

Stock Ticker: 2032

新鋼工業股份有限公司
SINKANG INDUSTRIES CO., LTD.

2023 ANNUAL REPORT
(ENGLISH TRANSLATION)

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PUBLISHED ON MAY 13, 2024

PUBLIC INFORMATION WEBSITE: <http://mops.twse.com.tw>

COMPANY WEBSITE: <http://www.sinkang.com.tw>

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IV. Independent Auditors certifying the financial results of the most recent fiscal year

auditors: Wang, Wu Cheng CPA & Lin, Zhi Long CPA
company: Crowe (TW) CPAs
address: No.369 Fuxing North Road, 10F, Songshan District, Taipei
phone: (02) 8770-5181
website: <http://www.crowe.com/tw/en-us>

V. Overseas securities exchange: None

VI. Company website: <http://sinkang.com.tw>

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I. Letter to Shareholders

Looking back on 2023, the global economic situation continued to be affected by geopolitical risks. In addition to the ongoing Ukraine-Russia conflict and the US-China technology dispute, there were persistent pressures from international inflation, Pressure for Interest Rate Hikes Continues, and increasing impacts of climate change, making the downward trend more severe compared to the period of the pandemic. Despite the complete lifting of COVID-19 restrictions in mainland China at the beginning of the year, the economic recovery was far from expected, which consequently affected domestic economic growth in Taiwan. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS) predicting at the end of 2022, the annual economic growth rate for 2023 was forecasted to be 2.12%, and by the fourth quarter, it was estimated to be 1.40%.

The domestic stainless steel market was deeply affected by the global economic downturn. Not only did the price of major raw material nickel pig iron drop by about 33% throughout the year, but according to statistics released by the Ministry of Economic Affairs, the amount of export orders decreased by 15.9% compared to 2023. Among them, basic metals and machinery decreased by 20.9% and 20% respectively. With a sharp decline in export orders from downstream customers and no significant domestic demand recovery, the market faced oversupply, leading to a trend of price decline and volume contraction.

Looking ahead to 2024, although domestic and international political and economic risks still exist, our company will strive to maintain our existing market under the management of inventory and credit risks, and make efforts to expand our customer base to increase market share. Additionally, we will strengthen the competitiveness of our products, streamline management operations, and control production costs in order to pursue stable growth and provide profitable returns to our esteemed shareholders. At the same time, we sincerely hope that our shareholders will continue to provide the guidance and support they have given over the years.

I. Implementation of Business Plan

(1) Financial performance

The operating revenue in 2023 was NTD 2,862,276 thousand, a decrease of NTD 498,791 thousand compared to NTD 3,361,067 thousand in 2022. Operating net loss in 2023 was NTD 58,794 thousand, a decrease of NTD 75,839 thousand compared to operating net profit in 2022 was NTD 17,045 thousand. Earnings per share in 2023 was NTD -0.16, a decrease of NTD 0.45 compared to NTD 0.29 of the previous year.

In terms of financial income and expenses in 2023, cash inflow from operations was NTD 84,860 thousand, and cash outflow from investment activities was NTD 60,060 thousand. Cash outflow from financing activities was NTD 17,403 thousand. The balance of cash and cash equivalents at the end of the period was NTD 203,800 thousand.

(2) Budget execution status: The company has not disclosed its financial forecast in 2023, so it is not necessary to disclose the budget execution status.

(3) Research and Development

1. In order to save energy and reduce our carbon footprint, as well as reduce costs and improve operational performance and quality, we continue to improve our existing equipment and processes. At the Xinzhuang facility, we completed the flat sandblasting machine has been equipped with a blow-off dust removal device, improvements have been made to the brake clutch of the 4-meter shear, and the program control of the 5-foot flying shear has been enhanced, At the Dayuan facility, we completed improvements to the water-oil lubrication and cooling system of the 5-foot steel coil sandblasting machine, as well as enhancements to the PVA wheel axis of the 5-foot steel coil sandblasting machine.. Continuous tracking and improvements can not only enhance the working environment, ensure safety and productivity, and accelerate automation and labor-saving operation

requirements, but can also make considerable progress in the level of product quality, enabling our products to be more competitive in the global market.

2. Quality certification:

The Company passed the ISO-9002 quality management verification of the Standard Inspection Bureau of the Ministry of Economic Affairs in 1998, and passed the ISO-9001: 2015 version of the Standard Inspection Bureau of the Ministry of Economic Affairs in 2018.

3. Environmental policy:

Sinkang Industries builds on the philosophy of businesses coexisting with nature by strengthening environmental protection and safeguarding the global environment for future generations. All employees participate in environmental protection through the implementation of various management plans to achieve the Company's environmental protection goals, and minimize the impact on the environment from our business activities, products and services.

-2006, received Environmental Management Systems Certification ISO 14001:2004 from UKAS and registered with AJA.

-2007, Dayuan facility completed the sewage discharge and treatment system.

-2008, Dayuan facility was approved by the Water Pollution Prevention and Control Measures Plan.

-2013, the first extension of the Water Pollution Prevention and Control Measures Plan was approved.

-2018, received Environmental Management Systems Certification ISO 14001:2015 from UKAS and registered with AJA.

-2018, the second extension of the Water Pollution Prevention and Control Measures Plan was approved.

-2021, the third extension of the Water Pollution Prevention and Control Measures Plan was approved.

4. Construction of solar panels:

In the line with Taiwan's low carbon goals and renewable energy policies, solar panels have been leased and installed on the roofs of the Xinzhuang and Dayuan facilities. By connecting to the grid, we are able to sell the electricity that the systems generate back to the Taiwan Power Company

II. Overview of the Business Plan for the Current Year

(1) Business focus

1. Stay apprised of changes in the steel industry, as well as political and economic situations, to better understand our customer's market and business dynamics in real time, and to propose countermeasures to improve resilience.
2. Strengthen customer account management and credit reporting, to accelerate the recovery of accounts, and reduce risk of overpayment.
3. In response to changes in customer demand, pay attention to inventory levels, avoid being overly optimistic, and make purchases prudently.
4. Propose improvement plans for operational processes, efficiency upgrades, and cost rationalization to reduce costs.

(2) Operational target

The estimated sales volume for 2024 is 42,000 metric tons

(3) Production and marketing strategy

1. Production strategy

- 1) Strengthen the production training of technical personnel, strictly control the production process, improve the quality and yield, and reduce production losses.

- 2) Improve manufacturing processes, shorten production lead times, and fully utilize production energy, while staying committed to productivity improvement and reducing product cost.

2. Product strategy

Strengthen professional skills, maintain product quality, understand the pulse of the market, enhance product diversification and develop new products with high added value

3. Marketing strategy

Facing the challenges of the changing market environment, in addition to improving product quality, and to meeting environmental protection and customer needs we will actively focus to expand the middle and downstream customer base. To increase market share, we will strengthen service quality and after-sales service, develop new markets and potential customer sources, make more effective operational strategy adjustments to existing channels, increase use of the Internet to accelerate marketing, and increase domestic and foreign markets and future development areas.

III. Future Development Plan

In order to expand to new business markets, strengthen the foundation of the operation, and provide a variety of high-quality and market-competitive products, the Company actively carries out various equipment upgrades, and will continue to integrate, adjust and or replace old units with new to continually improve the production processes.

In the coming year, the Company will face the ever-changing global economic situation, and must have a strong industrial planning and management foundation, while actively interacting with customers and understanding their needs, and setting clear achievable goals, to bring profitability to the next level.

IV. Impact of External Competitive, Regulatory, and Overall Operating Environments

- (1) The US Federal Reserve's policy of raising interest rates to combat inflation has led to higher global funding costs, causing companies to become more conservative in their investments, resulting in a rapid change in industries and sluggish private consumption.
- (2) The global economic slowdown has also affected the export market, making it more complex for industries to adapt to changes.
- (3) Rising raw material and labor costs have led to price increases for both production costs and finished products, but with conservative consumer and demand side, production costs remain high, indirectly affecting the margin for business profitability.
- (4) The ongoing geopolitical disputes, such as the Ukraine-Russia conflict and US-China trade tensions, have made the world economic situation volatile
- (5) The trend of carbon neutrality and the pressure of carbon emissions will increase production costs through future carbon taxes, carbon fees, and the cost of using green energy.

