)	(500,092)
Proceeds from capital reduction of investments accounted for using equity method	765	-
Acquisition of property, plant and equipment	(2,920,114)	(286,859)
Increase in refundable deposits	-	(614,429)
Decrease in refundable deposits	271,644	-
Increase in other receivables	(840,900)	-
Acquisition of investment properties	(1,414)	(248)
Decrease in other non-current assets	220	-
Increase in prepayments for equipment and land	(37,936)	(47,485)
Net cash flows used in investing activities	(4,761,036)	(1,447,944)
Cash flows from (used in) financing activities:		
Increase in short-term loans	86,033,347	39,791,892
Decrease in short-term loans	(82,657,366)	(34,146,451)
Increase in short-term notes and bills payable	2,185,000	540,000
Decrease in short-term notes and bills payable	(1,585,000)	(880,000)
Proceeds from long-term loans	2,550,000	1,310,000
Repayments of long-term loans	(2,400,000)	(710,000)
(Decrease) increase in guarantee deposits received	(3,596)	(1,627)
Payment of lease liabilities	(29,335)	(29,114)
Cash dividends paid	(4,673,368)	(1,634,807)
Capital reduction payments to shareholders	-	(3,596,544)
Repayment of bonds	-	(600)
Net cash flows (used in) from financing activities	(580,318)	642,749
Effect of exchange rate changes on cash and cash equivalents	7,813	(435)
Net increase (decrease) in cash and cash equivalents	45,359	(345,487)
Cash and cash equivalents at beginning of period	472,689	818,176
Cash and cash equivalents at end of period	\$ 518,048	472,689

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TUNG HO STEEL ENTERPRISE CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 9, Sec. 1, Chang An E. Rd., Taipei City, Taiwan (R.O.C.). The Company is primarily involved in manufacturing and selling deformed bars, H-beams, and steel plates.

(2) Approval date and procedures of the financial statements

The parent company only financial statements as of and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies

A summary of the significant accounting policies adopted in the accompanying financial statements is as follows. The accounting policies have been applied consistently to all the reporting periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on historical cost basis, except for the following material items in the balance sheet:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Net defined benefit liabilities are measured at the fair value of plan assets less the present value of defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate on that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for that arising from fair value through other comprehensive income non-monetary securities, which is recognized through other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an investment in an associate of joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle ;
- (ii) The asset is held primarily for the purpose of trading ;

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (iii) The asset is expected to be realized within twelve months after the reporting date ; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) The liability is expected to be settled during the Company's normal operating cycle ;
- (ii) The liability is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting date ; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Term deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost ; fair value through other comprehensive income (FVOCI) – equity investment ; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), trade receivables and debt investments measured at FVOCI and contract assets.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to the location and condition ready for sale or production. The allocation of fixed production overheads to the finished goods and work in process is based on the normal capacity of the production facilities. However, in the case where the practical capacity is larger than the normal capacity, the allocation is based on the practical capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are subsequently measured at the lower of cost or net realizable value. The cost of inventories is based on the monthly weighted-average cost. Net realizable value is the estimated as the selling price in the ordinary course of business at the reporting date, less the estimated costs until completion and selling expenses. If the inventory is reserved for a contract, its net realizable value shall be based on the price of the contract.

(h) Investment in associates

Associates are those entities on which the Company has significant influence, but not control or joint control, over their financial and operating policies.

The Company's investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill resulted from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investments in subsidiaries

When preparing the parent company only financial statements, the Company accounts for the investee companies on which it possesses control using the equity method. Net income, other comprehensive income, and shareholder's equity in the parent company only financial reports of the Company should be the same with the net income, other comprehensive income, and shareholder's equity attributable to the parent in the consolidated financial reports should be the same.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings : 3 to 60 years
- 2) Machinery and equipment : 1.25 to 25 years
- 3) Miscellaneous equipment : 2 to 30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, adjusted it as necessary.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery, office equipment and vehicles that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From January 1, 2022, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an individual assets or a CGU is the greater of its fair value less costs of disposal and its value in use. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount, and which should be recognized immediately in profit or loss.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(n) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company recognizes revenue when control of the products has transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Rebar Processing Services

The Company provides rebar processing services, and the related income is recognized during the financial reporting period of the provision of labor services. If the situation changes, under a fixed price contract, the customer pays a fixed amount according to the agreed schedule. A contract liability is recognized when the payment exceeds the service rendered.

The merged company can only request the customer for payment according to the degree of completion, wherein the amount can be collected after the invoice is issued.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the period in which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of a defined benefit pension plan is calculated separately by estimating the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods.

An actuarial calculation of pension costs and related liabilities are performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, an asset is recognized but the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprises current tax expense and deferred tax expense. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following :

- (i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (loss) ; or
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future ; or

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met :

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities ; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either :
 - 1) the same taxable entity ; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized ; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds.

(r) Operating segments

The Company has disclosed related information of its operating segments in the consolidated financial statements of the Company and its subsidiaries as of December 31, 2022 and 2021, thus no additional information will be disclosed herein.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any impact from the changes in accounting estimates are recorded in the period in which the changes occur and in future periods.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The accounting policies related to material judgments that have certain significant impact on the amounts recognized in the financial statements were whether the Company has substantive control over its investees, please refer to the consolidated financial statements for the year ended December 31, 2022.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows :

Level 1 : quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs for the assets or liabilities that are not based on observable market data.

For any transfers within the fair value hierarchies, the impact of the transfer is recognized on the reporting date.

Please refer to the notes listed as below for related information on assumptions used in measuring fair value :

Note 6(j), investment property

Note 6(y), financial instruments

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 564	1,114
Checking and demand deposits	517,484	471,575
Cash and cash equivalents on the statement of cash flows	\$ 518,048	472,689

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (i) Please refer to Note 6(y) for interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.
- (ii) As of December 31, 2022 and 2021, certain term deposits were pledged as collateral of performance guarantee and such term deposits were reclassified to other current assets or refundable deposits. Please refer to Note 8 for details.
- (b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Publicly listed stocks	\$ <u>162,736</u>	<u>195,744</u>
	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	\$ <u>14,674</u>	<u>5,045</u>

The Company uses derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as held-for-trading financial instruments at December 31, 2022 and 2021 :

Forward exchange contracts :

			December 31, 2022		
	Nominal amount (in thousands)	Currency	Maturity dates		
Forward exchange purchased	USD <u>56,999</u>	Sell USD/buy TWD	2023.01.03~2023.03.31		
December 31, 2021					
	Nominal amount (in thousands)	Currency	Maturity dates		
Forward exchange purchased	USD <u>58,801</u>	Sell USD/buy TWD	2022.01.04~2022.03.10		

None of the financial assets were pledged as collateral as of December 31, 2022 and 2021.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(c) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income :		
Publicly listed domestic stocks	\$ 366,344	498,821
Unlisted domestic stocks	<u>156,484</u>	<u>170,534</u>
Total	<u>\$ 522,828</u>	<u>669,355</u>

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.
- (ii) Katec Creative Resources Corp. reduced capital to refunded of shares in 2021, where it realized a loss of \$17,630 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iii) Tung Jing Investment Corp. reduced capital to refunded of shares in 2021, where it realized a loss of \$4,732 thousand, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.
- (iv) For credit risk and market risk; please refer to note 6(y).
- (v) None of the financial assets were pledged as collateral as of December 31, 2022 and 2021.

(d) Notes and accounts receivable and overdue receivables

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	\$ 165,191	180,697
Accounts receivable—measured as amortized cost	2,977,496	3,514,659
Accounts receivable from related parties	58,938	597,434
Overdue receivables	63,628	63,178
Less : loss allowance	<u>(85,585)</u>	<u>(85,135)</u>
	<u>\$ 3,179,668</u>	<u>4,270,833</u>

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The analysis of expected credit loss of the notes and accounts receivable of the Company as of December 31, 2022 and 2021, was as follows :

Credit rating	December 31, 2022		
	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
With low risk	\$ 568,561	-	-
With moderate risk	2,633,064	0.83%	21,957
With financial difficulties	<u>63,628</u>	100%	<u>63,628</u>
	<u>\$ 3,265,253</u>		<u>85,585</u>

Credit rating	December 31, 2021		
	Gross carrying amount	Weighted-average rate of expected credit loss	Loss allowance for expected credit losses
With low risk	\$ 1,406,036	-	-
With moderate risk	2,886,754	0.76%	21,957
With financial difficulties	<u>63,178</u>	100%	<u>63,178</u>
	<u>\$ 4,355,968</u>		<u>85,135</u>

The aging analysis of notes and accounts receivable as of December 31, 2022 and 2021, which were past due but not impaired, were as follows :

	December 31, 2022	December 31, 2021
1 to 60 days past due	<u>\$ 1,111</u>	<u>15,955</u>

The movement in the allowance for notes and accounts receivable were as follows :

	For the years ended December 31,	
	2022	2021
Balance at January 1	\$ 85,135	85,135
Impairment losses recognized	<u>450</u>	<u>-</u>
Balance at December 31	<u>\$ 85,585</u>	<u>85,135</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(e) Other receivables

	December 31, 2022	December 31, 2021
Other receivables from related parties	\$ 1,561	6,600
Other receivables - loans to associates	925,147	-
Others	9,036	7,304
Less : loss allowance	-	-
	<u>\$ 935,744</u>	<u>13,904</u>

No other receivables were impaired resulted from overdue as of December 31, 2022 and 2021. For credit risk, please refer to note 6(y).

(f) Inventories

	December 31, 2022	December 31, 2021
Finished goods (including consigned goods)	\$ 1,968,067	1,977,011
Work in process (including goods in transit and consigned goods)	4,164,142	3,702,655
Raw materials (including goods in transit)	7,641,036	8,960,386
Material supplies (including goods in transit and consigned goods)	2,183,797	1,690,002
Inventories, net	<u>\$ 15,957,042</u>	<u>16,330,054</u>

For the years ended December 31, 2022 and 2021, cost of sales and services provided recognized was as follows :

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 40,559,044	37,619,892
Cost of services	31,302	21,089
Unallocated production overheads — capacity variance	108,186	28,211
Revenue from sale of materials and scrap	(171,169)	(86,360)
Total	<u>\$ 40,527,363</u>	<u>37,582,832</u>

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Any changes of competitors' reactions and market condition would impact the estimation which is based on the current market condition and past experience. The management of the Company makes such evaluation on every reporting date.

None of the inventory was pledged as collateral as of December 31, 2022 and 2021.

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(g) Investments accounted for using the equity method

- (i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Subsidiaries		
Tung Yuan International Corp.	\$ 702,968	800,070
Tung Kang Steel Structure Corp.	3,364,664	2,824,418
Goldham Development Ltd.	394,759	322,275
Katec Creative Resources Corp.	910,604	779,900
Tung Kang Wind Power Corp.	593,752	582,685
Fa Da Enterprise Corp.	-	17,178
Tung Sugar Energy Service Co., Ltd.	-	53,190
Tung Ho Steel Vietnam Corp., Ltd.	<u>3,440,427</u>	<u>3,221,055</u>
Subtotal	<u>9,407,174</u>	<u>8,600,771</u>
Associates		
Katec Research & Development Corp.	87,481	77,623
Taiwan Steel Union Co., Ltd.	966,020	845,367
Tung Sugar Energy Service Co., Ltd.	<u>52,030</u>	<u>-</u>
Subtotal	<u>1,105,531</u>	<u>922,990</u>
Total	<u><u>\$ 10,512,705</u></u>	<u><u>9,523,761</u></u>

(ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

- (iii) The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Carrying amount of individually insignificant associates' equity	<u><u>\$ 1,105,531</u></u>	<u><u>922,990</u></u>
For the years ended		
	<u>December 31,</u> <u>2022</u>	<u>2021</u>
Attributable to the Company :		
Net income from continuing operations	\$ 237,421	146,475
Other comprehensive income	<u>1,973</u>	<u>497</u>
Comprehensive income	<u><u>\$ 239,394</u></u>	<u><u>146,972</u></u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (iv) Cash dividends paid by the Company's associates were recognized as deductions of investment accounted for using the equity method. The details were as follows :

	For the years ended	
	December 31,	
	2022	2021
Tung Kang Steel Structure Corp.	\$ 301,682	327,958
Katec Research & Development Corp.	9,411	9,411
Taiwan Steel Union Co., Ltd.	99,316	74,487
Total	\$ 410,409	411,856

- (v) Collateral

None of the investments accounted for using the equity method were pledged for collateral as of December 31, 2022 and 2021.

The Company neither undertook any contingent liabilities of associates with other investors nor had any contingent liabilities generated from individual responsibility of associates' liabilities.

There is no any significant restriction on transferring the funds from associates to the Company.

