Sheng Yu Steel Co., Ltd.

Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sheng Yu Steel Co., Ltd.

Opinion

We have audited the accompanying financial statements of Sheng Yu Steel Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Key Audit Matters

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

The key audit matter in the Company's financial statements for the year ended December 31, 2022 is as follows:

Recognition of Revenue

The main products of the Company are galvanized and prepainted steel coils; contribution of the sale of certain products to gross profit is significant. Management of the Company may manipulate revenue if it is under pressure to achieve its goal. We assessed that the main source of risk may arise from the occurrence of sales revenue. Therefore, we identified the recognition of revenue from products with unit selling prices that are significantly higher than average, the amounts of sales with significant changes and the recognition of revenue from particular customers with significant changes in sales as a key audit matter.

Refer to Note 4 to the financial statements for the related accounting policies and disclosures of revenue recognition. Our key audit procedures performed in respect of the abovementioned sales recognition of revenue included the following:

1. We understood the design and implementation of the internal controls and tested the operating effectiveness of controls related to the sales cycle.

2. We confirmed that the control of products had been transferred and the performance obligation was satisfied by checking the related delivery documents; we inspected the collection receipts of goods to verify that the counterparties of collections were consistent with those of the transactions.

3. We confirmed the accuracy of sales revenue by sending confirmation requests of sales revenue of the year.

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

Management is responsible for the preparation and fair presentation of the 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 the Company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the 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 financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Yu-Hsiang Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Sheng Yu Steel Co., Ltd.

BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,721,657	36	$ 3,790,365	33
Trade receivables (Note 9)	562,304	5	695,984	6
Trade receivables from related parties (Notes 9 and 25)	7,091	-	6,544	-
Other receivables (Notes 9 and 25)	160,824	2	209,126	2
Current tax assets (Notes 4 and 21)	11,146	-	-	-
Inventories (Notes 4, 5 and 10)	1,949,367	19	3,052,112	27
Prepayments for purchases	71,556	1	44,438	-
Other financial assets - current (Note 8)	553,485	5	194,000	2
Other current assets	979	-	1,641	-
Total current assets	7,038,409	68	7,994,210	70
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4,7 and 24)	15,110	-	10,854	-
Investments accounted for using the equity method (Notes 4 and 11)	451,374	5	478,993	5
Property, plant and equipment (Notes 4, 12 and 25)	2,243,521	22	2,314,449	20
Right-of-use-assets (Notes 4 and 13)	11,682	-	15,625	-
Investment properties (Notes 4 and 14)	357,445	3	359,204	3
Computer software (Note 4)	12,690	-	16,176	-
Deferred tax assets (Notes 4 and 21)	78,837	1	101,718	1
Prepayments for equipment	64,933	1	62,745	1
Refundable deposits	2,681	-	2,681	-
Net defined benefit assets - non-current (Notes 4, 5 and 17)	44,814	-	-	-
Other financial assets - non-current (Note 8)	18,000	-	18,000	-
Other non-current assets	1,575	-	1,687	-
Total non-current assets	3,302,662	32	3,382,132	30
TOTAL	$ 10,341,071	100	$ 11,376,342	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	$ 12,756	-	$ 305,602	3
Trade payables (Note 15)	134,911	1	192,253	2
Trade payables to related parties (Notes 15 and 25)	75,583	1	150,142	1
Other payables (Note 16)	278,619	3	307,792	3
Current tax liabilities (Notes 4 and 21)	-	-	273,130	2
Lease liabilities - current (Notes 4 and 13)	3,927	-	3,878	-
Refund liabilities - current (Note 4)	43,341	-	15,897	-
Other current liabilities	3,706	-	4,117	-
Total current liabilities	552,843	5	1,252,811	11
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	60,709	1	50,933	-
Lease liabilities - non-current (Notes 4 and 13)	7,750	-	11,697	-
Net defined benefit liabilities (Notes 4, 5 and 17)	-	-	157,265	2
Guarantee deposits	515	-	515	-
Total non-current liabilities	68,974	1	220,410	2
Total liabilities	621,817	6	1,473,221	13
EQUITY (Note 18)				
Capital stock	3,211,800	31	3,211,800	28
Capital surplus	1,557,364	15	1,557,364	14
Retained earnings				
Legal reserve	1,784,039	17	1,662,832	15
Special reserve	22,834	-	17,860	-
Unappropriated earnings	3,157,754	31	3,476,099	30
Total retained earnings	4,964,627	48	5,156,791	45
Other equity	(14,537)	-	(22,834)	-
Total equity	9,719,254	94	9,903,121	87
TOTAL	$ 10,341,071	100	$ 11,376,342	100

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

Sheng Yu Steel Co., Ltd.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 19 and 25)	$ 12,156,636	100	$ 13,651,961	100
OPERATING COSTS (Notes 10, 17, 20 and 25)	11,014,989	91	11,608,144	85
GROSS PROFIT	1,141,647	9	2,043,817	15
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARY	-	-	(5,292)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARY	1,135	-	-	-
REALIZED GROSS PROFIT	1,142,782	9	2,038,525	15
OPERATING EXPENSES (Notes 17, 20 and 25)				
Selling and marketing expenses	340,311	3	209,541	1
General and administrative expenses	189,026	2	243,706	2
Research and development expenses	77,212	-	82,758	1
Total operating expenses	606,549	5	536,005	4
PROFIT FROM OPERATIONS	536,233	4	1,502,520	11
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	26,546	-	9,942	-
Other income	722	-	663	-
Other gains and losses	116,360	1	20,819	-
Interest expense	(124)	-	(100)	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(29,413)	-	33,880	-
Total non-operating income	114,091	1	65,204	-
PROFIT BEFORE INCOME TAX	650,324	5	1,567,724	11
INCOME TAX EXPENSE (Notes 4 and 21)	145,144	1	303,659	2
NET PROFIT FOR THE YEAR	505,180	4	1,264,065	9

(Continued)

Sheng Yu Steel Co., Ltd.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	$ 150,958	1	$ (68,946)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	4,256	-	(2,142)	-
Remeasurement of defined benefit plans of subsidiaries accounted for using the equity method	1,123	-	2,264	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(30,416)	-	13,789	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	5,006	-	(737)	-
Exchange differences on translating foreign operations of subsidiaries accounted for using the equity method	(580)	-	(1,201)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(385)	-	-	-
Other comprehensive income (loss) for the year, net of income tax	129,962	1	(56,973)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 635,142	5	$ 1,207,092	9
EARNINGS PER SHARE (Note 22)				
Basic	$ 1.57		$ 3.94	
Diluted	$ 1.57		$ 3.93	

(Concluded)

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

Sheng Yu Steel Co., Ltd.