Chairman: Cosmos Co. LTD.



represented by: Cheng I Hung



General Manager: Cheng Chu Si



II. Company Overview

I. Date of Incorporation

The Company was established on July 10, 1971

II. Company History

1971	The Company was established on July 10th with a capital of NT\$2 million, specializing in the import and sales of stainless steel and special steel.
1972	A factory was set up at the Sanchong Industrial Zone to engage in the processing and cutting of steel.
1974	On March 20th, the Company was reorganized into a "limited company" and capital was increased by NT\$50 million through cash. A factory was built on Xinshu Road in Xinzhuang City and 5-foot steel coil leveling and cutting machines were added.
1977	Hot-rolled stainless steel coils were being imported, processed and sold domestically. Japanese-made double-type presses, automatic control heat treatment continuous annealing furnaces, and self-designed polishing machines were introduced. Cold-rolled production of SUS400 series cutlery and other special materials began to fully meet market demand. Capital was increased by NT\$80 million through cash.
1980	To strengthen production operations and expand export business, capital was increased by NT\$200 million through cash.
1982	The Company was granted permission by the Securities Regulatory Commission of the Ministry of Finance (1982), Financial Certificate No. 1995, to issue shares publicly.
1983	In order to improve service levels and promote business development and management upgrades, computer equipment for transaction processing and trading systems was introduced.
1984	The Company's original location in Taipei's Chang'an East Road was no longer sufficient for its needs, so it relocated to a new building on Taipei's Fuxing North Road and also established offices in Taichung, Tainan, and Kaohsiung to expand its business.
1986	To support industrial upgrades, improve productivity and meet market demand, the Company introduced Japanese-made, high-precision, 1300mm automatic control steel coil slicing equipment.
1988	Expanded the Xingzhuang plant with the addition of a 4-foot steel coil leveling and cutting machine. Capital was increased by NT\$70 million through retained earnings. The total paid-in capital was NT\$270 million
1989	The expansion of the Xingzhuang plant and office building was completed, and the sales and production departments were relocated to the Xingzhuang plant to improve coordination. The Company also introduced an IBM AS/400 computer system.
1992	The Company invested in land and the construction of a plant and office building in Dayuan, and purchased a German-made 8-foot sheet cutting machine, and overhead cranes, Capital was increased by NT\$81 million through cash and NT\$117.72 million through retained earnings. The total paid-in capital was NT\$468.72 million.
1993	Purchased an Italian-made computer-controlled 4-foot steel plate sand blasting machine, and 5-foot steel coil leveling and cutting machines and related equipment. Capital was increased by NT\$56.24 million through retained earnings. The total paid-in capital to NT\$524.96 million.
1994	Capital was increased by NT\$26.24 million through capital surplus bringing the total paid-in capital to NT\$551.21 million.
1995	Capital was increased by NT\$68.90 million through retained earnings bringing the total paid-in capital to NT\$620.12 million.

1996	The Company's shares were listed on the OTC markets on May 3. Capital was increased by NT\$15.50 million through retained earnings and NT\$15.50 million through capital surplus, bringing the total paid-in capital to NT\$651.12 million.
1997	Capital was increased by NT\$16.28 million through capital surplus, bringing the total paid-in capital to NT\$667.40 million
1998	Obtained ISO 9002 quality certification from the Commodity Inspection Bureau of the Ministry of Economic Affairs. Round tube processing and polishing machines were added.
1999	The factory location was officially changed to No. 8, Da'an Road, Xinzhuang City.
2000	The stock was listed on the Taiwan Stock Exchange on September 11. Capital was increased by NT\$60.07 million through retained earnings and NT\$6.67 million through capital surplus. The paid-in capital was NT\$734.14 million.
2001	Capital was increased by NT\$14.68 million through retained earnings and NT\$7.34 million through capital surplus. The paid-in capital was NT\$756.16 million.
2002	Capital was increased by NT\$22.68 million through retained earnings. The paid-in capital was NT\$778.84 million.
2003	Obtained ISO 9001 quality management system certification by the Ministry of Economic Affairs' Commodity Inspection Bureau. Capital was increased by NT\$15.58 million through retained earnings. The paid-in capital was NT\$794.42 million.
2004	Capital was increased by NT\$79.44 million through retained earnings. Two Japanese-made high-speed flying shears were purchased. The paid-in capital was NT\$873.86 million.
2005	A Japanese-made oil-type steel coil sandblasting machine was purchased. Capital was increased by NT\$79.44 million through retained earnings. The paid-in capital was NT\$917.56 million.
2006	Obtained ISO 14001:2004 environmental management systems certification by UKAS and registered with AJA.
2007	The Company issued NT\$200 million in convertible corporate bonds, and an additional 4-foot steel sheet polishing machine was purchased. Capital was increased by NT\$229.39 million through retained earnings and NT\$120 million through cash.
2008	High-speed 5-foot steel coil slitting machine was added.
2011	Capital was increased by NT\$25.34 million through retained earnings. The paid-in capital was NT\$1,292.29 million.
2012	A 5-foot sandblasting machine was purchased. Capital was increased by NT\$12.92 million through retained earnings. The paid-in capital was NT\$1,305.22 million.
2013	A flying shear machine with high precision electric control was purchased.
2016	A flying shear machine with high precision electric control and a 4-meter hydraulic shearing bed were purchased.
2019	A flying shear machine with high precision leveling was purchased.

Mergers, acquisitions, and reorganizations in the recent year and up to the publication date of this annual report: None

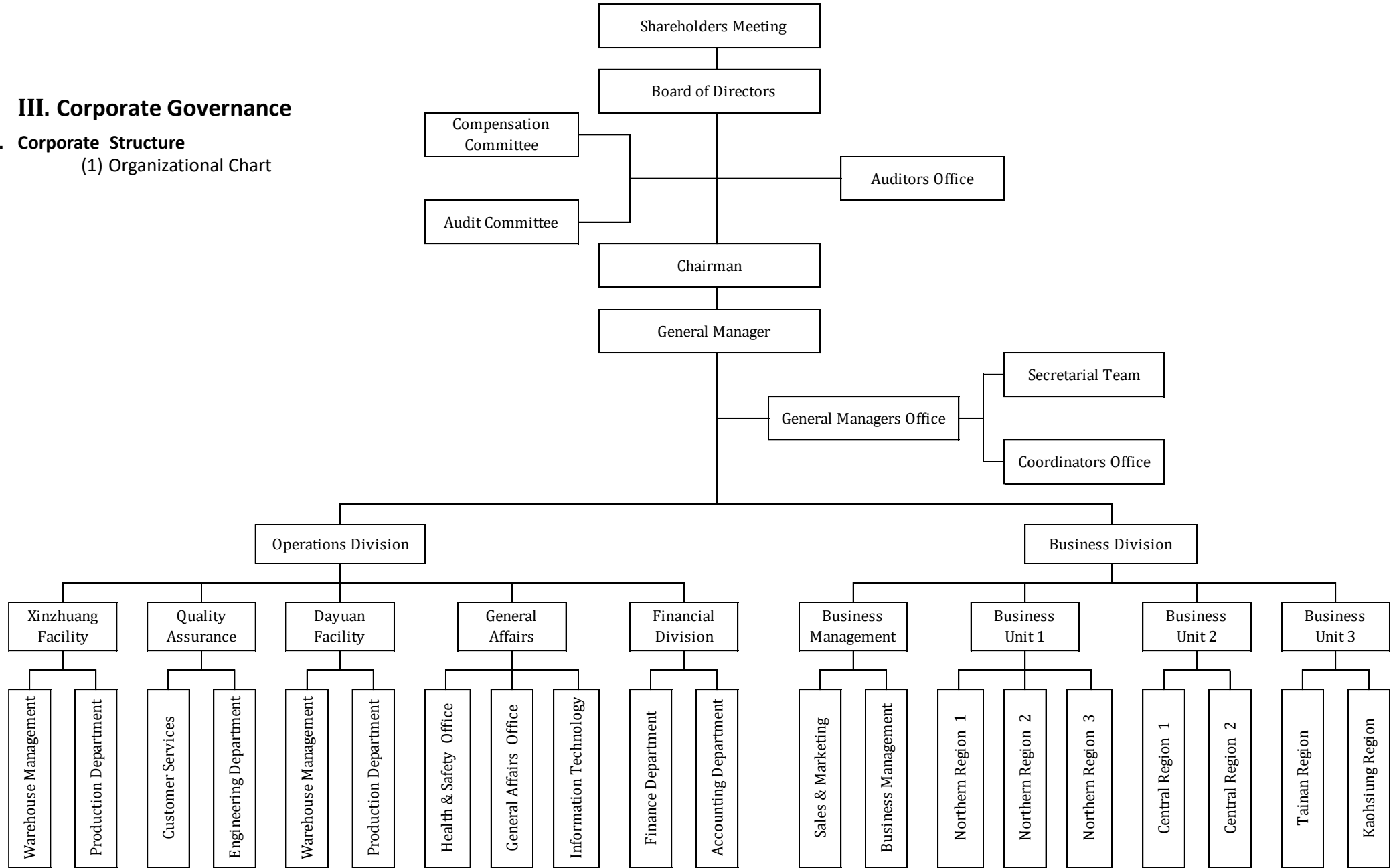
Transfers or changes in shareholding of Directors, Supervisors, or Shareholders holding over 10% of shares in the recent year and up to the publication date of this annual report: None