- (h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows :

	Land	Buildings	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
Cost or deemed cost:							
Balance as of January 1, 2022	\$ 2,664,661	6,378,394	23,616,373	304,274	287,620	117,877	33,369,199
Additions	2,000,653	274,819	523,748	27,230	-	89,711	2,916,161
Reclassification	426,788	177,398	26,624	-	-	(111,080)	519,730
Disposals	-	(10,367)	(29,726)	(5,103)	-	-	(45,196)
Balance as of December 31, 2022	\$ 5,092,102	6,820,244	24,137,019	326,401	287,620	96,508	36,759,894
Balance as of January 1, 2021	\$ 2,379,625	6,377,184	23,473,880	297,749	533,416	9,543	33,071,397
Additions	39,240	1,210	120,165	10,987	-	109,868	281,470
Reclassification	245,796	-	22,328	1,534	(245,796)	(1,534)	22,328
Disposals	-	-	-	(5,996)	-	-	(5,996)
Balance as of December 31, 2021	\$ 2,664,661	6,378,394	23,616,373	304,274	287,620	117,877	33,369,199
Depreciation :							
Balance as of January 1, 2022	\$ -	3,480,616	18,366,648	202,037	-	-	22,049,301
Depreciation for the period	-	127,387	770,205	26,717	-	-	924,309
Reclassification	-	4,613	-	-	-	-	4,613
Disposals	-	(10,251)	(27,382)	(4,766)	-	-	(42,399)
Balance as of December 31, 2022	\$ -	3,602,365	19,109,471	223,988	-	-	22,935,824

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Miscellaneous equipment</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
Balance as of January 1, 2021	\$ -	3,355,675	17,572,411	182,922	-	-	21,111,008
Depreciation for the period	-	124,941	794,237	25,103	-	-	944,281
Disposals	-	-	-	(5,988)	-	-	(5,988)
Balance as of December 31, 2021	<u>\$ -</u>	<u>3,480,616</u>	<u>18,366,648</u>	<u>202,037</u>	<u>-</u>	<u>-</u>	<u>22,049,301</u>
Carrying value							
Balance as of December 31, 2022	<u>\$ 5,092,102</u>	<u>3,217,879</u>	<u>5,027,548</u>	<u>102,413</u>	<u>287,620</u>	<u>96,508</u>	<u>13,824,070</u>
Balance as of December 31, 2021	<u>\$ 2,664,661</u>	<u>2,897,778</u>	<u>5,249,725</u>	<u>102,237</u>	<u>287,620</u>	<u>117,877</u>	<u>11,319,898</u>

- (i) Because some of the Company's property, plant and equipment and investment property are agricultural lands, transfer registration could not be undertaken using the Company's own title ; therefore, the Company was registered as a trust registrant temporarily and signed the real estate trust registration contract, which stipulates the rights and obligations of both parties to preserve the ownership of the land. The Company is applying successively for registration of change in the category of land from relevant authorities. The details of the abovementioned land was as follows :

<u>Accounts</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ 287,620	287,620
Investment property	499,124	499,124
	<u>\$ 786,744</u>	<u>786,744</u>

- (ii) The assessment of the useful life and the residual value

Property, plant and equipment is depreciated using the straight-line method. The Company periodically evaluates the useful life and the residual value of property, plant, and equipment; if there is any significant change in relevant estimates, adjustments will be made in the period the change occurs and in the future periods.

- (iii) In response to the establishment and overall operational considerations of the "Taoyuan City Guanyin Industrial Park Development Project", the Company applied to the " National Property Administration" for the purchase of national land at the amount of \$423,897 thousand, accounted for as "Land", in accordance with National Non-public Use Real Estate Sales Procedures, with the valuation process having been completed by acquiring the property rights transfer certification in March 2022.
- (iv) In consideration of the overall operation, the Company acquired 36,639.37 square meters of land, 25,303 square meters of plant and buildings, and a complete set of single rolling production line and a batch of equipment related` to steel bar processing in Xiaogang District, Kaohsiung City through a court auction for \$2,430,060 thousand on August 30, 2022. The land, buildings and equipment amount to \$2,000,000 thousand, \$154,000 thousand and \$276,000 thousand, respectively. The transfer was completed in October 2022, and are shown as "land" and "buildings" under "property, plant and equipment", respectively. The above payment has been fully paid.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(v) Collateral

None of the property, plant and equipment was pledged for collateral as of December 31, 2022 and 2021.

(i) Right-of-use assets

The Company leases assets including land, buildings, machinery equipment, vehicles, and office equipment. Information about leases for which the Company as a lessee was presented below :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Cost :						
Balance at January 1, 2022	\$ 145,811	41,075	2,941	7,427	2,678	199,932
Additions	15,068	4,400	-	9,651	-	29,119
Disposal	<u>(10,467)</u>	<u>(4,400)</u>	<u>-</u>	<u>(2,715)</u>	<u>-</u>	<u>(17,582)</u>
Balance at December 31, 2022	<u>\$ 150,412</u>	<u>41,075</u>	<u>2,941</u>	<u>14,363</u>	<u>2,678</u>	<u>211,469</u>
Balance at January 1, 2021	\$ 146,534	41,075	2,941	11,157	2,678	204,385
Additions	411	4,395	-	2,715	-	7,521
Disposal	<u>(1,134)</u>	<u>(4,395)</u>	<u>-</u>	<u>(6,445)</u>	<u>-</u>	<u>(11,974)</u>
Balance at December 31, 2021	<u>\$ 145,811</u>	<u>41,075</u>	<u>2,941</u>	<u>7,427</u>	<u>2,678</u>	<u>199,932</u>
Accumulated depreciation :						
Balance at January 1, 2022	\$ 38,512	14,376	1,160	4,123	1,232	59,403
Depreciation for the period	12,765	12,615	504	3,959	403	30,246
Disposal	<u>(10,467)</u>	<u>(4,400)</u>	<u>-</u>	<u>(2,715)</u>	<u>-</u>	<u>(17,582)</u>
Balance at December 31, 2022	<u>\$ 40,810</u>	<u>22,591</u>	<u>1,664</u>	<u>5,367</u>	<u>1,635</u>	<u>72,067</u>
Balance at January 1, 2021	\$ 25,603	6,162	657	6,683	828	39,933
Depreciation for the period	12,909	12,610	503	3,885	404	30,311
Disposal	<u>-</u>	<u>(4,396)</u>	<u>-</u>	<u>(6,445)</u>	<u>-</u>	<u>(10,841)</u>
Balance at December 31, 2021	<u>\$ 38,512</u>	<u>14,376</u>	<u>1,160</u>	<u>4,123</u>	<u>1,232</u>	<u>59,403</u>
Carrying amount :						
Balance at December 31, 2022	<u>\$ 109,602</u>	<u>18,484</u>	<u>1,277</u>	<u>8,996</u>	<u>1,043</u>	<u>139,402</u>
Balance at December 31, 2021	<u>\$ 107,299</u>	<u>26,699</u>	<u>1,781</u>	<u>3,304</u>	<u>1,446</u>	<u>140,529</u>

(j) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost :			
Balance as of January 1, 2022	\$ 1,863,525	335,903	2,199,428
Additions	1,414	-	1,414
Reclassification (out) in	<u>-</u>	<u>(66,318)</u>	<u>(66,318)</u>
Balance as of December 31, 2022	<u>\$ 1,864,939</u>	<u>269,585</u>	<u>2,134,524</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

	Land and improvements	Buildings	Total
Balance as of January 1, 2021	\$ 1,863,277	335,903	2,199,180
Additions	<u>248</u>	<u>-</u>	<u>248</u>
Balance as of December 31, 2021	<u>\$ 1,863,525</u>	<u>335,903</u>	<u>2,199,428</u>
Depreciation :			
Balance as of January 1, 2022	\$ -	207,629	207,629
Depreciation for the period	-	6,546	6,546
Reclassification in	<u>-</u>	<u>(4,613)</u>	<u>(4,613)</u>
Balance as of December 31, 2022	<u>\$ -</u>	<u>209,562</u>	<u>209,562</u>
Balance as of January 1, 2021	\$ -	198,345	198,345
Depreciation for the period	<u>-</u>	<u>9,284</u>	<u>9,284</u>
Balance as of December 31, 2021	<u>\$ -</u>	<u>207,629</u>	<u>207,629</u>
Carrying amounts :			
Balance as of December 31, 2022	<u>\$ 1,864,939</u>	<u>60,023</u>	<u>1,924,962</u>
Balance as of December 31, 2021	<u>\$ 1,863,525</u>	<u>128,274</u>	<u>1,991,799</u>
Fair value :			
Balance as of December 31, 2022			<u>\$ 7,019,293</u>
Balance as of December 31, 2021			<u>\$ 7,125,300</u>

- (i) Investment property includes the investment in Kuo Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; leased objects mentioned above are the factory in Chienchen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.
- (ii) The investment in Kuo Kong Section, Houlong Town, Miaoli County is within the general industrial zone. The Consolidated Company has established five wind turbines sets to improve the efficiency of the use of the land. On December 17, 2015, the 3.161KV line was merged into Tung Kang Wind Power transformer station. Works of parallel connection started on December 21, 2015, and the electricity license was obtained on August 19, 2016. Also, the continuous increase of investments from world renowned manufacturers and the backflow of Taiwanese investors resulted in an inflation of the land within the industrial zone. Currently, the purpose of usage and owning the land is to obtain the capital appreciation in the future. As of December 31, 2022 and 2021, the carrying value is \$969,553 thousand and \$968,139 thousand.
- (iii) The fair value of investment property is in reference to the appraisal report, done by independent professionals (with certificated qualification and recent experience in appraisals of items that are within the same area or of similar items). The valuation technique used is classified as the second hierarchy of input value.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (iv) Please refer to Note 6(h) for relevant information on investment property acquired under the ownership of others.
- (v) None of the investment property was for pledged for collateral as of December 31, 2022 and 2021.

(k) Short-term loans

Details of the Company's short-term loans were as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured credit loans	\$ 10,660,000	6,700,000
Letters of credit	367,774	950,897
Total	<u>\$ 11,027,774</u>	<u>7,650,897</u>
Unused credit lines	<u>\$ 11,918,330</u>	<u>13,672,155</u>
Range of interest rates	<u>0.42%~6.12%</u>	<u>0.40% ~ 0.95%</u>

(l) Short-term notes and bills payable

Details of the Company's short-term notes and bills payable were as follows :

	<u>December 31, 2022</u>		
	<u>Bank of acceptance</u>	<u>Interest rate</u>	<u>Amount</u>
Commercial paper payable	IBFC、DCBF 、ETFC	1.95%~2.288%	\$ 600,000
Less : discount on short-term bills payable			(500)
Total			<u>\$ 599,500</u>

Please refer to Note 6(k) for unused credit lines.

(m) Long-term loans

Details of the Company's long-term loans were as follows :

	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.62%~1.95%	2024.04.27~2025.07.18	\$ 1,950,000
Less: current portion				-
Total				<u>\$ 1,950,000</u>
Unused credit lines				<u>\$ 1,100,000</u>

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

December 31, 2021

	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.58%	2023.04.27	\$ 1,800,000
Less: current portion				-
Total				<u>\$ 1,800,000</u>
Unused credit lines				<u>\$ 2,090,000</u>

(n) Bonds payable

(i) Major conditions of the issuance of unsecured bonds payable were as follows :

<u>Item</u>	<u>The seventh unsecured domestic convertible bond</u>
1. Principal amount	\$2,000,000 thousand
2. Par value	\$100 thousand
3. Original issuance date	2018.05.14~2023.05.14
4. Maturity	5 years
5. Coupon rate	0%
6. Redemption method	(1) Three months after the issuance date and 40 days prior to maturity, the bonds may be redeemed if the closing price of the ordinary shares, for a period of 30 consecutive trading days, is at least 30% of the conversion price then in effect. 30 trading days prior to maturity, the Company may redeem all bonds for cash. (2) If at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled, or converted.
7. Redemption option of bondholders	The bondholders could request the Company to redeem the bond at face value plus the interest premium of 0.75% and 1% three and four years after the issue date, respectively (actual yield: 0.25% and 0.25%, respectively).
8. Conversion price and adjustment	The conversion price was NT27.8 dollars at the original issuance date. Since the Company paid cash dividend on July 7, 2018, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT26.2 dollars according the conversion method. Since the Company paid cash dividend on July 22, 2019, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT24.8 dollars according the conversion method. Since the Company paid cash dividend on June 20, 2020, to ordinary shareholders that amounted to more than 1.5% of the market price per share then, the convertible price was reduced to NT23.3 dollars according the conversion method.

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(ii) Bonds payable as of December 31, 2021, were as follows :

	December 31, 2021
Originally issued amount of unsecured domestic convertible bonds	\$ 2,000,000
Accumulated redeemed and executed convertible bonds	(600)
Accumulated converted convertible bonds	(1,999,400)
Adjustment on the equity and liability component from repurchases and conversions	(49,760)
Accumulated interest expenses	<u>49,760</u>
Total	<u>\$ -</u>

	For the years ended December 31, 2021
Interest expense	<u>\$ 781</u>

(iii) As of December 31, 2021, accumulated repurchase and conversion of the seventh unsecured domestic convertible bonds were as follows:

	Face value of the seventh domestic unsecured convertible bonds
Accumulated redemption December 31, 2021	<u>\$ 600</u>

	Face value of the seventh domestic unsecured convertible bonds
Accumulated conversion December 31, 2021	<u>\$ 1,999,400</u>

(iv) On March 16, 2021, the outstanding balance of the bonds were lower than 10% of the originally issued amount. Therefore, the Company redeemed the remaining 6 issued bonds in cash, at par value, amounting to \$600 thousand, resulting in a loss of \$14 thousand to be recognized, and a capital surplus-stock options of \$25 thousand to be reclassified to capital surplus-others.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(o) Lease liabilities

The details of the Company's lease liabilities were as follows :

	December 31, 2022	December 31, 2021
Current	<u>\$ 25,292</u>	<u>21,645</u>
Non-current	<u>\$ 118,137</u>	<u>122,001</u>

The amounts recognized in profit or loss were as follows :

	For the years ended December 31	
	2022	2021
Interest on lease liabilities	<u>\$ 1,249</u>	<u>1,363</u>
Expenses relating to short-term leases	<u>\$ 8,042</u>	<u>5,906</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,870</u>	<u>1,839</u>

The amounts recognized in the statement of cash flows was as follows:

	For the year ended December 31,	
	2022	2021
Total cash outflow for leases	<u>\$ 40,496</u>	<u>38,222</u>

(i) Real estate leases

As of December 31, 2022, the Company leases land and buildings for its office space and storage locations. The leases for office space and storage locations typically run for a period of 2 to 3 years. Some lessee include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Certain leases contain extension or cancellation options exercisable by the Company. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases machinery equipment and vehicles, with lease terms of two to five years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company also leases IT equipment with contract terms of one to three years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(j) sets out information about the operating leases of investment property.