STANDALONE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

			Retained Earnings				Other Equity			
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Subtotal	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Subtotal	Total Equity
BALANCE, JANUARY 1, 2021	$ 3,211,800	$ 1,557,364	$ 1,638,782	$ 20,536	$ 2,445,998	$ 4,105,316	$ (4,261)	$ (13,600)	$ (17,861)	$ 8,856,619
Appropriation of 2020 earnings (Note 18)										
Set aside as legal reserve	-	-	24,050	-	(24,050)	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,676)	2,676	-	-	-	-	-
Cash dividends	-	-	-	-	(160,590)	(160,590)	-	-	-	(160,590)
	-	-	24,050	(2,676)	(181,964)	(160,590)	-	-	-	(160,590)
Net profit for the year ended December 31, 2021	-	-	-	-	1,264,065	1,264,065	-	-	-	1,264,065
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(52,893)	(52,893)	(1,938)	(2,142)	(4,080)	(56,973)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,211,172	1,211,172	(1,938)	(2,142)	(4,080)	1,207,092
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	893	893	-	(893)	(893)	-
BALANCE, DECEMBER 31, 2021	3,211,800	1,557,364	1,662,832	17,860	3,476,099	5,156,791	(6,199)	(16,635)	(22,834)	9,903,121
Appropriation of 2021 earnings (Note 18)										
Set aside as legal reserve	-	-	121,207	-	(121,207)	-	-	-	-	-
Set aside as special reserve	-	-	-	4,974	(4,974)	-	-	-	-	-
Cash dividends	-	-	-	-	(819,009)	(819,009)	-	-	-	(819,009)
	-	-	121,207	4,974	(945,190)	(819,009)	-	-	-	(819,009)
Net profit for the year ended December 31, 2022	-	-	-	-	505,180	505,180	-	-	-	505,180
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	121,665	121,665	4,041	4,256	8,297	129,962
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	626,845	626,845	4,041	4,256	8,297	635,142
BALANCE, DECEMBER 31, 2022	$ 3,211,800	$ 1,557,364	$ 1,784,039	$ 22,834	$ 3,157,754	$ 4,964,627	$ (2,158)	$ (12,379)	$ (14,537)	$ 9,719,254

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

Sheng Yu Steel Co., Ltd.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 650,324	$ 1,567,724
Adjustments for:		
Depreciation expense	274,311	278,350
Amortization expense	3,581	3,393
Interest expense	124	100
Interest income	(26,546)	(9,942)
Share of net (gain) loss of subsidiaries and associates accounted for using the equity method	29,413	(33,880)
Loss on disposal of property, plant and equipment	3,343	1,490
Write-down inventories	46,829	3,953
Unrealized gain on transactions with subsidiary	-	5,292
Realized gain on transactions with subsidiary	(1,135)	-
Idle capacity losses	125,219	25,716
Changes in operating assets and liabilities		
Trade receivables	133,680	52,754
Trade receivables from related parties	(547)	1,912
Other receivables	66,875	(50,105)
Inventories	930,697	(1,822,542)
Prepayments for purchase	(27,118)	16,502
Other current assets	662	(694)
Contract liabilities	(292,846)	254,820
Notes payable	-	(404)
Trade payables	(57,342)	12,488
Trade payables to related parties	(74,559)	37,113
Other payables	(29,038)	36,043
Other current liabilities	(411)	(6,237)
Net defined benefit liabilities	(51,121)	(5,300)
Refund liabilities	27,444	(9,211)
Cash generated from operations	1,731,839	359,335
Interest received	23,123	10,638
Dividends received	4,281	3,892
Interest paid	(124)	(100)
Income tax paid	(426,955)	(99,235)
Net cash generated from operating activities	1,332,164	274,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	1,035
Payment of property, plant and equipment	(202,925)	(164,509)
Proceeds from disposal of property, plant and equipment	-	84
Increase in refundable deposits	-	(47)
Increase in other receivable	(15,150)	-

(Continued)

Sheng Yu Steel Co., Ltd.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	**2021**
Decrease in other receivable	$ -	$ 4,000
Acquisition of intangible assets	(95)	(1,142)
Acquisition of investment properties	(101)	-
Increase in other financial assets	(359,485)	-
Decrease in other financial assets	-	10,000
Decrease in non-current assets	112	534
Net cash used in investing activities	(577,644)	(150,045)
CASH USED IN FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(4,219)	(3,674)
Cash dividends distributed	(819,009)	(160,590)
Net cash used in financing activities	(823,228)	(164,264)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,708)	(39,779)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,790,365	3,830,144
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,721,657	$ 3,790,365

(Concluded)

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

1. GENERAL INFORMATION

Sheng Yu Steel Co., Ltd. (the "Company") was incorporated in May 1973 and mainly engaged in the manufacturing, processing and selling of cold rolled, galvanized, and prepainted steel coils.

As of December 31, 2022, the Company's shareholders were Yodogawa Steel Works Ltd. (YSW) - 52% (parent company); Toyota Tsusho Corporation - 11%; Fujiden International Corporation (an investee of YSW) - 1%; and other shareholders - 36%.

The Company's shares have been listed on the Taiwan Stock Exchange since January 1997.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on March 10, 2023.

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

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

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

   <u>Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"</u>

   The Company applied the amendments to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

a) Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

b) The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

c) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Company chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the financial statements, the Company used the equity method to account for its investment in subsidiaries and associates. In order to agree with the amount of net income for the year, other comprehensive income for the year and total equity attributable to owner of the Company in the consolidated financial statements, the differences of the accounting treatment between the basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method and the related equity accounts, as appropriate, in the financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies different from the functional currency of the Company) are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments accounted for using the equity method

Investments in subsidiaries and associates are accounted for using the equity method.

1) Investments in subsidiaries

Subsidiaries are entities that are controlled by the Company.

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

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

Profits and losses resulting from downstream transactions with a subsidiary are eliminated in full in the financial statements. Profits and losses resulting from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

2) Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

Under the equity method, the investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the Company's share of the changes in other equity of the associates.

When the Company subscribes for additional new shares of 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 associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of the associate. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but if the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

When the Company transacts with its associates, profits and losses resulting from the transactions are recognized in the Company's financial statements only to the extent that interests in the associates are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment ("PPE") are initially measured at cost, and subsequently measured at cost less recognized accumulated depreciation and accumulated impairment loss.

PPE in the course of construction are measured at cost. Before the asset reaches its intended use its measured at the lower of cost or net realizable value, and any proceeds from selling the asset and the cost of the asset are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of PPE when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties ("IPs") are properties held to earn rentals and/or for capital appreciation. IPs also include land held for a currently undetermined future use.

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

On derecognition of an IP, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives and acquired separately are computer software, which is initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effects of any changes in the estimates being accounted for on a prospective basis.

j. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified as financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets mean that the issuer or counterparty has experienced significant financial difficulties, defaults, and the counterparty is likely to file for bankruptcy or undergo a financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits, repurchase agreements collateralized by bonds investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that a financial asset is in default when internal or external information shows that the debtor is unlikely to pay its creditors (without taking into account any collateral held by the Company).

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the definition of an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Revenue Recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered to customers and satisfied performance obligations. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue is measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed on by the Company with its customers. Estimated discounts or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Company transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for any effect of a significant financing component.

Export sales are recognized when products are loaded onto shipping vessels in accordance with the sales terms, and domestic sales are recognized when products are delivered to and accepted by the customers.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Revenue from the rendering of services

Revenue from process contracts and technical support service is recognized at the contractual rates as direct expenses and labor hours are incurred.

m. Lease

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

1) The Company as lessor

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

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

2) The Company as lessee

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

Right-of-use assets, which comprise the initial measurement of lease liabilities, are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in an index or a rate used to determine those payments the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

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

o. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

a. Write-down of inventories

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

b. Recognition and measurement of defined benefit plans

   Net defined benefit liabilities and the pension cost of defined benefit plan under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the balance of profit and loss and liability or assets.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	**2021**
Cash on hand	$ 802	$ 813
Checking accounts and demand deposits	66,971	87,218
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	480,000	730,000
Repurchase agreements collateralized by bonds	3,173,884	2,972,334
	$ 3,721,657	$ 3,790,365

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

	December 31	
	2022	**2021**
Foreign unlisted shares		
United Steel International Developments Corp.	$ 15,110	$ 10,854

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

8. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Current		
Time deposits with original maturities of more than three months	$ 553,485	$ 194,000
Non-current		
Pledged time deposits (Note 26)	$ 18,000	$ 18,000

As of December 31, 2022 and 2021, the ranges of interest rates for time deposits with original maturities of more than three months were 0.45%-4.50% and 0.3%-0.785%, respectively.