Significant changes in the transfer of operational authority, business methods, or business content, and other matters that could affect shareholder rights in the recent year and up to the publication date of this annual report: None

III. Corporate Governance

I. Corporate Structure

(1) Organizational Chart



(2) Business operations of major divisions

✧ Compensation Committee

The function of this committee is to evaluate the salary and compensation policies and systems for the Directors and Managers of the Company from a professional and objective standpoint, and to make recommendations to the Board of Directors for their consideration in decision-making.

✧ Auditors Office

Annual auditing work plans, implementation of internal auditing systems, and performance evaluations of each division.

✧ General Managers Office

Setting of business policies, strategies, and goals, preparation and implementation of annual budgets, revision of company regulations and operating procedures, short, medium, and long-term development and investment planning, announcements of legal regulations, and responsible unit for company governance.

✧ Operations Division - Financial Division

Promotion of financial policies, planning of relationships with financial institutions, management of fund allocation and management. Maintenance of accounting systems and accounting operations, planning and implementation of tax-related operations.

✧ Operations Division - General Affairs

Planning, establishing and maintaining personnel recruitment, attendance, salary and labor relations, human resource management and personnel training, organizational development. Management of documents, printing, legal affairs, security maintenance, public relations and general affairs, planning and development and maintenance of information systems. Coordination of overseas marketing business plans, reasonable procurement and negotiation system for raw materials, to ensure reasonable procurement processes and prices

✧ Business Division - Business Unit 1, Business Unit 2, and Business Unit 3

Coordinating domestic marketing business, understanding product demand in the market, conducting market research and analysis, developing sales strategies, and acquiring new clients.

✧ Business Division: Business Management

Customer credit investigation, order processing, accounts receivable collection, coordination of production and sales.

✧ Operations Division: Xinzhuang Facility, Dayuan Facility, and Quality Assurance

Setting research and development goals and plans; controlling and improving production processes and technical abilities; maintaining, servicing, and managing production equipment, factory facilities, and computer rooms; researching and developing new production techniques and improving efficiency; maintaining, repairing, and improving machinery, factory facilities, and computer rooms.

II. Profiles of the Board of Directors, General Manager, and Managers of Divisions and Major Departments

(1) Profiles of the Chairman, Directors and Independent Directors

April 24, 2024

Title	Nationality, or Country of Registration	Name	Gender/ Age group	Date elected/ re-elected	Term	Date first elected	Shares held when elected		Shares held currently		Shares held by spouse or minor children		Shares held through others		Educational background	Positions concurrently served in the Company, or other companies	Other managerial officers, Directors, or Supervisors that are a spouse or relative within the second degree of kinship			Remarks
							Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)			Title	Name	Relation	
Chairman	Taiwan, Republic of China	Cosmos Co., LTD.	male	July 22, 2021	3 yrs	June 8, 2015	4,497,908	3.45	6,962,488	5.33	-	-	-	-	-	-	-	-	-	
		rep: Cheng, I Hung	61-70				5,566,580	4.26	3,102,000	2.38	-	-	-	-	Aoyama Gakuin University, Japan	Director Chun Yuan Steel	Director	Cheng, Yi Ming	Brother	
Director	Taiwan, Republic of China	Lee, Wen Lung	male	July 22, 2021	3 yrs	July 27, 1999	7,548,000	5.84	7,623,480	5.84	618,120	0.47	-	-	Hsing Wu College of Commerce, Tourism section	Director Chun Yuan Steel	Director	Lee, Wen Fa	Brother	
			71-80																	
Director	Taiwan, Republic of China	Cheng, Yi Ming	male	July 22, 2021	3 yrs	December 5, 1994	7,569,427	5.86	2,545,121	1.95	429,602	0.33	5,100,000	3.90	Ming Cheng University, Japan Dept. of Law	Chairman Chun Yuan Steel	Chairman	Cheng, I Hung	Brother	-
			61-70																	
Director	Taiwan, Republic of China	Tsai, Hsi Chi	male	July 22, 2021	3 yrs	August 5, 2004	6,901,280	5.34	6,345,294	4.86	-	-	-	-	Shi Xin High School of Commerce and Industry	Director Chun Yuan Steel	-	-	-	-
			61-70																	
Director	Taiwan, Republic of China, Canada	Tsai, Zong Xian	male	July 22, 2021	3 yrs	July 22, 2021	212,125	0.16	720,246	0.55	-	-	-	-	Art Institute of Vancouver, Canada	Chairman Chun Yuan Construction	-	-	-	-
			41-50																	
Director	Taiwan, Republic of China	Lee, Wen Fa	male	July 22, 2021	3 yrs	June 18, 2012	7,548,000	5.84	7,623,480	5.84	-	-	-	-	Nihon University, Japan Dept. of Economics	Director Chun Yuan Steel	Director	Lee, Wen Lung	Brother	-
			71-80																	

Title	Nationality, or Country of Registration	Name	Gender/ Age group	Date elected/ re-elected	Term	Date first elected	Shares held when elected		Shares held currently		Shares held by spouse or minor children		Shares held through others		Educational background	Positions concurrently served in the Company, or other companies	Other managerial officers, Directors, or Supervisors that are a spouse or relative within the second degree of kinship			Remarks
							Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)			Title	Name	Relation	
Independent Director	Taiwan, Republic of China	Hsu, Li Ming	male	July 22, 2021	3 yrs	June 8, 2015	-	-	-	-	-	-	-	-	Tamkang University Masters in Accounting	Accountant - RSM Taiwan Ind. Director - ChunYuan Steel	-	-	-	-
			41-50																	
Independent Director	Taiwan, Republic of China	Chen, Hong Ji	male	July 22, 2021	3 yrs	June 8, 2015	-	-	-	-	-	-	-	-	Kindai University Japan	Sr. Consultant - Inst. of National Policy Research Ind. Director - Chung Hsin Mfg	-	-	-	-
			71-80																	
Independent Director	Taiwan, Republic of China	Pan, Wei Geng	female	July 22, 2021	3 yrs	June 11, 2018	-	-	-	-	-	-	-	-	National Taiwan Normal University	Chairman - Modern Woman's Foundation Ind. Director- Cathay Securities	-	-	-	-
			41-50																	

1. Major shareholders of corporate shareholders of the Company

April 24, 2024

Corporate Shareholder Name	Major Shareholders of the Corporate Shareholder
Cosmos Co., LTD.	Cheng YiHung 80% Shen HueiMei 10% Cheng JieWen 5% Cheng JieXin 5%

2. Major shareholders of corporate entities that are major shareholders of the Company

April 24, 2024

Legal Entity Shareholder Name	Major Shareholders of the Legal Entity Shareholder
not applicable	not applicable