As of December 31, 2022 and 2021, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Less than one year	\$ 52,022	51,119
One to two years	34,024	33,093
Two to three years	2,879	34,024
Three to four years	2,951	2,879
Four to five years	1,065	2,951
More than five years	<u>6,922</u>	<u>7,987</u>
Total undiscounted lease payments	<u>\$ 99,863</u>	<u>132,053</u>

The operating lease revenues for the years ended December 31, 2022 and 2021 were \$51,119 and \$49,710 thousand.

(q) Other payables

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Accrued payroll, year-end bonuses, provisionally estimated bonuses, remuneration of directors and supervisors, and employee benefits	\$ 593,251	730,562
Utilities payable	224,820	245,299
Freight payable	232,315	252,566
Sales bonuses payable	294,356	310,451
Waste disposal payable (including to related parties)	95,934	102,786
Cash dividends payable (including from prior years)	44,132	44,526
Equipment payable	11,255	15,208
Repair and maintenance fees payable	114,086	69,752
Tax payable	94,377	-
Other operating and manufacturing overhead payables(including to related parties)	<u>114,035</u>	<u>95,992</u>
	<u>\$ 1,818,561</u>	<u>1,867,142</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The above payables are planned to be paid within one year. Please refer to Note 6(y) for the interest rate risk and sensitivity analysis of the aforementioned financial assets and liabilities.

(r) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows :

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 1,507,094	1,571,887
Fair value of plan assets	<u>(1,246,137)</u>	<u>(1,167,900)</u>
Net defined benefit liabilities	<u>\$ 260,957</u>	<u>403,987</u>

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2022 and 2021, the Company's Bank of Taiwan labor pension reserve account balance amounted to \$1,246,137 thousand and \$1,167,900 thousand, respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Changes in the present value of the defined benefit obligations

Changes in the present value of the Company's defined benefit obligations were as follows :

	For the years ended December 31,	
	2022	2021
Defined benefit obligations at January 1	\$ 1,571,887	1,608,336
Service cost and interest expense for the period	22,360	25,339
Remeasurements of the net defined benefit liability (asset)		
— Experience adjustments	(9,257)	(2,430)
Benefits paid	<u>(77,896)</u>	<u>(59,358)</u>
Defined benefit obligations at December 31	<u>\$ 1,507,094</u>	<u>1,571,887</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

3) Changes in the fair value of the plan assets

Changes in the Company's fair value of the plan assets were as follows :

	For the years ended December 31,	
	2022	2021
Fair value of plan assets at January 1	\$ 1,167,900	1,049,511
Interest income	5,994	3,115
Remeasurements of the net defined benefit liability(assets):		
Return on plan assets (excluding interests for the period)	90,378	15,705
Contributions from employer	59,761	158,927
Benefits paid	<u>(77,896)</u>	<u>(59,358)</u>
Fair value of plan assets at December 31	<u>\$ 1,246,137</u>	<u>1,167,900</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows :

	For the years ended December 31,	
	2022	2021
Service costs for the period	\$ 14,501	20,608
Net interest expense of net defined benefit liabilities	<u>1,865</u>	<u>1,616</u>
	<u>\$ 16,366</u>	<u>22,224</u>

	For the years ended December 31,	
	2022	2021
Operating costs	\$ 12,899	18,036
Selling expenses	564	767
Administrative expenses	<u>2,903</u>	<u>3,421</u>
	<u>\$ 16,366</u>	<u>22,224</u>

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows :

	For the years ended December 31,	
	2022	2021
Accumulated amount at January 1	\$ 362,951	344,817
Recognized during the period	<u>99,635</u>	<u>18,134</u>
Accumulated amount at December 31	<u>\$ 462,586</u>	<u>362,951</u>

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	For the years ended December 31,	
	2022	2021
Discount rate	1.00 %	0.50 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is NT\$59,761 thousand.

The weighted average lifetime of the defined benefits plans is 6.3 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	Effects on the Company's defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2022		
Discount rate	\$ (14,746)	15,162
	Effects on the Company's defined benefit obligations	
	Increase by 1%	Decrease by 1%
Future salary increasing rate	61,684	(56,378)
	Effects on the Company's defined benefit obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2021		
Discount rate	\$ (19,297)	19,902
	Effects on the Company's defined benefit obligations	
	Increase by 1%	Decrease by 1%
Future salary increasing rate	80,920	(73,111)

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company does not bear any additional legal or constructive obligations other than the allocation of a fixed amount to the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$50,432 thousand and \$46,289 thousand for the years ended December 31, 2022 and 2021, respectively.

(s) Income taxes

(i) The details of income tax expense for the years ended December 31, 2022 and 2021, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Income tax expense for the period		
Current tax expense incurred during the period	\$ 1,027,874	1,264,722
Adjustments for prior years	<u>5,013</u>	<u>3,774</u>
	<u>1,032,887</u>	<u>1,268,496</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>28,941</u>	<u>27,262</u>
Income tax expense for continuing operations	<u>\$ 1,061,828</u>	<u>1,295,758</u>

The income tax benefit (expense) related to components of other comprehensive income for the years ended December 31, 2022 and 2021, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Remeasurement from defined benefit plans	<u>\$ -</u>	<u>(3,627)</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The reconciliation of income tax expense and income before income tax for the years ended December 31, 2022 and 2021, were as follows :

	For the years ended December 31,	
	2022	2021
Income before income tax	<u>\$ 5,055,832</u>	<u>7,202,005</u>
Income tax using the Company's domestic tax rate	\$ 1,011,166	1,440,401
Assessed levied tax on unappropriated earnings of terminated companies in business combination	66,092	60,253
Permanent difference	(191,562)	(78,267)
Changes of unrecognized temporary difference	178,533	(123,981)
Current investment tax credits used	(7,414)	(6,422)
Difference between administrative remedy and assessment by the tax authority	3,838	3,583
(High)under-estimation from prior periods	1,175	191
Total	<u>\$ 1,061,828</u>	<u>1,295,758</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

There was no unrecognized deferred tax liability as of December 31, 2022 and 2021.

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items :

	December 31, 2022	December 31, 2021
Tax effect of deductible temporary differences	\$ 24,707	24,707
Temporary differences related to investment subsidiaries	<u>670,729</u>	<u>492,196</u>
Tax effect of deductible temporary differences	<u>\$ 695,436</u>	<u>516,903</u>

The Company has no intention to dispose or reduce the equity of its subsidiaries; therefore, the temporary differences incurred from its subsidiaries' investments are not be recognized.

3) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, were as follows :

	Reserve for land appreciation tax	Others	Total
Deferred tax liabilities :			
Balance as of January 1, 2022	\$ 167,174	2,640	169,814
Recognized in profit or loss	-	17,281	17,281
Balance as of December 31, 2022	<u>\$ 167,174</u>	<u>19,921</u>	<u>187,095</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

	Reserve for land		Others	Total
	appreciation tax			
Balance as of January 1, 2021	\$ 167,174		4,945	172,119
Recognized in profit or loss	-		(2,305)	(2,305)
Balance as of December 31, 2021	<u>\$ 167,174</u>		<u>2,640</u>	<u>169,814</u>

	Defined benefit plans	Unrealized loss on financial assets and liabilities	Reversal of difference on difference between financial and tax reports arising from deferred gain on foreign exchange forward contracts	Others	Total
Balance as of January 1, 2022	\$ 19,794	1,009	14,957	28,077	63,837
Recognized in profit or loss	(8,679)	1,926	(1,905)	(3,002)	(11,660)
Balance as of December 31, 2022	<u>\$ 11,115</u>	<u>2,935</u>	<u>13,052</u>	<u>25,075</u>	<u>52,177</u>
Balance as of January 1, 2021	\$ 50,761		16,862	29,408	97,031
Recognized in profit or loss	(27,340)	1,009	(1,905)	(1,331)	(29,567)
Recognized in other comprehensive income	(3,627)	-	-	-	(3,627)
Balance as of December 31, 2021	<u>\$ 19,794</u>	<u>1,009</u>	<u>14,957</u>	<u>28,077</u>	<u>63,837</u>

(iii) The Company's income tax returns have been examined by the ROC tax authorities through 2020.

(t) Capital and other equity

(i) Capital stock

As of December 31, 2022 and 2021, the Company's government-registered total authorized capital amounted to \$15,000,000 thousand, with par value per share of \$10 (dollars), and total issued ordinary shares amounted to 730,214 thousand and 0 thousand shares, respectively. All issued shares were paid up upon issuance.

The capital reduction amounting to \$3,596,576 thousand and the cancelation of the total number of issued common shares of 359,658 thousand shares were based on the resolution approved during the shareholders' meeting held on July 15, 2021. Thereafter, the paid-in capital amounted to \$7,302,138 thousand, with the approval of the Taiwan Stock Exchange Co., Ltd. on September 22, 2021, with Letter No. 1101805121, as well as the Ministry of Economic Affairs on October 21, 2021, with Letter No. 11001185940. The base date for the above capital reduction was set on September 27, 2021, and the Consolidated Company determined to refund the amount, accounted for as other accounts payable, to its shareholders on December 3, 2021.

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The holders of convertible bonds exercised certain conversion rights; therefore, the Company issued 31,112 thousand certificates of entitlements for the new shares amounting to \$311,115 thousand, at par value. All related registration procedures had been completed as of December 31, 2022.

Reconciliation of shares outstanding for 2022 and 2021 was as follows :

(in thousands of shares)	<u>2022</u>	<u>2021</u>
Balance as of January 1	730,214	1,058,760
Conversion of convertible bonds	-	31,112
Cash reduction	-	(359,658)
Balance as of December 31	<u>730,214</u>	<u>730,214</u>

On September 22, 1994, the Company issued 6,000 thousand Global Depositary Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE), one GDRs represents 10 ordinary shares. The details were as follows :

(in shares)	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total issued shares	<u>66,187,923</u>	<u>66,187,923</u>
Outstanding shares	<u>4,919,192</u>	<u>4,919,192</u>

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Additional paid-in capital	\$ 2,289,734	2,289,734
Conversion of bonds	5,014,194	5,014,194
Treasury stock transactions	59,036	59,036
Difference arising from subsidiary's share price and its carrying value	21,511	21,511
Changes in equity of associates accounted for using the equity method	190,445	190,445
Others	<u>109,759</u>	<u>109,759</u>
	<u>\$ 7,684,679</u>	<u>7,684,679</u>

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TUNG HO STEEL ENTERPRISE CORPORATION
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According to the Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

Based on the Company's articles of incorporation, the Company's annual earnings should first be used to provide for income tax and to cover accumulated deficits, before being set aside 10% as a legal reserve, or if necessary, a special reserve. The remainder, along with accumulated earnings, are distributed in cash under the authorized resolution by the Board of Directors attended by two-thirds of the directors and more than half of the attended directors agree, and then report to the board of shareholders. However, if they are distributed not only in cash, then they should be distributed as dividends and earnings distribution under the stockholders' resolution.

The Company is at a stable and mature stage, so the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRSs 1 First-time Adoption of IFRSs during the Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling by the FSC, an increase in retained earnings due to the first time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$149,309 thousand on December 31, 2022.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
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In accordance with Ruling by the FSC, a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2022 and 2021 was decided by the resolution adopted, at the Company's Board of Directors on March 10, 2022 and March 23, 2021, respectively. The relevant dividend distributions to shareholders were as follows :

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (in dollars)</u>	<u>Total amount</u>	<u>Amount per share (in dollars)</u>	<u>Total amount</u>
Cash dividend appropriated for ordinary shareholders	\$ 6.40	<u>4,673,368</u>	1.50	<u>1,634,807</u>

On February 22, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. The relevant dividend distributions to shareholders was as follows:

	<u>2022</u>	
	<u>Amount per share (in dollars)</u>	<u>Total amount</u>
Cash dividend appropriated for ordinary shareholders	\$ 3.50	<u>2,555,748</u>

The abovementioned distribution approved by the shareholders' meeting is consistent with that approved by the Board of Directors. Related information can be found through the Market Observation Post System website.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

4) Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through OCI	Total
Balance as of January 1, 2022	\$ (514,902)	357,013	(157,889)
Exchange differences on translation of foreign operations :			
The Company	(35,155)	-	(35,155)
Subsidiaries	29,873	-	29,873
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
The Company	-	(151,796)	(151,796)
Associates and subsidiaries	-	(1,318)	(1,318)
Others :			
The Company	-	4,398	4,398
Balance as of December 31, 2022	<u>\$ (520,184)</u>	<u>208,297</u>	<u>(311,887)</u>
Balance as of January 1, 2021	\$ (941,368)	119,005	(822,363)
Exchange differences on translation of foreign operations :			
The Company	449,795	-	449,795
Subsidiaries	(23,329)	-	(23,329)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income :			
The Company	-	207,524	207,524
Associates and subsidiaries	-	1,748	1,748
Others :			
The Company	-	28,736	28,736
Balance as of December 31, 2021	<u>\$ (514,902)</u>	<u>357,013</u>	<u>(157,889)</u>

(u) Earnings per share

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2022 and 2021, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,994,004 thousand and \$5,906,247 thousand, respectively, and the weighted-average number of outstanding ordinary shares, which were 730,214 thousand and 991,957 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31,	
	2022	2021
Profit attributable to the Company	\$ 3,994,004	5,906,247
Profit attributable to the ordinary shareholders	<u>\$ 3,994,004</u>	<u>5,906,247</u>

2) Weighted-average number of ordinary shares (in thousands of shares)