9. TRADE RECEIVABLES, TRADE RECEIVABLES FROM RELATED PARTIES AND OTHER RECEIVABLES

	December 31	
	2022	2021
Trade receivables		
At amortized cost gross carrying amount	$ 562,304	$ 695,984
Less: Allowance for impairment loss	-	-
	$ 562,304	$ 695,984
Trade receivables from related parties (Note 25)		
At amortized cost gross carrying amount	$ 7,091	$ 6,544
Less: Allowance for impairment loss	-	-
	$ 7,091	$ 6,544
Other receivables		
Loans receivable (Note 25)	$ 153,550	$ 138,400
Value-added tax refunds	-	31,695
Interest income	4,113	690
Purchase commitment discounts	2,421	37,191
Others	740	1,150
	$ 160,824	$ 209,126

Receivables at amortized cost

Notes payable, trade receivables (including related parties) and other receivables are measured at amortized cost. Refer to Note 24 for the accounting policies related to credit limits and credit management.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The following table details the loss allowance of trade receivables based on the provision matrix:

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	Over 90 Days	Total
Gross carrying amount	$ 569,395	$ -	$ -	$ -	$ 569,395
Loss allowance	-	-	-	-	-
Amortized cost	$ 569,395	$ -	$ -	$ -	$ 569,395

December 31, 2021

	Not Past Due	1 to 30 Days	31 to 90 Days	Over 90 Days	Total
Gross carrying amount	$ 702,528	$ -	$ -	$ -	$ 702,528
Loss allowance	-	-	-	-	-
Amortized cost	$ 702,528	$ -	$ -	$ -	$ 702,528

10. INVENTORIES

	December 31	
	2022	2021
Finished goods	$ 492,282	$ 1,198,624
Work in progress	142,166	402,456
Raw materials	1,269,557	1,406,592
Supplies	34,452	30,138
Others	10,910	14,302
	$ 1,949,367	$ 3,052,112

The cost of inventories recognized as operating cost was as follows:

	For the Year Ended December 31	
	2022	2021
Write-down of inventories	$ 46,829	$ 3,953
Idle capacity loss	$ 125,219	$ 25,716

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	**2021**
Investments in subsidiaries	$ 136,867	$ 145,319
Investments in associates	314,507	333,674
	$ 451,374	$ 478,993

a. Investments in subsidiaries

	December 31	
	2022	**2021**
Yodoko International Co., Ltd.	$ 102,068	$ 93,468
Sheng-Shing Worldwide Corp.	34,799	51,851
	$ 136,867	$ 145,319

	Proportion of Ownership and Voting Rights (%)	
	December 31	
Name of Subsidiaries	**2022**	**2021**
Yodoko International Co., Ltd.	78	78
Sheng-Shing Worldwide Corp.	54	54

For the information on investees which are held indirectly by the Company, refer to Table 5 and Table 6.

b. Investments in associates that are not individually material

	For the Year Ended December 31	
	2022	**2021**
The Company's share of		
Net profit (loss) for the year	$ (24,229)	$ 2,232
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the year	$ (24,229)	$ 2,232

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2022	$ 441,614	$ 1,989,913	$ 9,701,687	$ 40,302	$ 345,063	$ 75,690	$ 12,594,269
Additions	-	2,464	73,154	-	10,887	114,097	200,602
Disposals	-	-	(102,000)	-	(23,123)	-	(125,123)
Balance at December 31, 2022	441,614	1,992,377	9,672,841	40,302	332,827	189,787	12,669,748

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation							
Balance at January 1, 2022	$ -	$ 1,696,474	$ 8,277,115	$ 34,595	$ 271,636	$ -	$ 10,279,820
Depreciation expense	-	38,686	213,053	996	15,452	-	268,187
Disposals	-	-	(99,164)	-	(22,616)	-	(121,780)
Balance at December 31, 2022	-	1,735,160	8,391,004	35,591	264,472	-	10,426,227
Net balance at December 31, 2022	$ 441,614	$ 257,217	$ 1,281,837	$ 4,711	$ 68,355	$ 189,787	$ 2,243,521

(Concluded)

For the year ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2021	$ 441,614	$ 1,986,113	$ 9,685,071	$ 43,770	$ 341,683	$ 50,809	$ 12,549,060
Additions	-	7,160	59,830	554	14,508	24,881	106,933
Disposals	-	(3,360)	(43,214)	(4,022)	(11,128)	-	(61,724)
Balance at December 31, 2021	441,614	1,989,913	9,701,687	40,302	345,063	75,690	12,594,269
Accumulated depreciation							
Balance at January 1, 2021	-	1,658,086	8,104,817	37,558	267,777	-	10,068,238
Depreciation expense	-	41,748	214,764	895	14,325	-	271,732
Disposals	-	(3,360)	(42,466)	(3,858)	(10,466)	-	(60,150)
Balance at December 31, 2021	-	1,696,474	8,277,115	34,595	271,636	-	10,279,820
Net balance at December 31, 2021	$ 441,614	$ 293,439	$ 1,424,572	$ 5,707	$ 73,427	$ 75,690	$ 2,314,449

The property, plant and equipment held by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Office	20-60 years
Plant	5-60 years
Building improvements	5-60 years
Ancillary equipment	5-60 years
Machinery and equipment	
Main equipment	10-37 years
Ancillary equipment	3-40 years
Transportation equipment	5-17 years
Other equipment	
Main equipment	2-26 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31 2022	December 31 2021
Carrying amounts		
Buildings	$ 129	$ 576
Transportation equipment	11,553	15,049
	$ 11,682	$ 15,625

	For the Year Ended December 31	
	2022	**2021**
Additions to right-of-use assets	$ 321	$ 11,750
Depreciation charge for right-of-use assets		
Buildings	$ 447	$ 514
Transportation equipment	3,817	3,111
	$ 4,264	$ 3,625

b. Lease liabilities

	December 31	
	2022	**2021**
Carrying amounts		
Current	$ 3,927	$ 3,878
Non-current	$ 7,750	$ 11,697

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

	December 31	
	2022	**2021**
Buildings	0.874	0.874
Transportation equipment	0.874	0.874

c. Other lease information

The Company as lessor

Refer to Note 14 for operating lease arrangement related to the investment properties owned by the Company.

The Company as lessee

	For the Year Ended December 31	
	2022	**2021**
Expenses relating to short-term leases and low-value asset leases	$ 1,203	$ 1,060
Total cash outflow for leases	$ 5,541	$ 4,831

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

14. INVESTMENT PROPERTIES

The IPs located at the Xiaogang District in Kaohsiung City and the Fangliao Township and Jiadong Township in Pingtung County are either available-for-sale or for rent. Except for depreciation expense, there was no significant change in 2022 and 2021.

The IPs held by the Company are depreciated on the straight-line basis over estimated useful lives as follows:

Buildings	
Administration and engineering centers	32-47 years
Main plant	12-17 years
Electrical and power equipment	2-13 years

The fair value of the Company's IPs located at the Fangliao Township and Jiadong Township in Pingtung County as of December 31, 2022 and 2021 was both NT$1,289,676 thousand, respectively. The fair value had been arrived at based on a valuation carried out on December 2021 by independent qualified professional valuer not related to the Company. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The Company believes any change in the fair value of IPs within two years since the valuation date will not be material; thus, the appraisal of IPs is conducted biennially.

The fair value of IPs located at the Xiaogang District in Kaohsiung City as of December 31, 2022 and 2021 was both NT$345,223. The Company's management evaluated the fair value based on the actual transaction price of properties in the same location.

The Company leases its own investment properties to Yodoko International Ltd. under an operating lease. The lease term is one year, and it can be extended upon maturity. The rent for the years ended December 31, 2022 and 2021 was both NT$1,027 thousand. The operating lease contracts include the terms of adjusting the rent according to the rent market when the lessee exercises the lease renewal right.