3. Additional information on Directors and Independent Directors

1) Professional qualifications

Conditon Name	Professional Qualifacations and Experience	Independent Staus	Number of other public companies concurrently serving as Independent Director
Cosmos Co. LTD rep: Cheng I Hung	More than five years of relevant work experience in business, finance and corporate operations.	not applicable	0
Tsai, His Chi	More than five years of relevant work experience in business, finance and corporate operations.		0
Lee, Wen Lung	More than five years of relevant work experience in business, finance and corporate operations.		0
Cheng, Yi Ming	More than five years of relevant work experience in business, finance and corporate operations.		0
Lee, Wen Fa	More than five years of relevant work experience in business, finance and corporate operations.		0
Tsai, Zong Xian	More than five years of relevant work experience in business, finance and corporate operations.		0
Hsu, Li Ming	More than five years of relevant work experience in finance and accounting, has passed the national examination for CPAs, and holds a valid certificate as a specialized professional.	The qualifications and independence criteria of the Independent Directors are reviewed annually in accordance with the requirements of the regulatory authority, and complies with the provisions of Article 3 and Article 5 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	1
Chen, Hong Ji	More than five years of relevant work experience in business, law, finance, accounting, or corporate affairs, and holds a position of lecturer or higher in a public or private college in a related field.		1
Pan, Wei Geng	More than five years of relevant work experience in business, finance and corporate operations.		1

***As of the publication date of this annual report, none of the Directors of the Company have any of the conditions defined in Article 30 of the Company Act.**

2) Diversity and Independence of the Board of Directors:

- A. Diversity - The diversity policy aligns with the Company's Corporate Governance Best Practices, covering eight key capabilities: operational judgment, accounting and financial analysis, business management, crisis handling, industry knowledge, international market view, leadership, and decision-making. To ensure the successful development and operation of the Company, the Board of Directors should include at least one director with expertise in finance and accounting, industry knowledge, and one female Director.

The Board of Directors confirms the implementation:

Title	Chairman	Director					Independent Director		
Name	Cosmos Co., LTD. rep: Cheng, I Hung	Lee, Wen Lung	Cheng, Yi Ming	Tsai, Hsi Chi	Tsai, Zong Xian	Lee, Wen Fa	Hsu, Li Ming	Pan, Wei Geng	Chen, Hong Ji
Gender	male	male	male	male	male	male	male	female	male
Employed by SINKANG	✓								
Professional Knowledge and Expertise									
Finance						✓	✓	✓	
Accounting	✓	✓	✓	✓	✓	✓	✓	✓	✓
Industry Experience	✓	✓	✓	✓	✓	✓	✓	✓	✓

- B. Independence - The Board of Directors consists of nine members, including three Independent Directors, accounting for one-third of all directors. An Audit Committee has been established in place of the Supervisors to ensure oversight. None of the Directors have relationships within the second degree of kinship with any other Director, as stipulated in Article 26-3, Paragraph 3, and Paragraph 4 of the Securities and Exchange Act. For more information, please refer to Additional Information on Directors and Independent Directors (Section 1).

(2) Profiles of General Manager and Managers of divisions and major departments

April 24, 2024

Title	Nationality	Name	Gender	Date Appointed	Shares held currently		Shares held by spouse or underage children		Shares held through others		Educational Background	Positions concurrently served in other companies	Other managerial officers, Directors, or Supervisors that are a spouse or relative within the second degree of kinship			Remarks
					Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)			Title	Name	Relation	
General Manager	Taiwan	Cheng, Chu Si	Male	August 5, 2022	137	0	1008	0	0	0	Fu Jen Catholic University School of Law	none	none	-	-	
Operations Division Assistant Manager	Taiwan	Chen, Kun Chung	Male	August 9, 2016	0	0	0	0	0	0	National Taipei Institute of Technology	none	none	-	-	-
Business Division Manager	Taiwan	Tseng, Kuo Liang	Male	October 1, 2022	0	0	0	0	0	0	Guanghua Commercial and Industrial Vocational School	none	none	-	-	
Accounting Department Manager	Taiwan	Wen, Jun Wan	Female	April 30, 2020	0	0	0	0	0	0	Chihlee University of Technology	none	none	-	-	-
Finance Department Manager	Taiwan	Tang, Ying Gui	Male	December 16, 2021	0	0	0	0	0	0	National Central University, Master of Finance	none	none	-	-	-

III. Compensation of Directors, Independent Directors, General Manager, and Managers of Divisions and Major Departments

(1) Compensation of Directors, Independent Directors, General Manager and Managers of divisions and major departments in the recent year

1. Compensation of Directors and Independent Directors (Names and types of compensation disclosed separately)

unit: NTD thousands

Title	Name	Compensation paid to Directors								Sum of A, B, C, D, as a percentage to net income		Compensation paid to Directors who are also Employees								Sum of A, B, C, D, E, F, G as a percentage to net income		Compensation from business investments outside the subsidiary or parent company
		Basic Wage (A)		Severence Pay and Pension (B)		Directors Bonus (C)		Allowances (D)				Basic Wage, Bonus, and Allowances (E)		Severence Pay and Pension (F)		Employees Profit Sharing (G)						
		The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company		All companies in the Financial Reports		The Company	All companies in the Financial Reports	
																cash	stock	cash	stock			
Chairman	Cosmos Co LTD representative: Cheng, I Hung	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	2,246	2,246	-	-	0	-	0	-	2620 -12.5%	2620 -12.5%	-
Directors	Lee, Wen Lung	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	-
	Cheng, Yi Ming	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	-
	Tsai, Hsi Chi	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	-
	Tsai, Zong Xian	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	-
	Lee, Wen Fa	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	-
Independent Directors	Hsu, Li Ming	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	-
	Pan, Wei Geng	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	
	Chen, Hong Ji	-	-	-	-	0	0	374	374	374 -1.7%	374 -1.7%	-	-	-	-	-	-	-	-	374 -1.7%	374 -1.7%	

1. Explain the policy, systems, standards, and structure for the compensation of Independent Director, and describe the correlation between the amount of compensation paid and factors such as responsibilities, risks, and time invested: The policies and standards for the compensation of Independent Directors of the Company are set forth in the Articles of Association and have been approved by the Board of Directors. The compensation of Independent Directors is positively correlated with business performance and with reference to industry standards, and in accordance with regulations, is subject to the approval of the Compensation Committee.
2. In addition to the information in the table above, any compensation paid to Directors for providing services to all companies in the financial report (such as serving as a non-employee consultant) outside of their role as Directors: 0

2. Compensation of General Manager (Names and types of compensation disclosed separately)

unit: NTD thousands

Title	Name	Compensation paid to General Manager										Sum of A, B, C, D, as a percentage to net income		Compensation from business investments outside the subsidiary or parent company
		Basic Wage (A)		Severence Pay and Pension (B)		Bonus and Allowances (C)		Employees Profit Sharing (D)						
		The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company		All companies in the Financial Reports		The Company	All companies in the Financial Reports	
								cash	stock	cash	stock			
General Manager	Cheng, Chu Si	970	970	-	-	24	24	0	-	0	-	994 -4.7%	994 -4.7%	-

3. Compensation of Managers through Employee profit-sharing

unit: NTD thousands

Title	Name	Stock	Cash	Total	Sum as a percentage to net income
General Manager	Cheng,Chu Si	0	0	0	0.00%
Production Division Manager	Chen, Kun Chung				
Administrative Division Manager	Tsai, Zheng Ting				
Accounting Department Manager	Wen, Jun Wan				
Finance Department Manager	Tang, Ying Gui				

(2) The Company shall disclose the compensation of individual Directors and Supervisors if one of the following circumstances occurs:

1. If the Company had after-tax losses in any of the three most recent fiscal years, the compensation of individual directors and supervisors shall be disclosed. However, if the latest fiscal year's financial report generated after-tax net income that is sufficient to offset the accumulated losses, this does not apply: The financial report of 2023 had after-tax losses.
2. If a Directors shareholding percentage is insufficient for three consecutive months in the latest fiscal year, the compensation of the individual Director shall be disclosed. If a Supervisor's shareholding percentage is insufficient for three consecutive months in the latest fiscal year, the compensation of the individual Supervisor shall be disclosed: None