	For the years ended December 31,	
	2022	2021
Number of outstanding shares	<u>730,214</u>	<u>991,957</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2022 and 2021, were calculated on the basis of profit attributable to ordinary shareholders, which were \$3,994,004 thousand and \$5,907,027 thousand, respectively, and the weighted-average number of outstanding ordinary shares after adjustments for the effect of any potentially dilutive ordinary shares, which were 733,222 thousand and 998,575 thousand, respectively. The calculations were as follows :

1) Profit attributable to ordinary shareholders of the Company (diluted) :

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Profit attributable to the ordinary shareholders of the Company (basic)	\$ 3,994,004	5,906,247
Interest expense after tax and valuation of convertible bonds	-	780
Profit attributable to the ordinary shareholders of the Company (diluted)	<u>\$ 3,994,004</u>	<u>5,907,027</u>

2) Weighted-average number of ordinary shares (diluted) (in thousands of shares)

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Weighted-average number of outstanding ordinary shares (basic)	730,214	991,957
Effects of convertible bonds	-	3,163
Effects of employee stock bonus	3,008	3,455
Weighted-average number of outstanding ordinary shares (diluted)	<u>733,222</u>	<u>998,575</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the year ended December 31, 2022</u>		
	<u>Sale of goods</u>	<u>Rendering of services</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	\$ 45,218,769	30,046	45,248,815
The United States	31,185	-	31,185
Asia	245,336	-	245,336
Others	1,477,856	-	1,477,856
	<u>\$ 46,973,146</u>	<u>30,046</u>	<u>47,003,192</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
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	<u>For the year ended December 31, 2022</u>		
	<u>Sale of goods</u>	<u>Rendering of services</u>	<u>Total</u>
Main products/services lines:			
Deformed bars	\$ 27,455,682	-	27,455,682
Sections	18,237,366	-	18,237,366
Billets	1,046,771	-	1,046,771
Rendering of services	-	30,046	30,046
Others	<u>233,327</u>	<u>-</u>	<u>233,327</u>
	<u>\$ 46,973,146</u>	<u>30,046</u>	<u>47,003,192</u>

	<u>For the year ended December 31, 2021</u>		
	<u>Sale of goods</u>	<u>Rendering of services</u>	<u>Total</u>
Primary geographical markets:			
Taiwan	\$ 42,387,944	26,932	42,414,876
The United States	14,758	-	14,758
Asia	955,637	-	955,637
Others	<u>2,184,037</u>	<u>-</u>	<u>2,184,037</u>
	<u>\$ 45,542,376</u>	<u>26,932</u>	<u>45,569,308</u>

Main products/services lines:			
Deformed bars	\$ 22,758,734	-	22,758,734
Sections	21,560,836	-	21,560,836
Billets	764,380	-	764,380
Rendering of services	-	26,932	26,932
Others	<u>458,426</u>	<u>-</u>	<u>458,426</u>
	<u>\$ 45,542,376</u>	<u>26,932</u>	<u>45,569,308</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ 165,191	180,697	288,916
Accounts receivable	3,036,434	4,112,093	2,598,132
Overdue receivables	63,628	63,178	63,178
Less: allowance for impairment	<u>(85,585)</u>	<u>(85,135)</u>	<u>(85,135)</u>
Total	<u>\$ 3,179,668</u>	<u>4,270,833</u>	<u>2,865,091</u>
Contract liabilities — advance receipts	<u>\$ 1,338,529</u>	<u>1,336,905</u>	<u>788,368</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
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The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$1,336,905 thousand and \$699,067 thousand, respectively.

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The major changes in the balance of the contract assets and contract liabilities is the difference between the timing in the performance obligation to be satisfied and the payment to be received.

(w) Employee compensation and remuneration of directors

In accordance with the articles of incorporation, the Company should contribute no less than 2.5% of the profit as employee compensation and less than 2% as remuneration of directors when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the Company's estimated employee compensation amounted to \$132,352 thousand and \$188,534 thousand, respectively, and the remuneration of directors amounted to \$105,881 thousand and \$150,827 thousand, respectively. The estimated amounts mentioned above were calculated based on the net income before tax, excluding the compensation to employees and the remuneration of directors of each period, multiplied by the percentage of compensation to employees and the remuneration of directors as specified in the Company's articles. These compensation and remuneration were expensed under operating costs or operating expenses for the years ended December 31, 2022 and 2021. Related information is available at the Market Observation Post System website. The amounts, as stated in the financial statements for the years ended December 31, 2022 and 2021, are identical to those of the actual distributions.

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended	
	December 31,	
	2022	2021
Interest income from bank deposits	\$ 689	92
Other interest income	21,858	10,155
Total Interest income	\$ 22,547	10,247

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
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(ii) Other income

	For the years ended December 31,	
	2022	2021
Rental income	\$ 66,389	59,969
Dividend income	45,032	30,889
Scrap income	3,225	8,359
Total other income	\$ 114,646	99,217

(iii) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net loss on disposal of property, plant and equipment	\$ (2,797)	(8)
Foreign exchange gain	30,533	34,823
Gain on financial assets at fair value through profit or loss	177,928	50,675
Others	44,214	33,206
Other gains and losses(net)	\$ 249,878	118,696

(iv) Finance costs

	For the years ended December 31,	
	2022	2021
Interest Expense		
Bank loans	\$ 123,840	31,561
Amortized interest of domestic corporate bond	-	781
Interest on domestic commercial paper	1,843	811
Lease payments	1,249	1,363
Less: Interest capitalization	(1,123)	(327)
Finance costs(net)	\$ 125,809	34,189

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets excluding cash and cash equivalents represents the Company's maximum credit exposure. As of December 31, 2022 and 2021, the maximum exposure to credit risk amounted to \$4,873,381 thousand and \$5,920,899 thousand, respectively.

2) Concentration of credit risk

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 12,977,774	13,066,601	11,082,523	18,037	1,814,411	151,630	-
Unsecured commercial papers payable	599,500	600,000	600,000	-	-	-	-
Current financial liabilities at fairvalue through profit or loss	14,674	14,674	14,674	-	-	-	-
Lease liabilities	143,429	150,068	13,602	12,952	25,683	44,375	53,456
Accounts payable	1,519,804	1,519,804	1,519,804	-	-	-	-
Other payables	1,818,561	1,818,561	1,818,561	-	-	-	-
Guarantee deposits received	9,111	9,111	9,111	-	-	-	-
	<u>\$ 17,082,853</u>	<u>17,178,819</u>	<u>15,058,275</u>	<u>30,989</u>	<u>1,840,094</u>	<u>196,005</u>	<u>53,456</u>
December 31, 2021							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 9,450,897	9,474,119	7,664,954	5,291	1,803,874	-	-
Current financial liabilities at fairvalue through profit or loss	5,045	5,045	5,045	-	-	-	-
Lease liabilities	143,646	150,605	12,222	10,543	20,731	43,605	63,504
Accounts payable	2,303,574	2,303,574	2,303,574	-	-	-	-
Other payables	1,867,142	1,867,142	1,867,142	-	-	-	-
Guarantee deposits received	12,707	12,707	12,707	-	-	-	-
	<u>\$ 13,783,011</u>	<u>13,813,192</u>	<u>11,865,644</u>	<u>15,834</u>	<u>1,824,605</u>	<u>43,605</u>	<u>63,504</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

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Notes to the Financial Statements

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to significant exchange rate risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate (in dollars)	TWD	Foreign currency	Exchange rate (in dollars)	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 33,117	30.71	1,017,023	19,630	27.68	543,358
EUR	2	32.72	65	2	31.32	63
JPY	736	0.2324	171	472	0.2405	114
CNY	24	4.408	106	24	4.344	104
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	10,048	30.71	308,574	34,148	27.68	945,217
EUR	1,473	32.72	48,197	92	31.32	2,881
JPY	47,463	0.2324	11,030	11,550	0.2405	2,778

2) Sensitivity analysis

The Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, loans and accounts receivable, which were denominated in different foreign currencies. The overall effects to net income after tax for the years ended December 31, 2022 and 2021, assuming the TWD appreciate or depreciate by 1% against the USD, EUR, JPY, and CNY, while other factors remain constant, as of December 31, 2022 and 2021, were as follows :

	Effect of appreciation on net income after tax	Effect of depreciation on net income after tax
December 31, 2022		
USD (appreciation/depreciation of 1%)	\$ 5,668	(5,668)
EUR (appreciation/depreciation of 1%)	(385)	385
JPY (appreciation/depreciation of 1%)	(87)	87
CNY (appreciation/depreciation of 1%)	<u>1</u>	<u>(1)</u>
	\$ 5,197	(5,197)
December 31, 2021		
USD (appreciation/depreciation of 1%)	\$ (3,215)	3,215
EUR (appreciation/depreciation of 1%)	(23)	23
JPY (appreciation/depreciation of 1%)	(21)	21
CNY (appreciation/depreciation of 1%)	<u>1</u>	<u>(1)</u>
	\$ (3,258)	3,258

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

3) Exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gain (including realized and unrealized portions) amounted to \$30,533 thousand and \$34,823 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase in interest rate is assessed by management to be a reasonably possible interest rate change.

If the interest rate had increased by 1%, the Company's net income would have decreased by \$135,773 thousand and \$94,509 thousand for the years ended December 31, 2022 and 2021 respectively, assuming all other variable factors remaining constant.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below :

	For the years ended December 31,	
	2022	2021
Securities price at reporting date	Other comprehensive income after tax	Other comprehensive income after tax
Increasing 1%	\$ <u>3,663</u>	<u>4,988</u>
Decreasing 1%	\$ <u>(3,663)</u>	<u>(4,988)</u>

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(vi) Information on fair value

1) Types and fair value of financial instruments

The carrying and fair value of the Company's financial assets and liabilities, including fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, were listed as follows :

	December 31, 2022				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Non-derivative financial asset mandatorily measured at fair value through profit or loss - publicly listed domestic stocks	\$ 162,730	162,730	-	-	162,730
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	366,344	366,344	-	-	366,344
Equity instruments measured at fair value with no publicly quoted price	156,484	-	-	156,484	156,484
Subtotal	<u>522,828</u>	<u>366,344</u>	<u>-</u>	<u>156,484</u>	<u>522,828</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	518,048	-	-	-	-
Notes and accounts receivable	3,179,668	-	-	-	-
Other receivables	935,744	-	-	-	-
Refundable deposits	72,411	-	-	-	-
Subtotal	<u>4,705,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,391,429</u>	<u>529,074</u>	<u>-</u>	<u>156,484</u>	<u>685,558</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities— foreign exchange forward contract	\$ 14,674	-	14,674	-	14,674
Financial liabilities measured at amortized cost					
Short-term loans	11,027,774	-	-	-	-
Short-term bills payable	599,500	-	-	-	-
Long-term loans	1,950,000	-	-	-	-
Notes and accounts payable	1,519,804	-	-	-	-
Other payables	1,818,561	-	-	-	-
Lease liabilities	143,429	-	-	-	-
Subtotal	<u>17,059,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 17,073,742</u>	<u>-</u>	<u>14,674</u>	<u>-</u>	<u>14,674</u>

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	December 31, 2021				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Non-derivative financial asset mandatorily measured at fair value through profit or loss - publicly listed domestic stocks	\$ 195,744	195,744	-	-	195,744
Financial assets at fair value through other comprehensive income					
Publicly listed domestic stocks	498,821	498,821	-	-	498,821
Equity instruments measured at fair value with no publicly quoted price	170,534	-	-	170,534	170,534
Subtotal	669,355	498,821	-	170,534	669,355
Financial assets measured at amortized cost					
Cash and cash equivalents	472,689	-	-	-	-
Notes and accounts receivable	4,270,833	-	-	-	-
Other receivables	13,904	-	-	-	-
Other current assets	220	-	-	-	-
Refundable deposits	770,843	-	-	-	-
Subtotal	5,528,489	-	-	-	-
Total	\$ 6,393,588	694,565	-	170,534	865,099
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities – foreign exchange forward contract	\$ 5,045	-	5,045	-	5,045
Financial liabilities measured at amortized cost					
Short-term loans	7,650,897	-	-	-	-
Long-term loans	1,800,000	-	-	-	-
Notes and accounts payable	2,303,574	-	-	-	-
Other payables	1,867,142	-	-	-	-
Lease liabilities	143,646	-	-	-	-
Subtotal	13,765,259	-	-	-	-
Total	\$ 13,770,304	-	5,045	-	5,045

2) Technique for fair value evaluation of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows :

Financial assets and financial liabilities measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the discounted cash flows are used to estimate fair values.

3) Technique for fair value evaluation of financial instruments measured at fair value

a) Non- derivative financial instruments

If a financial instrument is quoted in an active market, the quoted price is its fair value. Announced prices at major exchanges and market prices of popular government bonds at the Taipei Exchange are bases of fair value for listed equity instruments and other debt investments with an active market.

(Continued)

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A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency. If this condition is not met, the market is not active. Generally, if bid-ask spreads are very wide, the spread is increasing, or the transaction volume is low, the market is not active.

Fair value of the Company's financial instruments that have an active market is displayed by category and attributed as follows :

Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

Except for the abovementioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

The fair value and the attributes of a financial instrument without an active market held by the Company is listed as follows :

- Equity instruments without an open quoted price: Fair value is estimated using the approach of comparative companies. The main assumptions are the estimated EBITDA of the investee, and the earnings multiplier derived from the quoted price of a comparative publicly listing company. Such estimate has been adjusted by the discount due from the lack of market circulation of the equity securities.

b) Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign exchange forward contracts normally are valued using the current forward exchange rates.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2022 and 2021.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments".

(Continued)

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Multiple unobservable inputs exist with the fair value of the Company's investments in equity instruments. Since the significant unobservable inputs are independent of each other, no interrelationship exists.