15. NOTES PAYABLE AND TRADE PAYABLES

Except for hot rolled steel and zinc and aluminum ingots which were paid by letter of credit and paid in advance, respectively, the average credit term of other raw materials and supplies was within three months. The Company has financial risk management policies in place to ensure the all payables are paid within the pre-agreed credit terms. Thus, no interest was charged on the trade payables.

16. OTHER PAYABLES

	December 31	
	2022	**2021**
Year-end bonus	$ 108,020	$ 141,328
Unused annual leave	41,671	40,627
Electric power	17,143	18,860
Salaries	16,616	17,559
Equipment repair	16,337	22,045
Purchase of equipment	13,087	13,222
Compensation of employees and remuneration of directors	10,990	21,500
Others	54,755	32,651
	$ 278,619	$ 307,792

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	**2021**
Present value of the defined benefit obligation	$ 712,801	$ 847,040
Fair value of plan assets	(757,615)	(689,775)
Net defined benefit liabilities (assets)	$ (44,814)	$ 157,265

Movements in net defined benefit liability (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Assets)**
Balance at January 1, 2021	$ 851,814	$ (758,195)	$ 93,619
Service cost			
Current service cost	3,416	-	3,416
Net interest expense (income)	2,417	(2,162)	255
Recognized in profit or loss	5,833	(2,162)	3,671
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,054)	(13,054)
Actuarial gain - changes in financial assumptions	(15,070)	-	(15,070)
Actuarial loss - experience adjustments	97,070	-	97,070
Recognized in other comprehensive income	82,000	(13,054)	68,946

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Assets)
Contributions from the employer	$ -	$ (8,971)	$ (8,971)
Benefits paid	(92,607)	92,607	-
Balance at December 31, 2021	847,040	(689,775)	157,265
Service cost			
Current service cost	2,966	-	2,966
Net interest expense (income)	4,983	(4,147)	836
Recognized in profit or loss	7,949	(4,147)	3,802
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55,344)	(55,344)
Actuarial gain - changes in financial assumptions	(22,122)	-	(22,122)
Actuarial gain - experience adjustments	(73,492)	-	(73,492)
Recognized in other comprehensive income	(95,614)	(55,344)	(150,958)
Contributions from the employer	-	(44,479)	(44,479)
Benefits paid	(46,574)	36,130	(10,444)
Balance at December 31, 2022	$ 712,801	$ (757,615)	$ (44,814)

(Concluded)

Through the defined benefit plans under the LSA, the Company is exposed to the following risks:

1) Investment risk

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

2) Interest risk

A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

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

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

	December 31	
	2022	**2021**
Discount rate (%)	1.2	0.6
Expected rate of salary increase (%)	2.0	2.0
Turnover rate (%)	0.0-1.0	0.0-1.0
Expected rate of return on plan assets (%)	1.2	0.6
Mortality rate	Based the on Taiwan Standard Ordinary Experience Mortality Table	Based the on Taiwan Standard Ordinary Experience Mortality Table

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

	December 31	
	2022	**2021**
Discount rate		
Increase by 0.1%	$ (3,579)	$ (4,931)
Decrease by 0.1%	$ 3,609	$ 4,977
Expected rate of salary increase/decrease		
Increase by 0.1%	$ 2,885	$ 4,083
Decrease by 0.1%	$ (2,867)	$ (4,056)

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

	December 31	
	2022	**2021**
Expected contributions to the plan for the next year	$ 8,479	$ 35,970
Average duration of the defined benefit obligation	5 years	5.7 years

18. EQUITY

a. Capital stock

Number of shares authorized (in thousands)	450,000
Shares authorized	$ 4,500,000
Number of shares issued and fully paid (in thousands)	321,180
Shares issued	$ 3,211,800

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of capital stock	$ 870,000	$ 870,000
May be used to offset a deficit only		
Changes in capital surplus from investments in associate accounted for using the equity method	687,364	687,364
	$ 1,557,364	$ 1,557,364

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital stock but subject to a specific limit once a year.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles after the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit (an appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital), setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In principle, cash dividends should not be less than 90% of the total dividends. For the distribution of dividends and bonuses, the whole or a part of capital reserve and legal reserve shall be paid in cash and are subject to the resolution of the board of directors as authorized and shall be submitted to the shareholders' meeting; it does not apply the above resolution adopted at the shareholders' meeting.

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

The appropriations of earnings for 2021 and 2020, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Set aside as legal reserve	$ 121,207	$ 24,050
Set aside (reversal of) special reserve	4,974	(2,676)
Cash dividends	819,009	160,590
Cash dividends per share (NT$)	$ 2.55	$ 0.5

The above appropriation for cash dividends had been resolved by the Company's board of directors to be held in March 2022 and 2021, respectively; the other proposed appropriations will be resolved by the shareholders in their meeting to be held in 2022 and 2021, respectively.

The appropriations of earnings for 2022 had been proposed by the Company's board of directors in March 2023. The appropriations of earnings was as follows:

	For the Year Ended December 31, 2022
Set aside as legal reserve	$ 62,684
Reversal of special reserve	(8,298)
Cash dividends	330,815
	$ 385,201
Cash dividends per share (NT$)	$ 1.03

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held in June 2023.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ (6,199)	$ (4,261)
Recognized for the year		
Exchange differences arising on translating the financial statements of foreign operations	5,006	(737)
Share of exchange difference of subsidiaries accounted for using the equity method	(580)	(1,201)
Related income tax	(385)	-
Balance at December 31	$ (2,158)	$ (6,199)

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ (16,635)	$ (13,600)
Recognized during the period		
Unrealized gains (losses) - equity instruments	4,256	(2,142)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	-	(893)
Balance at December 31	$ (12,379)	$ (16,635)

19. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts		
Revenue from the sale of goods	$ 11,821,045	$ 13,326,167
Revenue from rendering of services	165,548	127,081
Other revenues	170,043	198,713
	$ 12,156,636	$ 13,651,961

Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables (including related parties)	$ 569,395	$ 702,528	$ 757,194
Contract liabilities			
Sale of goods	$ 12,756	$ 305,602	$ 50,782

The changes in the contract liability balances primarily originated from the timing difference between the fulfilment of the Company's performance obligations and the customer's payment.

The satisfaction of performance obligations from the contract liability balance at the beginning of the year and from the previous periods was fully recognized as revenue in the current year in 2022 and 2021.

20. PROFIT BEFORE INCOME TAX

a. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	$ 106,334	$ (11,072)
Net loss on disposal of property, plant and equipment	(3,343)	(1,490)
Others	13,369	33,381
	$ 116,360	$ 20,819

The above net foreign exchange gain (loss) was as follows:

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	$ 173,584	$ 45,582
Foreign exchange losses	(67,250)	(56,654)
Net loss	$ 106,334	$ (11,072)

b. Depreciation and amortization

	For the Year Ended December 31	
	2022	**2021**
Property, plant and equipment	$ 268,187	$ 271,732
Investment property	1,860	2,993
Right-of-use-assets	4,264	3,625
Intangible assets	3,581	3,393
	$ 277,892	$ 281,743
An analysis of depreciation by function		
Operating costs	$ 248,760	$ 251,729
Operating expenses	25,246	26,257
Deduction of other income	305	364
	$ 274,311	$ 278,350
An analysis of amortization by function		
Operating costs	$ 309	$ 155
Operating expenses	3,272	3,238
	$ 3,581	$ 3,393

c. Operating expenses directly related to IPs

	For the Year Ended December 31	
	2022	**2021**
Direct operating expenses of investment properties that generated rental income	$ 638	$ 700
Direct operating expenses of investment properties that did not generate rental income	3,734	4,685
	$ 4,372	$ 5,385

d. Interest expense

	For the Year Ended December 31	
	2022	**2021**
Interest on bank loans	$ 5	$ 3
Interest on lease liabilities	119	97
	$ 124	$ 100

e. Employee benefits expense

	For the Year Ended December 31	
	2022	**2021**
Short-term employee benefits		
Salary	$ 522,560	$ 599,361