3. If the average pledge ratio of a director or supervisor exceeds 50% for any three months in the latest fiscal year, the compensation of the individual director or supervisor whose pledge ratio exceeds 50% during that month shall be disclosed: None
 4. If the total compensation of all Directors and Supervisors in the Company for the financial reports exceeds 2% of after-tax net income, and the compensation of an individual Director or Supervisor exceeds NTD 15 million, the compensation of the individual Director or Supervisor shall be disclosed: None
 5. If the Company was classified at the bottom of two levels in the corporate governance evaluation in the most recent year, or if the Company has changed its trading method, suspended trading, delisted or been deemed ineligible for evaluation by the Corporate Governance Evaluation Committee as of the publication date of this annual report shall be disclosed: The corporate governance evaluation result for 2023 was in the lowest category
 6. If the average annual salary of full-time Employees who are not in managerial positions is less than NTD 500 thousand in the recent year, it shall be disclosed: None
 7. If the net profit after tax for the most recent fiscal year has increased by over ten percent, but the average annual salary of full-time employees not in managerial positions has not increased compared to the previous year, it shall be disclosed: None
 8. If the net profit after tax declines by ten percent or more in the most recent fiscal year and exceeds NTD five million, and if the average remuneration per director (excluding remuneration for concurrent employment as employees) increases by ten percent or more and exceeds one hundred thousand, it shall be disclosed: None.
- (3) If the circumstance in item 1 or 5 of the preceding point applies to a company listed on the TWSE or the TPEX, it shall disclose the individual remuneration paid to each of its five most senior management personnel

Compensation of top 5 highest paid Managers of the Company (Names and types of compensation disclosed separately)

unit: NTD thousands

Title	Name	Compensation paid to Managers of divisions and major departments										Sum of A, B, C, D, as a percentage to net income		Compensation from business investments outside the subsidiary or parent company
		Basic Wage (A)		Severence Pay and Pension (B)		Bonus and Allowances (C)		Employees Profit Sharing (D)						
		The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company	All companies in the Financial Reports	The Company		All companies in the Financial Reports		The Company	All companies in the Financial Reports	
								cash	stock	cash	stock			
General Manager	Cheng, Chu Si	970	970	-	-	24	24	0	-	0	-	994 -4.7%	994 -4.7%	-
Assistant Manager	Chen, Kun Chung	746	746	-	-	24	24	0	-	0	-	770 -3.7%	770 -3.7%	-
Manager	Tsai, Zheng Ting	714	714	-	-	181	181	0	-	0	-	895 -4.3%	895 -4.3%	-
Manager	Tang, Ying Gui	715	715	-	-	181	181	0	-	0	-	896 -4.3%	896 -4.3%	-
Manager	Tseng, Kuo Liang	733	733	-	-	186	186	0	-	0	-	919 -4.4%	919 -4.4%	-

- (4) Comparison and analysis of the total compensation paid to the Directors, Supervisors, General Manager, and Managers of divisions and major departments of the Company and all companies included in the consolidated financial reports of the past two years, as a percentage of the net income after tax reported in the financial statements, and explanation of the policies, standards, and composition of the compensation, the procedures for determining the compensation, and the correlation with business performance and future risks.

Year	Compensation Paid to Directors, Supervisors, General Manager and Managers of Divisions and Major Departments			
	The Company		All Companies in the Financial Reports	
	Total Amount	% to net income	Total Amount	% to net income
2022	6,840,607	17.90%	6,840,607	17.90%
2023	6,606,484	-31.80%	6,606,484	-31.80%
Explanation	The policy and standards for compensation of Directors, Supervisors, General Manager, and Managers of divisions and major departments was approved by the Board of Directors, and is listed in the Articles of Association of the Company. Compensation of Directors and Supervisors is determined with reference to the industry standard, and in correlation to business performance. In compliance with regulations, all amounts are first submitted to the Compensation Committee for approval. In addition to the basic wage of Managers of divisions and major departments, the bonus and Employee profit sharing are allocated according to a predetermined percentage of net income of the previous year.		The policy and standards for compensation of Directors, Supervisors, General Manager, and Managers of divisions and major departments was approved by the Board of Directors, and is listed in the Articles of Association of the Company. Compensation of Directors and Supervisors is determined with reference to the industry standard, and in correlation to business performance. In compliance with regulations, all amounts are first submitted to the Compensation Committee for approval. In addition to the basic wage of Managers of divisions and major departments, the bonus and Employee profit sharing are allocated according to a predetermined percentage of net income of the previous year.	

IV. Implementation of Corporate Governance

(1) Operation and Evaluation of the Board of Directors

1. Operation of the Board of Directors

Board Meetings were held 7 times (A) in 2023.

The attendance of Directors and Supervisors is shown as follows:

Title	Name	Attended In-Person (B)	Attended By Proxy	Actual Attendance Rate (B/A)	Remarks
Chairman	Cosmos Co LTD representative: Cheng, I Hung	7	0	100%	re-elected, July 22, 2021
Directors	Tsai, Hsi Chi	7	0	100%	re-elected, July 22, 2021
	Lee, Wen Lung	7	0	100%	newly elected, July 22, 2021
	Cheng, Yi Ming	7	0	100%	re-elected, July 22, 2021
	Lee, Wen Fa	6	1	85.7%	re-elected, July 22, 2021
	Tsai, Zong Xian	6	1	85.7%	newly elected, July 22, 2021
Independent Directors	Hsu, Li Ming	7	0	100%	re-elected, July 22, 2021
	Chen, Hong Ji	7	0	100%	re-elected, July 22, 2021
	Pan, Wei Geng	7	0	100%	re-elected, July 22, 2021

Other matters to be stated:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all Independent Directors, and Company responses to their opinions should be stated:
 - Issues specified in Article 14-3 of the Securities and Exchange Act:
Please refer to pages 38-39 of this annual report, section 11 "Resolutions adopted by the Shareholders Meeting and Board of Directors in the most recent year and up to the publication date of this annual report".
 - In addition to the preceding matter, other resolutions of the Board Meetings on which Independent Directors have qualified or dissenting opinions, and are documented or issued through written statements:
Please refer to pages 38-39 of this annual report, section 11 "Resolutions adopted by the Shareholders Meeting and Board of Directors in the most recent year and up to the publication date of this annual report".
- Recusal of Directors due to conflict of interests (name of Director, content of proposals, reasons for recusal, and participation in voting shall be stated): In the third agenda of the seventh board meeting of 2023:
Taipei Office Rental Case, as representatives of Fuchu Chun Co., Ltd., agents Cheng Yihong, Cai Xiqi, Lee Wenfa, Cheng Yiming, Lee Wenlung, and Hsu LiMing are all directors of Chunyuan Steel. Therefore, Director Chen Hongji was asked to act as the chairman. After consultation by the acting chairman, all directors present, except for Chunyuan Steel-related directors who abstained due to conflicts of interest, agreed unanimously to pass the resolution.
- Publicly Listed companies should disclose information about the frequency and duration of self- (or peer) evaluation (or peer evaluation) of the Board of Directors, the scope, methods, and content of the evaluation:
The Company has established the procedures for the Board's performance evaluation, and conducts the evaluation accordingly. The implementation criteria for the evaluation of the Board of Directors is described in the preceding table.
- Measures for strengthening the functions of Board of Directors (such as establishing an Audit Committee, improving information transparency, etc.) in the current year and the most recent year, and relevant implementation assessment:
 - The Company has formulated the "Measures for the Evaluation of the Board of Directors Performance" to evaluate and enhance the functions of the Board of Directors, and report the results of performance evaluation to the Board of Directors in the following year.
 - In order to implement the gender equality policy, one member of the Independent Directors is a female.
 - The Audit Committee was established on July 22, 2021.
 - All members of the Compensation Committee and the Audit Committee are Independent Directors.