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income — investment in equity instrument without an active market	Comparative method	·Multiplier of P/E ratio (0.73~3.06 and 0.86~5.63 as of December 31, 2022 and 2021)	·The higher the multiplier and the control premium, the higher the fair value ·The higher the discount rate, the lower the fair value
	Value Method	·Discount rate for lack of market circulation (8.5%~34.83% and 7.65%~36.40% as of December 31, 2022 and 2021)	

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The measurement of fair value by the Company is considerably reasonable. However, if a different valuation model or assumption is adopted, the result can differ. For fair value measurements in Level 3, changes in the assumptions would have the following effects:

	<u>Input</u>	<u>Changes in assumptions</u>	<u>Changes in fair value reflected in OCI</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 8.5%~34.83%	5%	10,422	(10,422)
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without an active market	Discount on circulation 7.65%~36.40%	5%	11,276	(11,276)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(z) Financial risk management

(i) Summary

The Company have exposures to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the exposure risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Company oversees how the management monitors compliance with the Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit committee is assisted in its oversight role by Internal Audit. The internal audit sector of the Company reviews the risk management controls and procedures on a scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in securities.

1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer's financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer's payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Endorsements and guarantees

The parties whom the Company endorses and guarantees are its subsidiaries and affiliated companies; the items that the Company endorses and guarantees are mostly financing and import duties commodity tax. Because the affiliated companies are financially sound and operate stably, the Company has never suffered from losses due to endorsements and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity, and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Therefore, the Company believes the liquidity risk is low.

The Company not only analyzes its debt structure and deadline periodically to maintain sufficient capital, but also consults with financial institutions to maintain its credit lines, thereby, mitigating liquidity risk. The Company obtains its credit lines from certain financial institutions, of which the unused credit lines amounted to \$13,018,329 thousand as of December 31, 2022. The borrowings that had been used within the credit lines were listed separately in short-term and long-term loans.

(v) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

Exchange rate risks are the risks generated from the fluctuation of fair value or the future cash flows of the financial instruments. The Company's exchange rate risks arise from transactions such as sales, purchases and loans that are not recognized at the Company's functional currency.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Steel bars and sections are the two main products of the Company. Sales of steel bars mainly go to domestic clients and are recognized in New Taiwan dollar. The ratio of domestic sales to external sales for sections was about 89 to 11 for the year ended December 31, 2022. The external sales for the year ended December 31, 2022 was about \$2,350,000 thousand, which was 5% of the total revenue. Because the functional currency for import and export sales are all recognized in United States dollar (“USD”), sales revenue in USD and payments in USD can offset each other. The Company uses foreign exchange forward contracts to avoid the risk of exchange rate fluctuation, recognizing the fluctuation of the fair value of the derivatives in profit or loss and takes the following steps to avoid exchange risk :

Collect relevant information about the daily fluctuation in exchange rate in order to know its trend. Decide whether to convert one currency into another specific currency at a proper time or retain foreign currency borrowings.

On dispatching foreign funds, the creditor’s rights and debts in foreign currency offset each other through regular external sales and imports, causing the effect of natural hedge.

Consult with foreign exchange departments of banks about hedging strategies and decide the foreign position that depends on the actual need of capital and the fluctuation of the exchange rate.

2) Interest rate risk

Interest rate risks are the risks that arise due to fluctuations in fair value or future cash flows of financial instruments because of changes in interest rate.

The Company will obtain a more beneficial capital according to the compatibility of corresponding banks and the actual interest rate trends. The ratio of net interest revenue to the net operating revenue is not material; therefore, interest rate fluctuation does not cause any significant impact on the Company. Besides, the Company maintains a close relationship with certain corresponding banks and is well informed of any changes in the market in order to obtain a much more beneficial borrowing rate. The Company continues to observe changes of interest rate on the market and issues convertible bonds to raise capital at proper time, and to fix and reduce interest cost for the Company. Material capital expenditure will be evaluated with prudence and will be compared to different fund-raising instruments in order to raise capital with the least cost.

(aa) Capital management

Although business operated by the Company has reached the stage of maturity, a sufficient amount of capital is still required to support the operation of investee companies, construction and expand its production facilities and equipment. The Company’s policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

The Company uses the debt-to-capital ratio to manage capital. The debt-to-capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities.

The Company reviews the ratio of debt-to-capital periodically to improve stockholders' value. The debt-to-capital ratios as of December 31, 2022 and 2021, were as follows :

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Total liabilities	\$ 19,301,247	16,552,582
Less : cash and cash equivalents	<u>(518,048)</u>	<u>(472,689)</u>
Net liabilities	18,783,199	16,079,893
Total equity	<u>28,805,965</u>	<u>29,542,469</u>
Total capital	<u>\$ 47,589,164</u>	<u>45,622,362</u>
Debt-to-capital ratio	<u>39.47 %</u>	<u>35.25 %</u>

As of December 31, 2022, there were no changes in the Company's approach to capital management during the period.

(ab) The investing and financing activities of non-cash transactions

Cash flow of non-cash investing and financing transactions for the years ended December 31, 2022 and 2021, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Reclassification of refundable deposit to property, plant and equipment	<u>\$ 423,897</u>	<u>-</u>
Reclassification of prepayment of land and equipment to property, plant and equipment	<u>\$ 93,292</u>	<u>22,328</u>
Changes in unrealized gain or loss on financial instruments	<u>\$ (153,114)</u>	<u>209,272</u>
Exchange differences arising from foreign operation	<u>\$ (5,282)</u>	<u>426,466</u>
Increase in property, plant and equipment	\$ 2,916,161	281,470
Add: payable for equipment as of January 1	15,208	20,597
Less: payable for equipment as of December 31	<u>(11,255)</u>	<u>(15,208)</u>
Cash paid	<u>\$ 2,920,114</u>	<u>286,859</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>		<u>Non-cash changes</u>	<u>December 31, 2022</u>
		<u>Proceeds</u>	<u>Repayment</u>	<u>Other</u>	
Short-term loans	\$ 7,650,897	86,033,347	(82,656,470)	-	11,027,774
Long-term loans	1,800,000	2,550,000	(2,400,000)	-	1,950,000
Short-term notes and bills payable	-	2,185,000	(1,585,000)	-	600,000
Refundable deposits	12,707	-	(3,596)	-	9,111
Lease liabilities	143,646	-	(29,335)	29,118	143,429
Total liabilities from financing activities	<u>\$ 9,607,250</u>	<u>90,768,347</u>	<u>(86,674,401)</u>	<u>29,118</u>	<u>13,730,314</u>

	<u>January 1, 2021</u>	<u>Cash flows</u>		<u>Non-cash changes</u>	<u>December 31, 2021</u>
		<u>Proceeds</u>	<u>Repayment</u>	<u>Other</u>	
Short-term loans	\$ 2,005,457	39,791,892	(34,146,452)	-	7,650,897
Long-term loans	1,200,000	1,310,000	(710,000)	-	1,800,000
Short-term notes and bills payable	340,000	540,000	(880,000)	-	-
Bonds payable	708,893	-	-	(708,893)	-
Refundable deposits	14,334	-	(1,627)	-	12,707
Lease liabilities	166,373	-	(29,114)	6,387	143,646
Total liabilities from financing activities	<u>\$ 4,435,057</u>	<u>41,641,892</u>	<u>(35,767,193)</u>	<u>(702,506)</u>	<u>9,607,250</u>

(7) Related-party transactions

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Tung Yuan International Corp.	A subsidiary
Tung Kang Steel Structure Corp.	A subsidiary
Goldham Development Ltd.	A subsidiary
Katec Creative Resources Corp.	A subsidiary
Tung Kang Wind Power Corp.	A subsidiary
Fa Da Enterprise Corp.	A subsidiary (Liquidation completed in February 2022)
Tung Ho Steel Vietnam Corp., Ltd.	A subsidiary
3 Oceans International Inc.	A subsidiary
Tung Kang Engineering and Construction Corp.	A subsidiary
Fujian Tung Kang Steel Co., Ltd.	A subsidiary
Tung Sugar Energy Service Co., Ltd.	An associate
Duc Hoa International Joint Stock Company	A subsidiary

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Fujian Dong Sheng Metal Processing Co., Ltd.	A subsidiary (Sale of holdings and loss of control in November 2021)
Katec R & D Corp.	An associate
Taiwan Steel Union Co., Ltd.	An associate
Fujian Sino-Japan Metal Corp.	An associate
Shen Yuan Investment Co., Ltd.	Same chairman with the Company
Far East Steel Enterprise Corp.	Same chairman with the Company
Eternity Corp.	Same chairman with the Company
Tung Ho Steel Foundation ("THSF")	The entity's principal is the spouse of the chairman of the Company
Directors, general manager and vice general manager	

(b) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and the balance of outstanding accounts receivable were as follows :

<u>Relationship</u>	<u>Sales</u>		<u>Accounts receivable</u>	
	<u>For the years ended December 31,</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Subsidiaries	2,104,490	2,401,437	58,938	597,434
Associates	408	-	-	-
	<u>\$ 2,104,898</u>	<u>2,401,437</u>	<u>58,938</u>	<u>597,434</u>

Except for the credit term for sales to Tung Ho Steel Vietnam Corp., Ltd., which is within 120 days, the selling price and credit terms for sales to related parties are not significantly different from those of the other customers.

(ii) Purchases from related parties

<u>Relationship</u>	<u>Purchases</u>		<u>Accounts payable</u>	
	<u>For the years ended December 31,</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties	\$ 1,474	2,600	-	-
Associates	576	1,475	-	-
Subsidiaries	1,256,711	1,366,044	12,410	24,017
	<u>\$ 1,258,761</u>	<u>1,370,119</u>	<u>12,410</u>	<u>24,017</u>

The terms of purchase transactions and the payment terms with related parties were not significantly different from those with other vendors.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

- (iii) The unrealized profit resulting from the Company's downstream sales to its subsidiaries has been directly deducted from its operating gross profit. The realized profit has been added to its operating gross profit.

Significant unrealized (realized) profits from downstream sales for the years ended December 31, 2022 and 2021, were as follows :

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Downstream unrealized profit from sales	\$ (64,907)	(96,349)
Downstream realized profit from sales	<u>96,349</u>	<u>82,953</u>
	<u>\$ 31,442</u>	<u>(13,396)</u>

As of December 31, 2022 and 2021, the balances of unrealized profits from downstream sale transactions were \$64,907 thousand and \$96,349 thousand, respectively, and were recognized as a reduction to investment accounted for using the equity method.

- (iv) Property transactions
- 1) In 2020, the Company entered into an agreement with Tung Kang Steel Structure Corp. for its "Warehouse of Tung Kang Taichung Distribution Center Expansion Project", at an amount of \$95,503 thousand. The ongoing construction amounting to \$85,755 thousand for the year ended December 31, 2021 was accounted for as construction in progress, with the amount of \$10,234 thousand that has yet to be paid as of the reporting date and were completed and transferred to property, plant and equipment \$95,503 thousand in November 2022.
 - 2) In August 2022, the Company signed the "Real Estate Sales Contract" with Tung Kang Engineering and Construction Corp. due to the expansion of the plant development plan of "Taoyuan City Guanyin Industrial Park". The transaction includes Taoyuan City the factory building in Baoli and the inseparable auxiliary equipment related to steel bar processing and production, the total contract price is \$107,970 thousand, which has been paid.
 - 3) In 2022, the Company signed contracts "New Construction Project of Donghe Taoyuan Processing Center" and "Taoyuan City factory dormitory construction project", "New construction of iron and steel industry research and development center", with Tung Kang Engineering and Construction Corp., the total price of the contracts was \$331,007 thousand. As of December 31, 2022, these contracts had not been completed, and were recorded as outstanding work and other payables of \$24,705 thousand and \$17,304 thousand, respectively.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(v) Endorsement/guarantees provided

The details regarding balances of financing endorsement were as follows :

Expressed in thousands

	December 31, 2022					
	Highest balance for current period		Ending amount (Note)		Actual usage amount	
Subsidiaries	USD\$	459,900	USD	364,900	USD	108,503
Subsidiaries	USD\$	120,000	USD	120,000	USD	14,093
	December 31, 2021					
	Highest balance for current period		Ending amount (Note)		Actual usage amount	
Subsidiaries	USD\$	372,500	USD	290,900	USD	209,449
Subsidiaries	CNY\$	125,000	CNY	70,000	CNY	12,411

Note : The credit limit approved by the Board of Directors

(vi) Financing to related parties

The details of financing to related parties (listed as other receivables – loans to subsidiaries) were as follows :

Relationship	Actual usage amount	
	December 31, 2022	December 31, 2021
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ 921,300	-

The Company financing to related parties was interest based on the average interest rate of the Company's short-term loans from financial institutions in the year of appropriation, and all of unsecured loan. After assessment, no impairment loss is required.