(Continued)

	For the Year Ended December 31	
	2022	2021
Insurance	$ 47,632	$ 44,188
Others	37,218	40,325
	607,410	683,874
Post-employment benefits		
Defined contribution plans	17,923	15,937
Defined benefit plans (Note 17)	3,802	3,671
	21,725	19,608
	$ 629,135	$ 703,482
An analysis of employee benefits expense by function		
Operating costs	$ 373,957	$ 390,729
Operating expenses	255,178	312,753
	$ 629,135	$ 703,482

(Concluded)

f. Compensation of employees and remuneration of directors

According to the Company's Articles of Incorporation, which stipulates the Company should distribute the compensation of employees and remuneration of directors at the rates of no less than 0.1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation estimated of employees and remuneration of directors (all in cash) for the years ended December 31, 2022 and 2021 which had been approved by the Company's board of directors in March 2023 and 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Compensation of employees	$ 8,800	$ 16,000
Remuneration of directors	2,900	5,500

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of the compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

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

21. INCOME TAX

a. The major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 134,972	$ 308,871
Adjustments for prior years	(2,492)	(4,135)
Income tax on unappropriated earnings	10,199	-
Deferred tax		
In respect of the current year	2,465	(1,077)
	$ 145,144	$ 303,659

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	$ 650,324	$ 1,567,724
Income tax expense calculated at the statutory rate	$ 130,065	$ 313,545
Nondeductible expenses in determining taxable income	7,372	(5,764)
Income tax on unappropriated earnings	10,199	-
Adjustments for prior years	(2,492)	(4,135)
Withholding tax arising on income from mainland China	-	13
	$ 145,144	$ 303,659

b. Income tax benefit (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
Remeasurement of defined benefit plan	$ (30,192)	$ 13,789
Share of other comprehensive loss of subsidiaries accounted for using the equity method	(609)	-
	$ (30,801)	$ 13,789

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	$ 11,146	$ -
Current tax liabilities		
Income tax payable	$ -	$ 273,130

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred Tax Assets				
Temporary differences				
Allowance for write-down of inventories	$ 1,768	$ 4,859	$ -	$ 6,627
Net defined benefit liabilities	31,702	(31,702)	-	-
Depreciation expense	51,222	3,276	-	54,498
Others	17,026	686	-	17,712
	$ 101,718	$ (22,881)	$ -	$ 78,837
Deferred Tax Liabilities				
Temporary differences				
Land value increment tax	$ (48,432)	$ -	$ -	$ (48,432)
Net defined benefit assets	-	21,478	(30,192)	(8,714)
Exchange differences on translating foreign operations	(2,501)	-	-	(2,501)
Others	-	(1,062)	-	(1,062)
	$ (50,933)	$ 20,416	$ (30,192)	$ (60,709)

For the year ended December 31, 2021

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred Tax Assets				
Temporary differences				
Allowance for write-down of inventories	$ 1,215	$ 553	$ -	$ 1,768
Defined benefit liabilities	18,973	(1,060)	13,789	31,702
Depreciation expense	50,473	749	-	51,222
Others	16,191	835	-	17,026
	$ 86,852	$ 1,077	$ 13,789	$ 101,718
Deferred Tax Liabilities				
Temporary differences				
Land value increment tax	$ (48,432)	$ -	$ -	$ (48,432)
Exchange differences on translating foreign operations	(2,501)	-	-	(2,501)
	$ (50,933)	$ -	$ -	$ (50,933)

e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2022	**2021**
Deductible temporary differences		
Loss on investments in subsidiaries and associate accounted for using the equity method	$ 1,807,436	$ 1,768,718

f. Income tax assessments

The income tax returns through 2020 of the Company have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2022	**2021**
Profit for the year	$ 505,180	$ 1,264,065

In Thousands of Shares

	For the Year Ended December 31	
	2022	**2021**
Weighted average number of ordinary shares used in the computation of basic earnings per share	321,180	321,180
Effect of potentially dilutive ordinary shares:		
Employees' compensation	427	529
Weighted average number of ordinary shares used in the computation of diluted earnings per share	321,607	321,709

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed that the entire amount of compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategies are unchanged in the recent 2 years.

The Company's capital structure comprised capital stock, capital surplus, retained earnings, and other equity items.

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

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 3
Financial assets at FVTOCI	
Investments in equity instruments	
Unlisted shares - foreign investment	$ 15,110

December 31, 2021

	Level 3
Financial assets at FVTOCI	
Investments in equity instruments	
Unlisted shares - foreign investment	$ 10,854

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

	Unquoted Equity Instruments	
	Financial Assets at FVTOCI	
	For the Year ended December 31	
	2022	**2021**
Balance at January 1	$ 10,854	$ 14,031
Recognized in other comprehensive income	4,256	(2,142)
Disposal	-	(1,035)
Balance at December 31	$ 15,110	$ 10,854

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

The fair values of unlisted equity securities were estimated by the observable market price or net value.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets at amortized cost (1)	$ 5,026,042	$ 4,916,700
Financial assets at FVTOCI		
Equity instruments	15,110	10,854
Financial liabilities		
Measured at amortized cost (2)	532,969	666,599

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables (including related parties), other receivables, other financial assets (including current and non-current), and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise trade payables (including related parties), other payables, refund liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments included repurchase agreements collateralized by bonds, equity investments, trade receivables, trade payables and lease liabilities. The Company's corporate treasury function provides business services, manages the Company's capital and foreign exchange risk and financial risk. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the foreign currency fluctuations of the USD.

The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number in the table below indicates an increase in pre-tax profit if the New Taiwan dollar weakened by 1% against USD. If the New

Taiwan dollar strengthened by 1% of against USD, there would be an equal and opposite impact on pre-tax profit and the balances in the table below would be negative.

	Amount	
	For the Year Ended December 31	
	2022	**2021**
Impact of USD		
Profit or loss	$ 4,486	$ 6,243

b) Interest rate risk

The following table shows the carrying amounts of the Company's financial assets exposed to interest rate risk at the end of the reporting period:

	December 31	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 3,173,884	$ 2,972,334
Financial liabilities	11,677	15,575
Cash flow interest rate risk		
Financial assets	1,089,992	969,849

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for financial assets at the end of the reporting period. The analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial asset had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/decrease by NT$10,900 thousand and NT$9,698 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

Both the counterparties of cash and cash equivalent and other parties are creditworthy financial institutions; as a result, the significant credit risk is unexpected.

The Company's concentration of credit risk of 39% and 31% of total trade receivables as of December 31, 2022 and 2021, respectively was attributable to the Company's the five largest customers in sales.

3) Liquidity risk

The Company manages liquidity risk by maintaining a sufficient level of cash and cash equivalents to meet the Company's operational demand and mitigate the effects of fluctuations in cash flows.

Liquidity risk tables

The following tables detail the Company's remaining contractual maturities of its non-derivative liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow of financial liabilities from the earliest date on which the Company can be required to pay.