2. Implementation criteria for the evaluation of the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Criteria
Annually	January 1, - December 31, 2023	Overall Performance of the Board of Directors	Internal Self-assessment	1. Involvement in the operation of the Company 2. Improvement of the quality of decision making by the Board of Directors 3. Composition and structure of the Board of Directors 4. Election and continuing education of the Directors 5. Internal control
		Performance of each Individual Director	Self-assessment	1. Familiarity with the goals and tasks of the Company 2. Awareness of the duties of a Director 3. Involvement in the operation of the Company 4. Management of internal relationships and communication 5. Professionalism and continuing education 6. Internal control
		Operational Performance of the Audit Committee	Assessment by members of the acting committee	1. Involvement in the operation of the Company 2. Awareness of duties of the acting committee 3. Improvement of the quality of decision making by the acting committee 4. Composition of the acting committee and election of its members 5. Internal control
		Operational Performance of the Compensation Committee	Assessment by members of the acting committee	1. Involvement in the operation of the Company 2. Awareness of duties of the acting committee 3. Improvement of the quality of decision making by the acting committee 4. Composition of the acting committee and election of its members 5. Other measures

(2) Operation of the Audit Committee in the operation of the Board of Directors

1. Operation of the Audit Committee

The duties and annual work priorities of the Audit Committee are as follows:

- 1) Establishing or amending internal control systems in accordance with the provisions of Article 14 of the Securities and Exchange Act
- 2) Evaluating the effectiveness of internal control systems.
- 3) Establishing or amending procedures for handling significant financial transactions in accordance with Article 36-1 of the Securities and Exchange Act, such as acquiring or disposing of assets, engaging in derivative transactions, lending funds to others, or guaranteeing or endorsing for others.
- 4) Matters involving the interests of the Directors themselves.
- 5) Significant transactions involving assets or derivative products.
- 6) Significant loans, guarantees, or endorsements.
- 7) Raising funds, issuing or privately placing securities with equity characteristics.
- 8) Appointment, dismissal, or compensation of certified public accountants.
- 9) Appointment or dismissal of financial, accounting, or internal auditing managers.
- 10) Annual financial reports and semi-annual financial reports signed or stamped by the Chairman, manager, and accounting manager, and reviewed and certified by certified public accountants.
- 11) Other significant matters as required by the Company or regulatory authorities.

In 2023, Audit Committee meetings were held 6 times (A). The attendance of Independent Directors is shown as follows:

Title	Name	Attended In-Person (B)	Attended By Proxy	Actual Attendance Rate (B/A)	Remarks
Independent Directors	Hsu, LiMing	6	0	100%	newly elected, July 22, 2021
	Chen, Hongji	6	0	100%	newly elected, July 22, 2021
	Pan, WeiGeng	6	0	100%	newly elected, July 22, 2021

Other Matters to be stated:

1. If any of the following applies to the operation of the Audit Committee, the date and session of the Audit Committee, the content of proposals, dissenting opinion of Independent Directors, resolutions of the Audit Committee, and the Company's actions in response to opinions from the Audit Committee shall be stated:
 - 1) Matters stated in Article 14-5 of the Securities and Exchange Act:
Up to the publication of this annual report, the Audit Committee held 8 meetings, and the resolutions of the Audit Committee are detailed on page 40. The Audit Committee has no objection to the matters stated in Article 14-5 of the Securities and Exchange Act.
 - 2) Other resolutions which have not been approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None
2. Recusal of Independent Directors due to conflict of interests (the name of the Independent Directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated): Second Agenda of the Thirteenth Meeting of the First Session of the Audit Committee for 2023: Taipei Office Rental Case. As Hsu LiMing is a director of Chunyuan Steel, Director Chen Hongji was asked to act as the chairman. After consultation by the acting chairman, all directors present, except for Chunyuan Steel-related directors who abstained due to conflicts of interest, agreed unanimously to pass the resolution.
3. Communications between Independent Directors, Internal Auditor, and CPAs (major matters and methods of communication, and their effects to the financial and operational status of the Company shall be included):
Please refer to page 18-19 of this annual report, section 3 "Communication between Independent Directors and Internal Auditor" and section 4 "Communication between Independent Directors and CPAs".

2. Communication between Independent Directors and Internal Auditor

The Internal Auditor and Independent Directors hold regular meetings, at minimum quarterly, and submit the previous month's audit report and follow-up report before the end of each month to report on the implementation of the Company's annual audit plan and follow-up improvements. Meetings may be convened at any time in the event of major abnormal events.

Summary of communications between Independent Directors and Internal Auditor is as follows:

Meeting Type	Date	Communication Focus	Recommendations or Results
Symposium	Fiscal 2022	None	none
Symposium	Fiscal 2023	None	none
Audit Committee First Session - Eighth Meeting	March 16, 2023	2022 Internal Control System effectiveness assesment and statement	no objections
Audit Committee First Session - Ninth Meeting	May 4, 2023	Amendments to Internal Control System	no objections
Audit Committee First Session - Tenth Meeting	August 10, 2023	None	none

Audit Committee First Session - Eleventh Meeting	September 21, 2023	None	none
Audit Committee First Session - Twelfth Meeting	November 9, 2023	Amendments to Internal Control System	no objections
Audit Committee First Session - Thirteenth Meeting	December 21, 2023	None	none
Audit Committee First Session - Fourteenth Meeting	March 14, 2024	2023 Internal Control System effectiveness assesment and statement	no objections
Audit Committee First Session - Fifteenth Meeting	May 9, 2024	None	none
Board of Directors 2023 - First Meeting	March 16, 2023	Q4 2022 Audit Plan execution status Q1 2023 Audit Plan execution status 2022 Internal Control System effectiveness assesment and statement	no objections
Board of Directors 2023 - Second Meeting	May 4, 2023	Q1 2023 Audit Tracking report Q1 2023 Audit Plan execution status	no objections
Board of Directors 2023 - third Meeting	June 20, 2023	Q2 2023 Audit Tracking report	no objections
Board of Directors 2023 - fourth Meeting	August 10, 2023	Q2 2023 Audit Tracking report Q2 and Q3 2023 Audit Plan execution status	no objections
Board of Directors 2023 - fifth Meeting	September 21, 2023	Q3 2023 Audit Plan execution status	no objections
Board of Directors 2023 - sixth Meeting	November 9, 2023	Q3 2023 Audit Tracking report Q3 2023 Audit Plan execution status	no objections
Board of Directors 2023 - seventh Meeting	December 21, 2023	Q4 2023 Audit Plan execution status	no objections
Board of Directors 2024 - first Meeting	March 14, 2024	Q4 2023 Audit Tracking report Q4 2023 Audit Plan execution status Q1 2023 Audit Plan execution status 2023 Internal Control System effectiveness assesment and statement	no objections
Board of Directors 2024 - second Meeting	May 9, 2024	Q1 2024 Audit Tracking report Q1 2024 Audit Plan execution status	no objections

3. Communication between Independent Directors and CPAs

Independent Directors and CPAs communicate at least once a year. Their scope includes the independence and relevant duties of CPAs in auditing financial statements, the scope and method of inspection, matters of high concern, discussion on the type of audit opinion and the significance of this issue, uncorrected adjustments and classifications, review major findings (including adjustment entries and significant lack of internal control, etc.), review the content of the report, and the review results of the financial statements.

Date	Communication Focus	Recommendations or Results
March 18, 2021	2020 Q4 Financial Statements; Audit Finalization Matters	No recommendation, submitted to Board for approval, and announced and reported to the competent authority as scheduled.
March 24, 2022	2021 Q4 Financial Statements; Audit Finalization Matters	No recommendation, submitted to Board for approval, and announced and reported to the competent authority as scheduled.
March 16, 2023	2022 Q4 Financial Statements; Audit Finalization Matters	No recommendation, submitted to Board for approval, and announced and reported to the competent authority as scheduled.
March 14, 2024	2023 Q4 Financial Statements; Audit Finalization Matters	No recommendation, submitted to Board for approval, and announced and reported to the competent authority as scheduled.