Financing transactions with related parties were as follows :

Relationship	For the year ended December 31, 2022		December 31, 2022
	Interest income	Interest rate	Interest receivable
Subsidiary – Tung Ho Steel Vietnam Corp., Ltd.	\$ 21,404	0.71%~4.92%	3,847

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(vii) Others

Relationship	Rental income		Miscellaneous revenue		Sales of scrap (Reduced operating costs)	
	For the years ended December 31,		For the years ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021	2022	2021
Subsidiaries	\$ 6,027	7,788	21,468	20,127	17,176	3,456
Associates	3,269	3,246	1,970	3,000	-	-
Other related parties	4,544	4,472	974	4,301	-	5,024
	<u>\$ 13,840</u>	<u>15,506</u>	<u>24,412</u>	<u>27,428</u>	<u>17,176</u>	<u>8,480</u>

Relationship	Other operating expenses		Donations		Manufacturing expenses	
	For the years ended December 31,		For the years ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021	2022	2021
Subsidiaries	\$ 3,234	4,949	-	-	364	-
Associates	4,196	4,977	-	-	7,753	8,541
Other related parties	-	-	2,846	3,724	755	-
	<u>\$ 7,430</u>	<u>9,926</u>	<u>2,846</u>	<u>3,724</u>	<u>8,872</u>	<u>8,541</u>

Relationship	Other receivables		Other payables	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	Subsidiaries	\$ 1,396	2,697	129
Associates	-	-	1,825	499
Other related parties	165	3,903	-	-
	<u>\$ 1,561</u>	<u>6,600</u>	<u>1,954</u>	<u>1,275</u>

Relationship	Deposits received	
	December 31, 2022	December 31, 2021
Associates	\$ <u>304</u>	<u>304</u>

(c) Compensation of key management personnel

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 38,578	40,330
Post-employment benefits	1,595	1,709
	<u>\$ 40,173</u>	<u>42,039</u>

As of years ended December 31, 2022 and 2021, the Consolidated Company provided two cars and one car that cost \$5,840 thousand and \$2,490 thousand for the key management personnel of the entity.

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TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(8) Pledged assets

The details of the Company's pledged assets were as follows :

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current assets - term deposits	Leases guarantee	\$ -	220
Refundable deposits - term deposits	Leases guarantee	7,279	8,917
		<u>\$ 7,279</u>	<u>9,137</u>

(9) Commitments and contingencies**(a) Unrecognized contractual commitments**

- (i) The guarantees were mainly for securing loans and gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Company did not ask counterparties for collateral as secure guarantees. The amounts of the Company's guarantees were as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Guarantees securities amounts	<u>\$ 11,735,039</u>	<u>8,356,192</u>

- (ii) The amounts of guaranteed notes issued by the Company were as follows :

<u>Nature</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank credit limit	\$ 1,000,000	1,000,000
Leases	1,200	200
Guaranteed payment for purchases of raw materials	72,000	59,980
	<u>\$ 1,073,200</u>	<u>1,060,180</u>

- (iii) The amount of unused outstanding letters of credit was as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused outstanding letters of credit	<u>\$ 836,086</u>	<u>2,117,048</u>

(10) Losses Due to Major Disasters: None**(11) Subsequent Events:**

The Company seeks to reduce total carbon emissions year by year and strive towards the goal of "2050 net zero carbon emissions row", and will use two 30s as its 2030 phased goals (1) 30% carbon reduction: The total carbon emissions in 2030 decreased by 30% compared with 2005.(2) RE30 : 30% of the total electricity consumption in 2030 will come from renewable energy, therefore, the Board of Directors of the Company resolved on February 22, 2023, to complete the procurement of 30% of the Company's annual electricity consumption of renewable energy by 2030, and if the target of 30% of renewable energy is achieved, the annual procurement amount will be approximately \$2 billion at current prices.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,399,563	645,687	2,045,250	1,309,069	718,203	2,027,272
Labor and health insurance	121,678	44,681	166,359	113,123	42,443	155,566
Pension expenses	50,696	16,102	66,798	53,126	15,387	68,513
Remuneration of directors	-	105,881	105,881	-	150,827	150,827
Other personnel expenses	42,005	11,237	53,242	38,999	10,732	49,731
Depreciation expenses	889,228	71,873	961,101	910,545	73,331	983,876
Amortization expenses	7,393	484	7,877	9,191	1,071	10,262

For the years ended December 31, 2022 and 2021, the Company's additional information of number of employees and employee benefit expenses were as follows :

	For the years ended December 31,	
	2022	2021
Number of employees	<u>1,938</u>	<u>1,780</u>
Number of directors who were not employees	<u>11</u>	<u>9</u>
The average employee benefit	<u>\$ 1,210</u>	<u>1,299</u>
The average salaries and wages	<u>\$ 1,061</u>	<u>1,145</u>
Adjustment of average employee salary expenses	<u>(7.34)%</u>	<u>16.03 %</u>
Remuneration of the supervisors	<u>\$ -</u>	<u>-</u>

The company's remuneration policy for its employees (including directors, supervisors, managers and employees) were as follows:

The Company provides rational and competitive remuneration to attract, hold and inspire talented people for long term development and achieving its business objectives. In addition to fixed payment, the Company also takes the position held, responsibilities assumed, contribution and personal working performance of an individual into consideration for bonus distribution. Also, the Company upholds the principle of profit sharing to formulate the remuneration policy.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to the Financial Statements

(a) Employees remuneration policy :

Standard of remuneration payment is based on the Company's salary structure standard for each position. It also refers to the salary market and the state of operation, which involved the individual's responsibility, learning and working experience, professional skill, job tenure and personal working performance.

(b) Managers remuneration policy :

Managers remuneration payment depends on the entire market positioning, result of industry investigation, and degree of goals achieving and contribution. The Salary and Remuneration Committee will regularly evaluate the payment with rationality.

(c) Directors remuneration policy :

(i) Based on the Company's articles, the total allocation for directors' remuneration should not exceed 2% of the Company's earnings for the year and should be distributed by performance evaluation of each director.

(ii) Salary and Remuneration Committee proposes that the Company pays a monthly fixed amount for directors' remuneration by referring to the payment level of other listed companies in the same industry and the responsibility of each director. Thereafter, the above proposal will be evaluated and approved by the board of directors.

(iii) Besides the monthly fixed remuneration for directors, an allowance for their attendance will also be provided based on the actual frequency of their participation in the board meeting.

(iv) If the directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Board meeting.

(d) Independent Director remuneration policy

(i) Independent directors get a monthly fixed payment. In addition, an allowance for their attendance will also be provided based on the actual frequency of their participation in the Committee meeting. However, they cannot participate in the distribution of earnings.

(ii) The fixed payment mentioned above is based on the degree of the participation and contribution of an individual in the Company's operation and refers to the payment situation of other listed companies in the same industry. It is submitted to the remuneration committee for discussion, then proposed in the Board of Directors for evaluation and approval.

(iii) If the independent directors also served as other functional members in the committee, they are entitled for an additional monthly fixed payment based on the actual frequency of their participation in the Committee meeting.

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TUNG HO STEEL ENTERPRISE CORPORATION

Notes to Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

(i) Financing to other parties:

(in thousands of NTD/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Tung Ho Steel Vietnam Corp., Ltd.	Other receivables	Yes	2,149,700 (USD70,000)	1,074,850 (USD35,000)	921,300 (USD30,000)	0.709%~4.91715%	2	-	Operating capital	-	-	-	2,880,597	5,761,193

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business contact
- (2) Those necessary for short-term fund circulation

Note 3: The valid quota of financing to other parties as of December 31, 2022.

Note 4: The actual amount of loan within the financing quota.

(ii) Guarantees and endorsements for other parties:

(in thousands of NTD/USD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd	2	14,402,983	848,344 (USD10,400)	756,214 (USD7,400)	92,832 (USD1,000)	-	2.63 %	14,402,983	Y	N	Y
0	The Company (Note 2, 3)	Tung Ho Steel Vietnam Corp., Ltd.	2	14,402,983	13,804,145 (USD449,500)	10,978,825 (USD357,500)	3,301,413 (USD107,503)	-	38.11 %	14,402,983	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	6	351,484 (USD11,445)	161,228 (USD5,250)	161,228 (USD5,250)	161,228 (USD5,250)	-	22.93 %	702,968 (USD22,891)	N	N	Y

Note 1: There are seven kinds of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- (1) The Company has business with the receiving parties.
- (2) The Company holds directly more than 50% of the ordinary stock of the subsidiaries.
- (3) The Company and its subsidiaries hold more than 50% of the investee.
- (4) The Company holds directly or indirectly through its subsidiaries more than 50% of the investee.
- (5) The Company is required to make guarantees or endorsements for the construction project based on the contract.
- (6) The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.
- (7) The companies in the same industry provide among themselves, joint and several security for a performance guarantee on sales contracts for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: Guarantees and endorsements for an individual company should not exceed 50% of the net equity of the latest financial statements.

Note 3: The total amount of guarantees and endorsements should not exceed 50% of the net equity of the latest financial statements.

Note 4: Guarantees and endorsements for an individual company should not exceed 50% of the total amount of guarantees and endorsements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The amount limited for the current period is USD22,891 thousand.

Note 6: Guarantees and endorsements for an individual company should not exceed 50% of the Company's net worth on its latest financial statements. Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Company and subsidiaries should not exceed 50% of the Company's latest financial statement (limit for the current period: \$限 14,402,983 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 50% of the Company's net worth of its latest financial statements (limit for the current period: \$14,402,983 thousand.)

Note 7: The amount approved by the board of directors.

Note 8: The actual amount used by the endorsed and guaranteed companies within their limited amount of guarantees and endorsement.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION
Notes to Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of NTD)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock – Zenitron Corporation	-	(a)	3,825,000	110,734	1.75 %	110,734	None
The Company	Stock – Adlink	-	(a)	966,577	52,002	0.44 %	52,002	"
The Company	Stock – Shiao Kang Warehousing Corp.	One of its directors	(b)	2,384,060	17,707	19.87 %	17,707	"
The Company	Stock – Hexawave Photonic System, Inc.	-	(b)	2,564,023	23,511	6.41 %	23,511	"
The Company	Stock – Overseas Investment & Development Corp.	-	(b)	1,000,000	8,526	1.11 %	8,526	"
The Company	Stock – Power World Fund, Inc.	One of its directors	(b)	677,245	8,862	5.68 %	8,862	"
The Company	Stock – Universal Venture Fund, Inc.	One of its directors	(b)	558,255	7,050	4.76 %	7,050	"
The Company	Stock – Tung Jiang Investment Corp.	One of its directors	(b)	-	33,166	9.11 %	33,166	"
The Company	Stock – Taiwan Aerospace Corp.	-	(b)	1,621,441	25,564	1.19 %	25,564	"
The Company	Stock – Universal Venture Capital Investment Corp.	-	(b)	2,800,000	21,980	2.33 %	21,980	"
The Company	Stock – IBT	-	(b)	1,312,993	10,118	4.17 %	10,118	"
The Company	Stock – Chien Shing Harbour Service Co., Ltd.	One of its directors	(b)	8,203,800	311,334	9.35 %	311,334	"
The Company	Stock – Taiwan High Speed Rail Corporation	-	(b)	1,913,376	55,010	0.03 %	55,010	"
Tung Yuan International Corp.	Chinese Products Promotion Center	-	(b)	2,500	212	0.66 %	212	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	(b)	150,000	1,776	3.75 %	1,776	"

Note : (a) Financial assets at fair value through profit or loss – current

(b) Financial assets at fair value through other comprehensive income – non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	2022.03.10	423,897	paid	National Property Administration, MOF					-	Note 1	Established a complex for steel bars processing	
The Company	Land, buildings and property	2022.08.30	2,430,000	paid	Taiwan Kaohsiung District Court executing the auction					-	Note 2	Considering the overall operation development for manufacturing and office	

Note 1: The Company engaged a real estate appraiser to examine the rationality of valuation from the Ministry of Finance in accordance with the Operating Procedures for the Assessment of National Properties.

Note 2: By referring to the real estate market in neighboring areas and the lowest court auction price.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION

Notes to Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Sale	(1,844,595)	(3.92)%	Payable within 60 days	-	-	24,333	0.77%	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Purchase	130,740	0.38%	OA10/OA30	-	-	(5,109)	(0.34)%	
The Company	Tung Kang Engineering and Construction Corp.	Subsidiary of the Company	Purchase	156,336	0.45%	Within 15 days of request date	-	-	-	-%	
The Company	THSVC	Subsidiary of the Company	Sale	(176,785)	(0.38)%	120 days after B/L	-	-	-	-%	
The Company	THSVC	Parent company	Purchase	839,476	2.44%	Payment at the end of the month	-	-	-	-%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary of the Company	Purchase	1,844,595	51.71%	Payable within 60 days	-	-	(24,333)	(5.22)%	
Tung Kang Steel Structure Corp.	The Company	Subsidiary of the Company	Sale	(130,740)	(1.55)%	OA10/OA30	-	-	5,109	6.67%	
Tung Kang Engineering and Construction Corp.	The Company	Subsidiary of the Company	Sale	(156,336)	(31.96)%	Within 15 days of request date	-	-	-	-%	
THSVC	The Company	Subsidiary of the Company	Sale	(839,476)	(14.37)%	Payment at the end of the month	-	-	-	-%	
THSVC	The Company	Subsidiary of the Company	Purchase	176,785	1.59%	120 days after B/L	-	-	-	-%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(in thousands of NTD)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	THSVC	Subsidiary of the Company	925,148 (Accounts receivable—related parties)	-	-	-	604,505	-

- (ix) Trading in derivative instruments: Please refer to Notes 6(b).