	Less Than 3 Months	3 Months to 1 Year	1 Year to 5 Years	Total
December 31, 2022				
Non-derivative financial liability				
Non-interest bearing	$ 532,454	$ -	$ 515	$ 532,969
Lease liabilities	$ 1,050	$ 2,993	$ 7,997	$ 12,040
December 31, 2021				
Non-derivative financial liability				
Non-interest bearing	$ 666,084	$ -	$ 515	$ 666,599
Lease liabilities	$ 1,134	$ 3,233	$ 11,715	$ 16,082

25. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Name and category of related parties

Name of Related Party	Relationship with the Company
Yodogawa Steel Works Ltd. (YSW)	Parent entity
Toyota Tsusho Corporation	Institutional director
Yung Chi Paint & Varnish Mfg Co., Ltd. (YCP)	Institutional director
Fujiden International Corporation	Institutional director
Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd. (YSS)	Associate
Yodoko Shoji Co., Ltd.	Fellow subsidiary
Yodoko International Ltd. (YI)	Subsidiary
Sheng-Shing Worldwide Corp. (Sheng-Shing)	Subsidiary

b. Trading transactions

Line Item	Related Party Category	For the Year Ended December 31 2022	2021
Sales Revenue	Subsidiaries	$ 141,420	$ 141,915
Service revenue	Subsidiaries	$ 1,770	$ 1,827
Purchases of goods	Parent entity	$ 795	$ 2,832
	Institutional director	624,857	715,619
	Fellow subsidiary	354	186
	Subsidiaries	-	60,728
		$ 626,006	$ 779,365

The Company entered into a technical support service agreement with the subsidiaries, and the service fees are determinded and collected based on the level of supporters and supported days and recognized as service revenue.

Sales and purchase of goods to related parties were made at arm's length except for some purchases of goods from the Company's institutional director-YCP were not comparable to third parties. There was no difference of the collection and payment terms between related and unrelated parties which were about 10 days to 3 months.

Trade receivables from related parties at the balance sheet date were as follows:

Related Party Category	December 31 2022	2021
Subsidiaries	$ 7,091	$ 6,544

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for trade receivables from related parties. The outstanding trade receivables from related parties are unsecured.

Trade payables to related parties at the balance sheet date were as follows:

Related Party Categories/Name	December 31 2022	2021
Institutional director - YCP	$ 75,583	$ 149,842
Parent entity	-	300
	$ 75,583	$ 150,142

The outstanding trade payable to related parties are unsecured and will be paid off by cash.

c. Loans and interest revenue to related parties

Related Party Categories/Name	December 31 2022	December 31 2021
Other receivables		
Subsidiaries		
Sheng-Shing	$ 153,550 (USD$ 5,000 thousand)	$ 138,400 (USD$ 5,000 thousand)

Related Party Categories/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Interest Revenue		
Subsidiaries		
Sheng-Shing	$ 2,799	$ 668
Yodoko	29	-
	$ 2,828	$ 668

The loan interest rates of loans to subsidiaries were determined monthly based on the Company's financing cost and the market conditions. The ranges of interest rates of loans were as follows:

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Interest rates of loans	0.475-3.884	0.445-0.545

d. PPE acquired

Related Party Categories/name	Price For the Year Ended December 31 2022	Price For the Year Ended December 31 2021
Subsidiaries - YI	$ 2,150	$ 11,680

e. Remuneration of key management personnel

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Short-term employee benefits	$ 15,583	$ 15,646
Post-employment benefits	117	64
	$ 15,700	$ 15,710

f. Other transactions with related parties

Under the terms of the technical service agreement entered into by the Company and YSW for providing technical assistance, the Company should calculate and pay semi-annually technical service fees to YSW for providing technical assistance.

Information about service fees was as follows:

	For the Year Ended December 31	
	2022	**2021**
Manufacturing expenses	$ 4,405	$ 4,194

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The amounts of time deposits that were provided by the Company as collaterals for purchase contracts of natural gas were as follows:

	December 31	
	2022	**2021**
Other financial assets - non-current	$ 18,000	$ 18,000

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unused letters of credit for purchases of raw materials amounted to approximately NT$227,922 thousand as of December 31, 2022.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is a disclosure of the significant assets and liabilities denominated in foreign currencies other than the functional currency of the Company and the exchange rates between the foreign currencies and the Company's functional currency.

	Foreign Currency (In Thousands)	**Exchange Rate**		**Carrying Amount (In Thousands)**
December 31, 2022				
Asset				
Monetary items				
USD	$ 14,608	30.71	(USD:NTD)	$ 448,623
Non-monetary items				
Investments accounted for using the equity method				
RMB	71,349	4.408	(RMB:NTD)	314,507
USD	1,133	30.710	(USD:NTD)	34,799

(Continued)

December 31, 2021	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
Asset				
Monetary items				
USD	$ 22,553	27.68	(USD:NTD)	$ 624,274
Non-monetary items				
Investments accounted for using the equity method				
RMB	76,813	4.344	(RMB:NTD)	333,674
USD	1,873	27.68	(USD:NTD)	51,851

(Concluded)

The total net foreign exchange gains and losses were gain of NT$106,334 thousand and loss of NT$11,072 thousand, respectively for the years ended December 31, 2022 and 2021. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held. (Table 2)

4) Marketable securities acquired or disposed at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Trade receivables from related parties of at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (None)

b. Information on investees. (Table 5)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gain or loss, and limit on the amount of investment in the mainland China area (Table 6).

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

Investee company	Transaction type	Amount	%
Sheng-Shing (Dongguan) Corp. and Sheng-Yu Trading (Dongguan) Corp.	Sales	$ 809	0.01
	Trade receivables from related parties	833	0.15

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

TABLE 1

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 1)	Ending Balance (Note 1)	Actual Borrowed Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)
													Item	Value		
0	The Company	Yodoko International Ltd.	Other receivables	Y	$ 35,000	$ 35,000	$ -	0.802-1.066	Short-term financing	$ -	Operating capital	$ -	Promissory notes	$ 35,000	$ 971,925	$1,943,851
0	The Company	Sheng-Shing Worldwide Corp.	Other receivables	Y	261,035	153,550	153,550	0.475-3.884	Short-term financing	-	Operating capital	-	Promissory notes	153,550	971,925	1,943,851

Note 1: Sheng-Shing Worldwide Corp. the highest balance amount for the year was US$8,500 thousand; the ending balance amount; the actual borrowing amount and collateral value were all US$5,000 thousand, calculated at the exchange rate of USD1: NTD30.71 at the balance sheet date in December 2022.

Note 2: The financing limit for each borrower shall not exceed ten percent (10%) of the net worth of the Company.

Note 3: The aggregate financing limits shall not exceed ten percent (10%) of the net worth of the Company.

Note 4: The aggregate financing limits shall not exceed twenty percent (20%) of the net worth of the Company.

TABLE 2

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Shares							
	United Steel International Development Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	$ 15,110	2	$ 15,110	

TABLE 3

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Yung Chi Paint & Varnish Mfg Co., Ltd	Director	Purchase	$ 410,938	5	3 months	Note 25	-	$ (75,583)	(36)	
The Company	Toyota Tsusho Corporation	Director	Purchase	212,266	2	Within 10 days of shipment	-	-	-	-	

TABLE 4

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

TRADE RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Sheng-Shing Worldwide Corp.	Subsidiary	$ 154,064	Note	$ -	-	$ 514	$ -
The Company	Sheng-Shing Worldwide Corp.	Subsidiary	343	44	-	-	-	-
The Company	Sheng-Shing Worldwide Corp.	Subsidiary	567	4	-	-	-	-
			$ 154,974					

Note: Including intercompany loan and interest receivable; the turnover rate is not applicable.