(3) Corporate governance implementation, and its variations, with reasons, from “The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
1. Has the Company stipulated and disclosed its corporate governance best practice principles In accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		To implement a good corporate governance system, The Company has established the Best-Practice Principles of Corporate Governance which was adopted by the Board of Directors on December 16, 2021, and disclosed on the Company’s website and the Market Observation Post System (MOPS).	No significant variation from “The Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
2. Shareholding Structure & Shareholders’ Rights (1) Has the Company formulated internal operating procedures to handle shareholders’ recommendations, questions, disputes, and litigations, and implemented these measures accordingly? (2) Does the Company have a list of its major shareholders, and the beneficiaries of those major shareholders? (3) Has the Company established and executed risk management and a firewall system between the Company and its affiliated companies? (4) Has the Company established internal regulations to prohibit insider trading with undisclosed information?	✓ ✓ ✓ ✓		(1) The Company's spokesperson handles shareholder recommendations and questions, and a professional stock affairs agency handles shareholder questions, disputes and litigation matters. (2) Stock affairs of the Company are handled by a professional affairs agency. The Company declares the shareholding of major shareholders on time and maintains a good relationship with investors. (3) The Company and its affiliated companies are independent entities, and the management rights and responsibilities of personnel, operations, business, assets, and finance are clearly defined. (4) The Company has established the "Administrative Measures for the Prevention of Insider Trading", which prohibits company insiders from using unpublished information on the market to buy or sell securities.	No significant variation from “The Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
3. Composition and Responsibilities of the Board of Directors (1) Has the Company formulated a diversity policy for the composition of Board of Directors members and implemented it accordingly? (2) Other than the Compensation Committee and the Audit Committee as required by law, has the Company voluntarily established other functional committees? (3) Has the Company stipulated rules and methods for evaluating the performance of the Board of Directors, implemented such evaluations annually and reported the results of those evaluations to the Board of Directors, and using the results as reference in compensation and renomination of individual directors?	✓ ✓	✓	(1) The Company has formulated a policy of director diversity in its Best Practice Principles for Corporate Governance, covering eight major capabilities, including operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market outlook, leadership, and decision making. For the composition of specialties of Board members, It is advantageous to the development and operation of the Company that there is at least one member with expertise in finance or accounting industry, and at least one member that is a female. (2) Other than the Compensation Committee and Audit Committee, the Company has not established any other functional committees. (3) The Company established the Procedures for Performance Evaluation of the Board of Directors; the evaluation is conducted annually, and the results are reported to the Board, and disclosed on the MOPS.	No significant variation from “The Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
(4) Does the Company regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		(4) The independence of CPAs is evaluated by the Board of Directors annually. In addition to considering their qualifications and professionalism, CPAs can not have served the Company as a Director, Supervisor, or be a shareholder of the Company, and must comply with Article 10 of the Professional Code of Ethics of the Company. A statement of independence is required from the CPAs for the Board of Directors to discuss and assess their independence. There has been no instance of the financial statements of the Company being audited and certified by the same CPA for five consecutive years.	No significant variation from "The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
4. Did the TWSE/TPEX listed company have an adequate number of corporate governance personnel in place, and appoint a corporate governance officer to be responsible for corporate governance related affairs (including but not limited to providing Directors and Supervisors with the information required for business execution, assisting in compliance with regulations and laws, handling matters related to Board of Directors and Shareholder meetings and record the minutes of those meetings)?	✓		Currently, the General Managers Office is fully responsible for corporate governance related affairs, and other relevant departments may be responsible according to the nature of the affairs, and on March 16, 2023, the board of directors approved the appointment of Manager Tang Yinggui of the Operations Department as the Head of Corporate Governance.	The Company expects to appoint a corporate governance officer before the end of June 2023
5. Has the Company established a means of communication with investors (including but not limited to shareholders, employees, customers, and suppliers), set up an investors section on its website, and adequately responds to investors inquiries on corporate responsibility issues?	✓		As a means of communication with investors, a Spokesperson and a Proxy Spokesperson have been appointed, and an investor area has been set up on the Company's website. https://www.sinkang.com.tw/investor-67	No significant variation from "The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		The Company has appointed SinoPac Securities Co. LTD, as the stock affairs agency to handle our Shareholders meetings affairs.	No significant variation
7. Disclosure of Information (1) Has the Company established a company website to disclose information regarding its financial, business and corporate governance information?	✓		(1) The Company has established a website to disclose information regarding its financial, business and corporate governance information. http://www.sinkang.com.tw/investor	No significant variation from "The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
(2) Does the Company use other means of information disclosure (such as establishing an English website, designating personnel to collect and disclose company information, appointing a spokesperson system, or holding investor conferences via webcast)? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and the first, second, and third quarter financial statements of the Company as well as the operating status of each month are announced and reported before the prescribed deadlines?		✓ ✓	(2) The Company has an English website and designated personnel responsible for the update and disclosure of Company information. The Company has implemented a spokesperson system, and the Company holds corporate briefings in accordance with the law, and the content of the briefing are linked on the Company website. (3) The 2023 financial report of the Company was reviewed and approved by the Audit Committee on March 14, 2024, and after being approved by the Board of Directors it was announced and reported. The financial reports for the first, second and third quarters, as well as the operating conditions of each month are announced and reported within the prescribed time limit.	No significant variation from “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to Employee rights, Employee care, investor relations, supplier relations, rights of investors, the utilization of risk management policies and risk evaluation measures, the implementation of customer relations policies, or the purchasing of insurance for Directors and Supervisors by the Company)?	✓		1. Employee Rights: (1) Treat Employees with integrity and protect their legitimate rights and interests as granted by the Labor Standards Act. (2) Provided additional welfare insurance for all employees. (3) Regularly hold health checks for all employees. (4) Summer and winter uniforms are provided at no charge, every year. (5) Regular inspections of drinking water quality. (6) The Employee Welfare Committee organizes various events (such as mountain climbing, billiards, parent-child activities, etc.) (7) To fully utilize human resources and cultivate Employees knowledge and skills, the Company organizes various education and trainings to allow Employees and the Company to grow together. 2. Employee Care: Through a welfare system that enriches and stabilizes the life of Employees and a good education and training programs, the Company has established a good relationship of mutual trust with employees. 3. Investor Relations: A spokesperson and a proxy spokesperson have been appointed to handle investor related inquiries.	No significant variation from “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
			4. Supplier Relations: The company has always promoted and maintained good relationships with its suppliers. 5. Rights of Investors: The Company has sound organizational mechanisms and an effective control system. An area for investors has been set up on its website, and investors can communicate with the Company by phone or email at any time, if necessary. 6. Further education/training of Directors and Supervisors: The Directors and Supervisors of the Company will participate in various technical courses depending on the operational needs of the Company. 7. Insurance purchased for Directors and Supervisors Liability insurance for Directors and Supervisors was purchased by the Company in 2023.	
9. Improvements made in the most recent year in response to the results of the Corporate Governance Evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved: In 2023, the Company ranked in the top 81%-100% of all TWSE companies evaluated. The Improvements measures and plans for 2024 are as follows: (1) The annual report discloses information on the security risk mechanism. (2) Establish an ESG committee to discuss and compile an ESG sustainability report.				

(4) The composition, duties, and operation of the Compensation Committee

1. Information on members of the Compensation Committee

Title	Name	Professional Qualifications and Experience	Independence Status	Number of other public companies concurrently serving as Independent Director
Independent Director (convener)	Hsu, Li Ming	More than five years of relevant work experience in finance and accounting, has passed the national examination for CPAs, and holds a valid certificate as a specialized professional.	The qualifications and independence criteria of the Independent Directors are reviewed annually in accordance with the requirements of the regulatory authority, and complies with the provisions of Article 3 and Article 5 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	1
Independent Director	Chen, Hong Ji	More than five years of relevant work experience in business, law, finance, accounting, or corporate affairs, and hold a position of lecturer or higher in a public or private college in a related field.		1
Independent Director	Pan, Wei Geng	More than five years of relevant work experience in business, law, finance, accounting, or corporate affairs.		1

2. Operation of the Compensation Committee

1) The Compensation Committee is composed of three members.