- (b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(in thousands of NTD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	834,790 (USD27,183)	834,790 (USD27,183)	82	100.00 %	702,968	(126,951)	Subsidiary	
"	Tung Kang Steel Structure Corp.	Taiwan	Metal structure and building component construction	1,775,138	1,775,138	201,121,339	97.48 %	3,364,664	823,711	812,131 Subsidiary	
"	Katec R & D Corp.	Taiwan	Waste recycling	35,352	35,352	5,646,398	46.19 %	87,481	38,281	17,682 Associate	
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	460,650 (USD15,000)	460,650 (USD15,000)	15,000,000	100.00 %	394,759	65,079	67,150 Subsidiary	
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	113,291	113,291	24,829,009	22.31 %	966,020	984,155	219,583 Associate	
"	Katec Creative Resources Corporation	Taiwan	Waste recycling	1,211,535	1,211,535	95,736,860	99.02 %	910,604	131,998	130,704 Subsidiary	
"	Fa Da Enterprise Corp.	Taiwan	Waste recycling	-	1,000	-	- %	-	-	(16,413) Subsidiary	
"	Tung Kang Wind Power Corp.	Taiwan	Electric power generation	655,000	655,000	65,500,000	100.00 %	593,752	10,998	11,067 Subsidiary	
"	Tung Ho Steel Vietnam Corp., Ltd.	Vietnam	Steel industry	6,244,967	5,016,935	-	100.00 %	3,440,427	(968,172)	(968,172) Subsidiary	
"	Tung Sugar Energy Service Co., Ltd.	Taiwan	Fertilizer producing and self-used equipment of renewable electric power	54,000	54,000	5,400,000	36.00 %	52,030	(3,221)	(1,160) Associate	
Tung Yuan International Corp.	3 Oceans International Inc.	Samoa	Investment activities	56,506 (USD1,840)	56,506 (USD1,840)	902,000	66.32 %	19,614	(9,571)	(6,481) Subsidiary	
Tung Yuan International Corp.	Duc Hoa International J.S.C	Vietnam	Quicklime factory	115,746 (USD3,769)	115,746 (USD3,769)	8,154,419	96.00 %	118,526	3,668	3,521 Subsidiary	
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00 %	265,812	6,773	6,773 Subsidiary	

1 USD = 30.71 NTD

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION

Notes to Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of New Taiwan Dollars and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Fujian Sino-Japan Metal Corp.	Tin-coated plate	1,596,920 (USD52,000)	(2)	564,051 (USD18,367)	-	-	564,051 (USD18,367)	(356,946)	35.00%	(124,931)	451,580	-
Fujian Tung Kang Steel Co., Ltd.	Processing of section steels and steel structures	460,650 (USD15,000)	(2)	409,364 (USD13,330)	-	-	409,364 (USD13,330)	65,079	100.00%	67,150	394,759	-

Note 1: List of the method of investments

- (1) Direct investment
- (2) Indirect investment
- (3) Others

Note 2: On December 31, 2022, 1 USD=30.71 NTD, 1 CNY=4.408NTD.

Note 3: For the year ended December 31, 2022, 1 USD=29.80 NTD, 1 CNY=4.422 NTD.

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars and USD)

Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note)
1,034,835 (USD33,697)	1,034,835 (USD33,697)	17,283,579

Note: 60% of net equity.

(iii) Significant transactions:

For direct or indirect significant transactions between the Company and its investees in Mainland China, please refer to the illustrations in "Related information on Significant Transactions."

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Shen Yuan Investment Co., Ltd.		108,715,999	14.88 %
Mao sheng Investment Co., Ltd.		64,417,877	8.82 %
He Zhao Investment Co., Ltd.		6,208,975	8.50 %

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2022.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF CASH AND CASH EQUIVALENTS

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Cash	Cash on hand	\$ 296	
	Revolving funds	268	
	Subtotal	<u>564</u>	
Cash in banks	Checking accounts	165,616	
	Demand deposits accounts	272,457	
	Foreign currency demand deposits	<u>79,411</u>	Note 1
	Subtotal	<u>517,484</u>	
Total		<u>\$ 518,048</u>	

Note 1: Total amount of foreign currency	USD	2,577,544(dollars)
	JPY	734,754(dollars)
	EUR	636 (dollars)
	CNY	14,426(dollars)
Exchange rate	USD	→NT @30.71
	JPY	→NT @0.2324
	EUR	→NT @32.72
	CNY	→NT @4.408

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

December 31, 2022

(Expressed in thousands of New Taiwan Dollars/USD)

<u>Name of financial instruments – current</u>	<u>Description</u>	<u>Number of shares or unit</u>	<u>Book value</u>	<u>Total amount/ Nominal amount</u>	<u>Interest rate %</u>	<u>Acquisition costs</u>	<u>Fair value</u>	
							<u>Unit price</u>	<u>Amount</u>
Financial assets held for trading:								
Stock:								
Zenitron	Publicly List	3,825,000	\$ 10	38,250	-	92,166	28.95	110,734
Adlink	Publicly List	966,577	10	9,666	-	<u>30,957</u>	53.80	<u>52,002</u>
Total						<u>\$ 123,123</u>		<u>162,736</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF NOTES RECEIVABLE

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Kung Sing Engineering	Payment for goods	\$ 39,769
Weishun Construction	Payment for goods	35,429
S.T.Y STEELS	Payment for goods	30,265
Fu tsu Construction	Payment for goods	10,946
Yuanmao Construction	Payment for goods	9,572
Hongbin Construction	Payment for goods	9,251
Others (Note)	Payment for goods	<u>29,959</u>
Total notes receivable		165,191
Less: Allowance for impairment		<u>(423)</u>
Total		<u><u>\$ 164,768</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF ACCOUNTS RECEIVABLE

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Steel Structure	Payment for goods	\$ 24,332
Tung Kang Engineering and Construction	Payment for goods	<u>34,606</u>
Subtotal		<u>58,938</u>
Non-related parties:		
Ruentex Engineering & Const.Co	Payment for goods	114,568
Others (Note)	Payment for goods	<u>2,862,928</u>
Subtotal		<u>2,977,496</u>
Total accounts receivable		3,036,434
Less: Allowance for impairment		<u>(21,534)</u>
Total		<u><u>\$ 3,014,900</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OTHER RECEIVABLES

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Revenue of disposing metal shavings	\$ 5,355
Revenue of selling scrap iron and material supplies (related parties included)	831
Financing to related parties(interest receivable included)	925,147
Revenue of technical service (related parties included)	753
Others (related parties included)	<u>3,658</u>
Total	<u>\$ 935,744</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF INVENTORIES

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>		<u>Notes</u>
		<u>Cost</u>	<u>Market price</u>	
Finished goods	Deformed bars	\$ 1,329,587	1,300,030	Market price based on net realizable value
	Sections	428,524	465,540	"
	Universal plates	83,970	100,755	"
	Outbound product	<u>125,986</u>	<u>125,986</u>	"
	Subtotal	<u>1,968,067</u>	<u>1,992,311</u>	
Work in process	Billets	2,122,140	2,444,788	"
	Beam blank	1,906,402	2,399,720	"
	Bloom	125,709	169,425	"
	Outbound product(Billets)	<u>9,891</u>	<u>9,890</u>	
	Subtotal	<u>4,164,142</u>	<u>5,023,823</u>	
Raw materials	Scrap iron	6,789,491	8,771,746	"
	In transit raw materials	<u>851,545</u>	<u>851,545</u>	"
	Subtotal	<u>7,641,036</u>	<u>9,623,291</u>	
Material supplies	Electrode rods	338,836	347,529	"
	Silicon iron	77,926	68,452	"
	Manganese iron	47,691	37,718	"
	Silicon manganese	364,813	308,832	"
	Vanadium iron	120,818	137,421	"
	Roller	29,684	29,691	"
	Roller ring	94,230	80,659	"
	Other material	<u>1,109,799</u>	<u>1,111,315</u>	"
	Subtotal	<u>2,183,797</u>	<u>2,121,617</u>	
Inventories, net		<u><u>\$ 15,957,042</u></u>	<u><u>18,761,042</u></u>	

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF PREPAYMENTS

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Prepaid expenses	Prepaid supplies expenses	\$ 91,789
	Insurance premium and rent expenses	15,160
	Prepaid heavy oil and maintenance expenses	16,716
	Others	<u>6,535</u>
	Subtotal	130,200
Prepayments for goods		48,385
Other prepayments		<u>10,817</u>
Total		<u><u>\$ 189,402</u></u>

Note: Consisting of individual accounts with less than 5% of the total account.

TUNG HO STEEL ENTERPRISE CORPORATION
DETAILS OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1, 2022		Increase and reclassification		Decrease and reclassification		Investment income recognized under the equity method (loss)	Balance as December 31, 2022			Net value or market price	Pledged or collateralized
	Share	Amount	Share	Amount	Share	Amount		Share	Share-holding percentage	Amount		
Subsidiaries:												
Tung Yuan International Corp.	82	\$ 800,070	-	29,873 (Note 1)	-	24 (Notes 6)	(126,951)	82	100.00 %	702,968	702,968	None
Tung Kang Steel Structure Corp.	201,121,339	2,824,418	-	31,576 (Note 2,3)	-	303,461 (Notes 5,6)	812,131	201,121,339	97.48 %	3,364,664	3,478,764	None
Goldham Development Ltd.	15,000,000	322,275	-	5,334 (Note 1)	-	-	67,150	15,000,000	100.00 %	394,759	446,403	None
Katec Creative Resources Corp.	95,736,860	779,900	-	-	-	-	130,704	95,736,860	99.02 %	910,604	910,604	None
Tung Kang Wind Power Corp.	65,500,000	582,685	-	-	-	-	11,067	65,500,000	100.00 %	593,752	593,433	None
Fa Da Enterprise Corp.	100,000	17,178	-	-	100,000	765	(16,413)	-	- %	-	-	None
Tung Sugar Energy Service Corp.	5,400,000	53,190	-	-	5,400,000	51,874	(1,316)	-	- %	-	-	None
Tung Ho Steel Vietnam Corp., Ltd.	-	3,221,055	-	1,228,032 (Note 4)	-	40,488 (Notes 1)	(968,172)	-	100.00 %	3,440,427	3,440,427	None
Subtotal		8,600,771		1,294,815		396,612	(91,800)			9,407,174		
Associates:												
Katec R&D Corp.	4,705,332	77,623	941,066	1,587 (Note 3, 6)	-	9,411 (Notes 5)	17,682	5,646,398	46.19 %	87,481	87,481	None
Taiwan Steel Union Co., Ltd.	24,829,009	845,367	-	386 (Note 3)	-	99,316 (Note 5)	219,583	24,829,009	22.31 %	966,020	966,020	None
Tung Sugar Energy Service Corp.	-	-	5,400,000	51,874 (Note 8)	-	-	156	-	36.00 %	52,030	52,030	None
Subtotal		922,990		53,847		108,727	237,421			1,105,531		
Total		\$ 9,523,761		1,348,662		505,339	145,621			10,512,705		

Note 1: Adjustments of exchange difference on translation of foreign operations.

Note 2: Resulting from downstream unrealized sales profit.

Note 3: From other comprehensive income on defined benefit plans of subsidiaries and associates.

Note 4: Subsidiary capital increase by cash and adjusted capital surplus at a percentage different from its existing ownership percentage.

Note 5: Proceeds from cash dividends.

Note 6: Adjustment of "evaluation of equity instrument at fair value through other comprehensive income" due to changes in fair value.

Note 7: Capital reduction adjustment of "financial assets at fair value through other comprehensive income" of subsidiaries.

Note 8: The re-judgment of control, since November 2022, the control is lost, and the subsidiary becomes an affiliate.

TUNG HO STEEL ENTERPRISE CORPORATION
DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS—NON-CURRENT

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Name of company</u>	<u>Balance as of January 1, 2022</u>		<u>Increase and reclassification</u>		<u>Decrease and reclassification</u>		<u>Balance as December 31, 2022</u>		<u>Pledged or collateralized</u>
	<u>Share</u>	<u>Amount</u>	<u>Share</u>	<u>Amount</u>	<u>Share</u>	<u>Amount</u>	<u>Share</u>	<u>Amount</u>	
Fair value through other comprehensive income—non current:									
Hsiao Kang Warehousing Corp.	2,384,060	\$ 16,235	-	1,472	-	-	2,384,060	17,707	None
Hexawave Photonic System, Inc.	2,564,023	31,794	-	-	-	8,283	2,564,023	23,511	None
Taiwan Aerospace Corp.	1,621,441	27,029	-	-	-	1,465	1,621,441	25,564	None
Overseas Investment & Development Corp.	1,000,000	8,230	-	296	-	-	1,000,000	8,526	None
Power World Fund, Inc.	677,245	10,680	-	-	-	1,818	677,245	8,862	None
Universal Venture Fund, Inc.	558,255	8,201	-	-	-	1,151	558,255	7,050	None
IBT II Venture Capital Co.	1,312,993	7,484	-	2,634	-	-	1,312,993	10,118	None
Tung Jing Investment Corp.	-	36,269	-	5,269 (Notes 1)	-	8,372	-	33,166	None
Universal Venture Capital Investment Corp.	2,800,000	<u>24,612</u>	-	<u>-</u>	-	<u>2,632</u>	2,800,000	<u>21,980</u>	None
Subtotal		<u>170,534</u>		<u>9,671</u>		<u>23,721</u>		<u>156,484</u>	
Public listed stocks — Taiwan High Speed Rail Corporation	1,913,376	56,636				1,626	1,913,376	55,010	None
Stock listed on emerging markets—Chien Shing Harbour Service Co., Ltd.	8,203,800	<u>442,185</u>	-	<u>-</u>	-	<u>130,851</u>	8,203,800	<u>311,334</u>	None
Subtotal		<u>498,821</u>		<u>-</u>		<u>132,477</u>		<u>366,344</u>	
Total		<u>\$ 669,355</u>		<u>9,671</u>		<u>156,198</u>		<u>522,828</u>	

Note 1 : New acquisition

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF REFUNDABLE DEPOSITS

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Refundable deposits	Golf card deposits	\$ 41,500
	Gas procurement guarantees	19,866
	Lease deposits	10,839
	Performance guarantees	<u>206</u>
Total		<u><u>\$ 72,411</u></u>

Please refer to Note 6(h) for details of property, plant and equipment.