TABLE 5

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income of the Investee	Share of Profit	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
The Company	Yodoko International Ltd.	Taiwan	Processing steel, engineering, procurement and construction	$ 19,607	$ 19,607	1,945,750	78	$ 102,068	$ 11,956	$ 9,305	
The Company	Sheng-Shing Worldwide Corp.	Republic of Seychelles	Processing and selling galvanized steel coils	81,549	81,549	2,705,000	54	34,799	(26,782)	(14,489)	
Yodoko International Co., Ltd.	Yodoko International (HK) Ltd.	Hong Kong	Investment	9,702	9,702	2,200,000	100	21,680	(196)	(196)	

SHENG YU STEEL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Share of Profit/Losses	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Yodoko Building Material (Hangzhou) Co., Ltd.	Manufacturing and selling metal architectural materials	$ 41,998	Investments were made through Yodoko International (HK) Ltd., a holding company registered in a third region	$ 9,514	$ -	$ -	$ 9,514	$ (10,783) (Note 4)	16	$ (2,327) (Note 4)	$ -	
Sheng-Shing (Dongguan) Corp.	Processing and selling galvanized steel coils	99,531	Investments were made through Sheng-Shing Worldwide Corp, a holding company registered in a third region.	50,752 (Note 2)	-	-	50,752 (Note 2)	(62)	54	(33)	23,809	
Sheng-Yu Trading (Dongguan) Corp.	Selling hardware, steels and import and export trading	92,130	Investments were made through Sheng-Shing Worldwide Corp, a holding company registered in a third region.	46,611 (Note 3)	-	-	46,611 (Note 3)	(26,821)	54	(14,510)	51,845	
Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd.	Manufacturing, processing and selling galvanized steel coils and prepainted steel coils	6,215,963	The Company directly invested in company located in mainland China	1,388,640	-	-	1,388,640	(115,873)	21	(24,229)	314,507	Note1

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
$ 1,495,517	$ 1,527,339	$ 5,831,552

Note 1: The amount was recognized based on the financial statements audited by an international accounting firm that has a cooperation relationships with the accounting firm in the Republic of China.

Note 2: Including Sheng-Shing Worldwide Corp.’s investment in Sheng-Shing (Dongguan) through bank financing of US$198 thousand (US$441 thousand × 45%).

Note 3: Including Sheng-Shing Worldwide Corp.’s investment in Sheng-Yu Trading (Dongguan) through bank financing of US$1,532 thousand (US$1,000 thousand × 45% and US$2,000 thousand × 54.1%).

Note 4: Includes only the profit or loss from January to August of 2022 before transfer the ownership.

Note 5: The maximum amount that can be invested shall not exceed sixty percent (60%) of the net worth of the Company, in accordance with the “Principles Governing the Review of Investments or Technical Cooperation in Mainland China” issued by the investment commission.

SHENG YU STEEL CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership
Yodogawa Steel Works Ltd.	167,446,855	52.13
Toyota Tsusho Corporation	36,734,988	11.43

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

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF ACCOUNTS RECEIVABLE	2
STATEMENT OF OTHER RECEIVABLES	NOTE 9
STATEMENT OF INVENTORIES	3
STATEMENT OF PREPAYMENTS FOR PURCHASE	4
STATEMENT OF OTHER FINANCIAL ASSETS	NOTE 8
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT	5
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	6
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	NOTE 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	NOTE 12
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	7
STATEMENT OF DEFERRED INCOME TAX ASSETS	NOTE 21
STATEMENT OF ACCOUNTS PAYABLE	8
STATEMENT OF OTHER PAYABLES	NOTE 16
STATEMENT OF LEASE LIABILITIES	9
STATEMENT OF DEFERRED INCOME TAX LIABILITIES	NOTE 21
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUE	10
STATEMENT OF OPERATING COSTS	11
STATEMENT OF OPERATING EXPENSES	12
STATEMENT OF OTHER GAINS AND LOSSES	NOTE 20
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION	13

SHENG YU STEEL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Maturity Date	Annual Interest Rate (%)	Amount
Cash on hands			$ 802
Cash in bank			
Demand deposits			11,947
Checking accounts			28,464
Foreign currency deposits (US$864,864.75) (Note)			26,560
			66,971
Cash equivalents			
Time deposits with original maturities less than 3 months	2023.01.01-2023.03.16	0.85-1.00	480,000
Repurchase agreements collateralized by bills and bonds in NTD	2023.01.03-2023.03.30	0.90-1.12	3,070,256
Repurchase agreements collateralized by bills and bonds in foreign currency (US$3,374,418.77) (Note)	2023.01.03-2023.01.16	3.60-4.20	103,628
			3,653,884
			$ 3,721,657

Note: US$1: NT$30.71.

SHENG YU STEEL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Customer Name	Amount	Note
Non-Related Parties		
Sen Ju Tec Co., Ltd.	$ 117,996	Sales
Chia Teh Construction Material Co., Ltd.	88,341	Sales
Kai Ching Industry Co., Ltd.	55,922	Sales
Cheng Chuan Tube Co., Ltd.	33,940	Sales
Yah Chiao Enterprise Co., Ltd.	33,436	Sales
Lee Hon Steel Co., Ltd.	31,587	Sales
Lien-Tei Steel Enterprise Co., Ltd.	29,586	Sales
UE Metal Enterprises Pte Ltd.	27,036	Sales
Others (Note)	144,460	
	$ 562,304	
Related Parties		
Shen-Shing Worldwide Corp.	$ 910	Sales
Yodoko International Ltd.	6,181	Sales
	$ 7,091	

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

STATEMENT 3

SHENG YU STEEL CO., LTD.

STATEMENT OF INVENTORIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost (Note)	Net Realizable Value
Finished goods	$ 492,282	$ 551,215
Work in process	142,166	176,314
Raw materials	1,269,557	1,160,365
Supplies	34,452	34,452
Others	10,910	10,910
	$ 1,949,367	$ 1,933,256

Note: Net of provision for loss on inventories.

SHENG YU STEEL CO., LTD.

STATEMENT OF PREPAYMENTS FOR PURCHASE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Non-related Parties	
Glencore International AG	$ 35,435
Union Electric	11,267
Rio Tinto Marketing Pet Ltd.	10,968
Intelorg Pte Ltd	10,040
Others (Note)	3,846
	$ 71,556

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

SHENG YU STEEL CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2022		Additions		Decrease		Balance, December 31, 2022				
Name	Shares	Carrying Amount	Shares	Carrying Amount	Shares	Carrying Amount	Shares	%	Carrying Amount	Collateral	Note
Shares											
United Steel International Development Co. (Note 1)	1,000,000	$ 10,854	-	$ 4,256	-	$ -	1,000,000	2	$ 15,110	None	Note 2

Note 1: At par value of US$1 per share, investment amount is US$1 million.

Note 2: Decrease in investment of the year resulted from the valuation gains at fair value.

SHENG YU STEEL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2022		Additions			Decrease			Balance, December 31, 2022					
Investee Company	Shares	Amount	Shares	Amount		Shares	Amount		Shares	% of Owner-ship	Amount	Net Assets Value (Note 6)	Collateral	Note
Yodoko International Co., Ltd.	1,945,750	$ 93,468	-	$ 12,881	(Note 1)	-	$ 4,281	(Note 2)	1,945,750	78	$ 102,068	$ 102,068	None	Subsidiaries
Sheng-Shing Worldwide Corp.	2,705,000	51,851	-	-		-	17,052	(Note 3)	2,705,000	54	34,799	34,799	None	Subsidiaries
Yodogawa-Shengyu (Hefei) High-Tech Steel Co., Ltd.	-	333,674	-	5,062	(Note 4)	-	24,229	(Note 5)	-	21	314,507	314,507	None	Associate
		$ 478,993		$ 17,943		-	$ 45,562				$ 451,374	$ 451,374		

Note 1: Including share of profit of subsidiaries accounted for using the equity method of NT$9,305 thousand, recognition of exchange differences on translating foreign operations of NT$1,542, gross of realized unearned related sale of NT$1,135, gains on remeasurement of defined benefit plans of NT$899 thousand.

Note 2: Including cash dividends received of NT$4,281 thousand.

Note 3: Including share of loss of subsidiaries accounted for using the equity method of NT$14,489 thousand and exchange differences on translating foreign operations of NT$2,563 thousand.

Note 4: Including exchange differences on translating foreign operations of NT$5,062 thousand.

Note 5: Including share of losses of associate accounted for using the equity method of NT$24,229 thousand.

Note 6: Based on the investees' financial statements and the proportion of the Company's ownership.

STATEMENT 7

SHENG YU STEEL CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2021	Additions	Decrease	Balance, December 31, 2021
Cost				
Buildings	$ 1,118	$ -	$ 500	$ 618
Transportation equipment	18,707	321	481	18,547
Total	19,825	$ 321	$ 981	19,165
Accumulated depreciation				
Buildings	542	$ 447	$ 500	$ 489
Transportation equipment	3,658	3,817	481	6,994
Total	4,200	$ 4,264	$ 981	7,483
	$ 15,625			$ 11,682

STATEMENT 8

SHENG YU STEEL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Vendor Name	Amount
Non-Related Parties	
Taiwan Kansei Paint Co., Ltd.	$ 75,670
TRAFIGURA PTE	9,527
Nan Jehn Natural Gas Co., Ltd.	7,657
Nippon Paint Coatings (Taiwan) Co., Ltd.	7,112
Others (Note)	34,945
	$ 134,911
Related Parties	
Yung Chi Paint & Varnish Mfg Co., Ltd.	$ 75,583

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

STATEMENT 9

SHENG YU STEEL CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Period	Discount Rates (%)	Balance End of Year
Buildings	2021.06.16-2023.06.15	0.874	$ 130
Transportation equipment	2019.07.01-2026.12.23	0.874	11,547
			11,677
Less: Current portion of lease liabilities			3,927
Lease liabilities-non-current			$ 7,750

STATEMENT 10

SHENG YU STEEL CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantity (MT)	Amount
Galvanized steel coils	164,946	$ 5,749,568
Prepainted steel coils	125,608	6,246,607
Cold rolled steel coils	92	2,446
Hot rolled raw materials	32	871
		11,999,492
Rendering of services (Note 1)		165,548
Others (Note 2)		170,043
Sales returns	(215)	(5,646)
Sales allowances		(172,801)
		$ 12,156,636

Note 1: Service revenue and processing revenue are included.

Note 2: Including sales of surplus plates and salvage. The amount of each item in others does not exceed 10% of the amount balance.

STATEMENT 11

SHENG YU STEEL CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Manufacturing cost	
Raw material used	
Raw materials, beginning of year (Note 3)	$ 1,413,257
Raw material purchased	8,585,840
Others (Note 1)	(4,062)
Raw materials, end of year (Note 3)	(1,313,806)
	8,681,229
Direct labor	150,663
Manufacturing expenses	1,144,742
	9,976,634
Work in process, beginning of year (Note 3)	402,774
Work in process, end of year (Note 3)	(146,134)
Others (Note 2)	(412,193)
Cost of finished goods	9,821,081
Finished goods, beginning of year (Note 3)	1,201,291
Finished goods, end of year (Note 3)	(500,617)
Costs of goods sold	10,521,755
Service cost (Note 4)	151,068
Others	170,488
Revenue from sale of scrap	(9,640)
Idle capacity losses	125,219
Others (Note 5)	56,099
	$ 11,014,989

Note 1: Costs of the disposal of raw material.

Note 2: Transferred to packaging material, surplus plates and sub-quality products

Note 3: Provision for loss on inventories is not included.

Note 4: Service cost and process cost are included.

Note 5: Including employee benefit expense, provision for loss on inventories and costs of the disposal of raw material.

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SHENG YU STEEL CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General Administrative Expenses	Research and Development Expenses	Total
Payroll expenses (including remuneration of directors)	$ 59,746	$ 100,233	$ 52,611	$ 212,590
Tariff duties and dumping duty	124,457	-	-	124,457
Freight	91,650	856	25	92,531
Depreciation expenses	7,291	12,875	5,080	25,246
Insurance expenses	5,568	11,418	4,998	21,984
Repair and maintenance expenses	5,913	11,665	2,743	20,321
Export expenses	11,716	-	29	11,745
Employee benefits	2,344	5,069	2,297	9,710
Pension	2,884	7	2,981	5,872
Commission expense	5,098	-	-	5,098
Traveling expenses	1,686	3,259	106	5,051
Amortization expenses	-	3,272	-	3,272
Others	21,958	40,372	6,342	68,672
	$ 340,311	$ 189,026	$ 77,212	$ 606,549

SHENG YU STEEL CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2022				Year Ended December 31, 2021			
	Classified as Operation Costs	Classified as Operating Expenses	Classified as Others	Total	Classified as Operation Costs	Classified as Operating Expenses	Classified as Others	Total
Employee benefits								
Salaries	$ 309,970	$ 197,635	$ -	$ 507,605	$ 327,216	$ 257,274	$ -	$ 584,490
Labor and health insurance	27,273	20,359	-	47,632	25,592	18,596	-	44,188
Pension	15,853	5,872	-	21,725	15,164	4,444	-	19,608
Remuneration of directors	-	14,955	-	14,955	-	14,871	-	14,871
Others	20,861	16,357	-	37,218	22,757	17,568	-	40,325
	$ 373,957	$ 255,178	$ -	$ 629,135	$ 390,729	$ 312,753	$ -	$ 703,482
Depreciation	$ 248,760	$ 25,246	$ 305	$ 274,311	$ 251,729	$ 26,257	$ 364	$ 278,350
Amortization	309	3,272	-	3,581	155	3,238	-	3,393

Note 1: For the years ended December 31, 2022 and 2021, the Company had 515 and 504 employees, respectively. Among them 7 directors and 8 directors did not serve concurrently as employees in 2022 and 2021, respectively. The basis of calculation is the same with employee benefits.

Note 2: Additional information is disclosed as follows:

1) Average employee benefit expense for the year ended December 31, 2022 was NT$1,209 thousand (calculated as total employee benefit expense net of total board compensation for 2022 divided by number of employees net of number of non-employee directors for 2022).

   Average employee benefit expense for the year ended December 31, 2021 was NT$1,388 thousand (calculated as total employee benefit expense net of total board compensation for 2021 divided by number of employees net of number of non-employee directors for 2021).

2) Average salaries for the year ended December 31, 2022 was NT$999 thousand (calculated as total salaries for 2022 divided by number of employees net of number of non-employee directors for 2022).

   Average salaries for the year ended December 31, 2021 was NT$1,178 thousand (calculated as total salaries for 2021 divided by number of employees net of number of non-employee directors for 2021).

3) Change in average salaries was -15% (calculated as average salaries for 2022 net of average salaries for 2021 divided by average salaries for 2021).

4) The Company did not have supervisors.

(Continued)

5) The Company’s compensation policies:

a. Ensuring that the Company’s compensation policies comply with relevant regulations and are sufficient to recruit outstanding talents.

b. Salary and remuneration should refer to industry practice, and consider the time spent, responsibilities, the extent of target achieved and other position’s performance by the individual, and the compensations for the same position in recent years. In addition, the achievement of the Company's short- to long-term business plans and the Company’s financial status should be considered in order to assess the reasonableness between personal performance and the Company’s operating performance and future operating risks.

c. Should not lead directors and management to engage in behaviors that exceed the Company’s risk appetite in pursuit of remuneration.

d. Compensation should be determined in consideration of characteristics of industry and nature of the Company’s business.

(Concluded)