Please refer to Note 6(j) for details of investment property.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OVERDUE RECEIVABLES

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
BEST-STEEL	\$ 47,993
Mingguan Technology	8,929
Haoyu Construction	4,792
Licheng Construction	751
Walden Construction	450
Yutai Construction	373
Jiankai property	245
Zunsheng Enterprise	<u>95</u>
Subtotal	63,628
Less: Allowance for bad debt expense	<u>(63,628)</u>
Total	<u>\$ -</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF SHORT-TERM LOANS

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Bank	Description	Balance as of December 31, 2022	Duration	Interest rate	Amount	Pledge or collateralized
HSBC Bank	Unsecured loans	\$ 1,520,000	November 15, 2022 ~ June 13, 2023	1.72%~1.79%	1,535,000	None
Bank of Taiwan	Unsecured loans	700,000	October 21, 2022 ~April 19, 2023	1.5%	700,000	None
First Commercial Bank	Unsecured loans	1,000,000	October 31, 2022~ April 28,2023	1.925%	1,000,000	None
land Bank of Taiwan	Unsecured loans	640,000	October 25, 2022 ~ January 19, 2023	1.26%	800,000	None
Cathay United Bank	Unsecured loans	700,000	December 7, 2022 ~ January 9,2023	1.27%	700,000	None
Agricultural Bank of Taiwan	Unsecured loans	800,000	October 28, 2022 ~ May 10, 2023	1.332%	800,000	None
O Bank	Unsecured loans	150,000	November 21, 2022 ~ February 21, 2023	1.7982%	200,000	None
Hua Nan Commercial Bank	Unsecured loans	1,000,000	October 31, 2022 ~ March 22, 2023	1.68%~1.89%	1,000,000	None
DBS Bank	Unsecured loans	520,000	December 6, 2022 ~ January 6, 2023	1.7%	610,000	None
Yuanta Bank	Unsecured loans	1,400,000	October 25, 2022 ~ March 16, 2023	1.35%~1.5%	1,500,000	None
BOK Bank	Unsecured loans	250,000	October 21, 2022 ~ January 19, 2023	1.63%	450,000	None
E. Sun Bank	Unsecured loans	480,000	December 22, 2022~ February 22,2023	1.9%~1.95%	600,000	None
FEIB Bank	Unsecured loans	500,000	December 22, 2022~February 3, 2023	1.9%	600,000	None
CTBC Bank	Unsecured loans	600,000	November 4, 2022 ~ February 7, 2023	1.8%~1.9%	700,000	None
Taiwan Business Bank	Unsecured loans	400,000	October 31, 2022 ~ April 30, 2023	1.66%	400,000	None
Subtotal		<u>10,660,000</u>				
Bank of Taiwan	Letter of credit	83,092	September 14, 2022 ~ June 12, 2023	0.42%~5.85%	855,000	None
Land Bank of Taiwan	Letter of credit	8,120	December 9, 2022 ~ February 14, 2023	5.16%~5.45%	800,000	None
First Commercial Bank	Letter of credit	10,249	December 26,2022 ~February 17, 2023	5.39%~5.44%	1,500,000	None
Hua Nan Commercial Bank	Letter of credit	29,974	August 2, 2022 ~ February 20, 2023	1.00%~5.72%	2,000,000	None
The Shanghai Commercial & Savings Bank	Letter of credit	34,362	November 29, 2022 ~ February 24, 2023	5.13%~6.12%	295,000	None
CHB Bank	Letter of credit	11,581	December 12, 2022 ~ January 29, 2023	4.99%~5.15%	1,000,000	None
Cathay United Bank	Letter of credit	31,836	November 30, 2022 ~ February 16, 2023	4.85%~4.95%	960,000	None
Bank of Kaohsiung	Letter of credit	10,788	December 9, 2022 ~ June 29, 2023	5.07%~5.19%	450,000	None
Mega International Commercial Bank	Letter of credit	40,238	September 5, 2022 ~ April 26, 2023	0.53%~5.41%	870,000	None
Mizuho Bank	Letter of credit	6,812	December 20, 2022 ~ June 16, 2023	5.41%	199,500	None
O-Bank	Letter of credit	4,569	December 16, 2022~ January 19, 2023	5.05%~5.18%	200,000	None
Taiwan Business Bank	Letter of credit	858	November 16,2022~ February 25, 2023	5.08%~5.16%	427,500	None
Taichung Bank	Letter of credit	13,594	November 24, 2022~ February 7, 2023	4.92%~5.41%	285,000	None
Shin Kong Bank	Letter of credit	14,939	November 14, 2022 ~February 27, 2023	5.27%~5.55%	300,000	None
CTBC Bank	Letter of credit	5,864	December 26, 2022 ~ January 19, 2023	5.5%	700,000	None
DBS Bank	Letter of credit	3,301	December 26, 2022 ~ June 21, 2023	5.4%	610,000	None
Union Bank of Taiwan	Letter of credit	16,532	December 1, 2022 ~ January 30, 2023	5.08%~5.63%	300,000	None
E. Sun Bank	Letter of credit	40,174	November 21, 2022~ January 19, 2023	4.47%~5.07%	712,500	None
KGI Bank	Letter of credit	891	December 9, 2022 ~ June 9, 2023	5.44%	200,000	None
Subtotal		<u>367,774</u>				
Total		<u>\$ 11,027,774</u>				

Note 1: The effective period of the financing contract is two to three years. However, the banks will evaluate the terms of the contract periodically through credit checking every year.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF NOTES PAYABLE

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Yabang International	Operating expenses	\$ 6,133
Dahong Machinery	Operating expenses	4,143
Billion Liter Traffic	Operating expenses	4,577
Formosa Plastics Yilan	Operating expenses	3,870
Others (Note)	Operating expenses	<u>58,544</u>
Total		<u><u>\$ 77,267</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF ACCOUNTS PAYABLE

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Objects</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Tung Kang Steel Structure Corp.	Payment for goods	\$ 6,945
Duc Hou International J.S.C.	Payment for goods	5,109
Katec Creative Resources	Payment for goods	<u>356</u>
Subtotal		<u>12,410</u>
Non-related parties:		
Zhenyu Metal	Payment for goods	179,267
Others (Note)	Payment for goods	<u>1,250,860</u>
Subtotal		<u>1,430,127</u>
Total		<u><u>\$ 1,442,537</u></u>

Note: Consisting of individual accounts of less than 5% of the total amount
Please refer to Note 6(q) for details of other payables.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF CONTRACT LIABILITIES

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Dihua Construction	Payment for goods	\$ 115,690
Fuxuan Construction	Payment for goods	85,193
Yidong Construction	Payment for goods	70,789
Huaxiong Construction	Payment for goods	63,895
Others (Note)		<u>1,002,962</u>
Total contract liabilities		<u>\$ 1,338,529</u>

Note: Consisting of individual accounts of less than 5% of the total amount

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF LONG-TERM LOANS

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Bank	Duration	Nature	Interest rate	Amount	Pledged or Collateralized
Mizuho Bank	April 27, 2022 ~ April 27, 2024 Principal repaid at maturity	Repayment of loan and improvement of financial structure	1.62~1.95%	\$ 1,800,000	None
KGI Bank	July 18, 2022~ July 18, 2025 2024.07.18 as a period, thereafter every three months.For one period, a total of five periods	Repayment of loan and improvement of financial structure	1.89744%	<u>150,000</u>	None
Total				<u><u>\$ 1,950,000</u></u>	

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF GUARANTEE DEPOSITS

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Related parties:		
Katec Research and Development	Rental deposits	\$ <u>304</u>
Non-related parties:		
Chang Jieh Logistics Corp.	Rental deposits	3,779
Chia Mei Construction	Performance guarantee	1,820
Qianzhen Land	Rental deposits	1,630
Kang Shiung Construction	Performance guarantee	1,071
Others (Note)	Rental deposits and performance guarantee	<u>507</u>
Subtotal		<u>8,807</u>
Total		<u>\$ 9,111</u>

Note: Consisting of individual accounts with less than 5% of the total amount.

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OPERATING REVENUES

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Deformed steel bar	1,213,922 tons	\$ 27,463,784
Billet	52,621 tons	1,046,771
H-beams	523,570 tons	14,966,930
Universal plate	85,958 tons	2,508,892
I-beams	1,330 tons	43,704
Channel steel	33,947 tons	977,587
Raw material and other steel	9,131 tons	233,330
Others	- tons	<u>30,046</u>
Total operating revenue		47,271,044
Less: Sales returns		(970)
Sales allowances		<u>(266,882)</u>
Net operating revenue		<u><u>\$ 47,003,192</u></u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OPERATING COSTS

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Subtotal	Total
Manufacturing:		
(a) Direct raw materials		
Beginning balance of raw materials	\$ 8,960,386	
Self-manufactured transferred in	50,171,917	
Purchases of raw materials	26,106,047	
Sale of raw materials	(15,816)	
Reclassification to manufacturing overhead	(1,217)	
Reclassification to donation expenses	(709)	
Reclassification to other expenses	(311)	
Transfer to material supplies	(698)	
Transfer to finished goods	(14,084)	
R&D scrap transferred in	2,438	
Roller scrap transferred in	12,427	
Ending balance of raw materials	<u>(7,641,036)</u>	
Cost of direct raw materials consumed		77,579,344
(b) Indirect raw materials		
Beginning balance of raw materials	1,679,921	
Purchases of raw materials	5,142,900	
Sale of material supplies	(1,469)	
Reclassification to manufacturing overhead	(1,163,724)	
Reclassification to deferred expenses and prepaid expenses	(238,114)	
Reclassification to construction in progress and equipment	(4,169)	
Transfer to finished goods	(1,167)	
Transfer from material supplies	698	
Ending balance of raw materials	(2,177,872)	
Reclassification to consigned goods	<u>4,156</u>	
Cost of indirect materials consumed		3,241,160
(c) Direct labor, net		982,261
(d) Manufacturing overhead, net		<u>6,216,700</u>
Manufacturing cost		88,019,465
(e) Cost of by-products		<u>(1,291,282)</u>
Cost of finished goods (work in process)		86,728,183
(f) Beginning balance of work in process	3,655,241	
(g) Purchases of work in process	1,409,711	
(i) Consigned goods transferred in	23,101	
(j) Work in process transferred to raw materials	(35,400,369)	
(k) Transfer to consigned goods	(601,900)	
(l) Ending balance of work in process	<u>(4,154,251)</u>	
(m) Reclassification to other expenses	(11,759)	
Subtotal		(35,080,226)
Cost of finished goods		
(n) Beginning balance of finished goods	1,752,960	
(o) Finished goods transferred to raw materials	(13,480,267)	
(p) Material supplies transferred to finished goods	1,167	
(q) Raw materials transferred to finished goods	14,084	
(r) Consigned goods transferred to finished goods	6,071	
(r) Finished goods transferred to construction in progress and prepayment of equipment	(7,489)	
(s) Consigned goods transferred to finished goods	6,419,445	
(t) Transfer to consigned goods	(5,693,712)	
(u) Ending balance of finished goods	(1,842,081)	
(v) Reclassification to donation expenses	(980)	
(v) Reclassification to other expenses	(1,955)	
(w) Reclassification to deferred expenses	(1,106)	
Subtotal		<u>(12,833,863)</u>
Cost of work in process and finished goods		38,814,094
(y) Cost of by-products		
Beginning balance of by-products	-	
By-products manufactured	1,291,282	
By-product transferred to raw materials	(1,291,282)	
Ending balance of by-products	<u>-</u>	
Cost of by-products		-
(z) Cost of consigned goods		
Beginning balance of consigned goods	281,547	
Raw materials transferred in	(4,156)	
Work in process transferred in	601,900	
Finished goods transferred in	5,693,712	
Transfer to cost of equipment	11,345	
Transfer to work in process	(23,101)	
Transfer to finished goods	(6,419,445)	
Ending balance of consigned goods	<u>(141,802)</u>	
Cost of goods sold – manufacturing		
Selling:		
Beginning inventory	-	
Purchases	1,744,950	
Ending inventory	<u>-</u>	
Cost of goods sold – selling		1,744,950
Work in process		31,302
Adjustment for capacity variance		108,186
Revenue from sale of raw materials and scrap		<u>(171,169)</u>
Operating costs		<u>\$ 40,527,363</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF MANUFACTURING EXPENSES

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Indirect labor	\$ 410,863
Utilities expense	2,479,666
Depreciation	889,228
Amortization	7,393
Repair and maintenance	832,415
Labor insurance	121,678
Meal expenses	42,005
Pension	50,696
Fuel expenses	702,207
Cleaning expense	306,257
Professional service fee	112,615
Packaging fee	70,716
Others	<u>190,961</u>
Total	<u>\$ 6,216,700</u>

TUNG HO STEEL ENTERPRISE CORPORATION

DETAILS OF OPERATING EXPENSES

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Total</u>
Salaries	\$ 73,751	571,936	645,687
Freight expense	638,806	142	638,948
Advertisement	28,622	915	29,537
Taxes	1,483	49,296	50,779
Depreciation	1,795	70,078	71,873
Amortizations	-	484	484
Meal expense	1,370	9,867	11,237
Labor pension	2,955	13,147	16,102
Labor insurance	2,234	22,969	25,203
National health insurance	3,223	16,255	19,478
Books and magazines	-	103	103
Others	37,197	311,244	348,441
Total	\$ 791,436	1,066,436	1,857,872

TUNG HO STEEL ENTERPRISE CORPORATION
DETAILS OF NON-OPERATING INCOME AND EXPENSES

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Net gain on financial assets at fair value through profit or loss	\$ (40,868)
Net loss on financial liabilities at fair value through profit or loss	218,796
Net foreign exchange gain	30,533
Directors' remuneration and transportation fee	17,757
Technical service revenue	9,985
Foreign worker board and lodging income	3,487
Gain on disposal of metal shavings	3,811
Net loss on disposal of property, plant, and equipment	(2,797)
Net loss on asset damage compensation	2,538
The refund of previous year's group insurance	3,380
Confirmation that no payment of payable is required, and transfer it to other income	3,249
Others	<u>7</u>
Total	<u><u>\$ 249,878</u></u>