2) The term of office for the current term is: July 22, 2021 to July 21, 2024

In the most recent year, Compensation Committee meetings were held 2 times (A). The attendance of the members is shown as follows:

Title	Name	Attended In-Person (B)	Attended By Proxy	Actual Attendance Rate (B/A)	Remarks
Convener	Hsu, LiMing	2	0	100%	
Member	Chen, HongJi	2	0	100%	
Member	Pan, WeiGeng	2	0	100%	

The resolutions of the Compensation Committee of the Company in 2023 and 2024 are as follows:

Compensation Committee	Agenda and Follow-up Handling	Resolution Result	Company handling of the opinions from the Compensation Committee
March 16, 2023 5th Session 5th meeting	1. 2022 Director compensation plan 2. 2022 Manager compensation plan	The committee unanimously approved	Proposed to the Board of Directors, and approved by all Directors present
November 09, 2023 5th Session 6th meeting	1. 2023 year-end bonus distribution plan 2. 2024 Directors compensation plan and 2023 Director and Supervisor compensation distribution plan 3. 2024 Managers compensation plan, and 2023 compensation distribution plan	The committee unanimously approved	Proposed to the Board of Directors, and approved by all Directors present
March 14, 2024 5th Session 7th meeting	1. 2023 Director compensation plan 2. 2023 Manager compensation plan	The committee unanimously approved	Proposed to the Board of Directors, and approved by all Directors present
Other Matters to be stated: 1. If the Board of Directors does not adopt or amend the proposals of the Compensation Committee, it shall specify the date, period, agenda item, decision, and the company's handling of the opinions of the Compensation Committee (if the approved compensation is greater than the proposal of the Compensation Committee, the differences and reasons shall be specified): No such case. 2. If there are any dissenting opinions or recommendations by members on the resolutions of the Compensation Committee, where such opinions are documented or issued through written statements, the date, period, agenda item, all members opinions and the handling of the members opinions shall be specified: No such case.			

Note:

1. If a member of the Compensation Committee resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the Compensation Committee and the number of meetings attended in-person during their term of office.
2. If there is a re-election of the Compensation Committee, the members of the Compensation Committee shall be replaced before the end of the year, and the remarks column shall indicate the old, new or re-elected and the date of election, and the actual attendance rate (%) shall be calculated based on the number of meetings of the Compensation Committee and the number of meetings attended in-person during their term of office.

(5) Sustainable development implementation, and its variations, with reasons, from “The Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

1. Sustainable development implementation, and its variations, with reasons, from “The Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
1. Does the Company have a governance structure for promoting sustainable development and dedicated (or part-time) personnel to be in charge of proposing and enforcing sustainable development, and allow the Board of Directors supervisory status to entrust managerial officers with its implementation?		✓	The Company has not established a governance structure for promoting sustainable development, and has not appointed dedicated personnel to promote sustainable development. The Company is committed to the implementation of corporate social responsibility, and implements the promotion of corporate governance and the development of a sustainable environment.	Based on current planning, and on the actual and legal needs of the Company, a governance structure to promote sustainable development with dedicated personnel will be established.
2. Has the Company conducted risk assessment on environmental, social and corporate governance issues related to corporate operations and formulated relevant risk management policies or strategies based on materiality principle?	✓		1. Environmental Issues: Environmental Risk Assessment: the Company currently holds ISO 14001: 2015 - Environmental Management Systems certification and will seek recertification when appropriate. 2. Social issues: Occupational Safety Risk Assessment: the company regularly conducts emergency drills and industrial safety education and training to cultivate Employees self-safety management and improve their ability to respond to emergencies. 3. Corporate Governance Issues: (1) Legal Compliance Risk Assessment: implement internal control measures to ensure that all personnel and operations of the Company truly comply with relevant laws and regulations. (2) Director Functions Risk Assessment: insure Directors with liability insurance to protect them from lawsuits or claims. (3) Investor Relation Risk Assessment: the Company has established various communication channels and actively communicates to reduce confrontation and misunderstandings. The Company website includes an area for Investors, and an appointed spokesperson is responsible for responding.	The Company is expected to complete the greenhouse gas (GHG) inventory and obtain ISO 14064:2018 certification before the end of 2023. Regardless of the results of the GHG inventory, the Company will continue to implement carbon reduction measures to effectively reduce the risk of Scope 1 emissions and the indirect Scope 2 emissions caused by electricity usage.
3. Environmental Issues (1) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	✓		(1) All Employees of the Company participate in environmental protection, and abide by the policies and guidelines Implemented by the internal environmental management system and in compliance with ISO 14001 standards to combine business operations with environmental protection and create an environment that is safe for Employees, customers and the general public.	No significant variation from “The Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
(2) Is the Company committed to improving resource utilization efficiency and to the use of renewable materials with low environmental impact? (3) Has the Company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues? (4) Has the Company collected statistics of emissions of greenhouse gas (GHG), the usage of water, and the total weight of waste in the past two years; and formulated energy saving and carbon reduction, GHG reduction, water saving, and other waste management policies?	✓		(2) The company is committed to improving resource utilization efficiency, and has installed a "Scrap Recycling Program" and a "Wood Pallet Recycling Program" to continuously reduce raw material consumption and waste, and to reduce the impact on the environment. (3) In order to cope with global warming and effectively mitigate the impact of climate change, the company actively cooperates with the government to promote energy conservation and carbon reduction. In addition, the Company has installed photovoltaic solar panels across the roofs of the Xinzhuang Facility and the Dayuan Facility further utilizing green energy to reduce our carbon footprint. (4) In addition to complying with domestic environmental safety and health related regulations, the Company is also in line with international standards. In February 2018, it obtained ISO 14001:2015 certification from UKAS. In 2007, the Dayuan Facility completed the sewage discharge and treatment system and in 2008, was it certified by the Water Pollution Prevention and Control Measures Plan, received the second extension of water pollution prevention measures in September 2018, and obtained the third extension of water pollution prevention measures in May 2021.	No significant variation from "The Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies"
4. Social Issues: (1) Has the Company formulated management policies and procedures in compliance with relevant laws and regulations, and the conventions on international human rights? (2) Has the Company installed reasonable Employee welfare measures (including compensation, paid leave, and other benefits), and appropriately reflected operating performance or achievements into Employee compensation?	✓	✓	(1) The Company abides by all relevant labor laws, regulations and conventions to fully protect the legitimate rights and interests of its Employees. The "Employee Rules" and "Work Rules" formulated by the Company are in compliance with national labor standards, and are implemented to protect for the rights and interests of Employees. Dedicated personnel has been appointed to handle Employees matters. (2) The Company strives to make employees feel at ease and worry-free while working, so In addition to providing national health and labor insurance in accordance with the law, the Company also benefits family members with group and family insurance, and the Company organizes health checks for all Employees regularly. An Employee Welfare Committee has been established, and based on turnover, a percentage of net income is transferred to the committee and they coordinate the use of the funds.	No significant variation from "The Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies"

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
(3) Does the Company provide Employees with a healthy and safe working environment, and conduct health and safety trainings for Employees regularly? (4) Has the Company established effective career development training programs for Employees?	✓	✓	(3) The Company provides Employees with a healthy and safe working environment, which is managed and regularly reviewed by the Health and Safety Commission, and participates in the following: 1. Organization Settings: According to the size and nature of the business, prepare Managers and Employees to assist in the operation of structure security. 2. Program Charter: review the latest laws and regulations, and revise published material accordingly. Material is published in a timely manner and written so all Employees can understand it. 3. Maintenance Plan: routine inspections of machinery and equipment are made according to the plan to maintain operational safety. 4. Hazard Assessment: depending on the process risk, carry out work environment assessments as identifying indicators. 5. Education/Training: coordinate hazard awareness of new and in-service employees, and strengthen the ability to identify and prevent hazards. 6. Healthcare: carry out physical and health examinations in accordance with the law, and implement control banding and healthcare education. 7. On-site Care: set up a special in-house medical care service to strengthen the healthcare knowledge of Employees and promote a healthy lifestyle. 8. Occupational Accident Prevention: promote individual identification and prevention for illegal workplace violations, man-made hazards, irregular operations, and emerging diseases. 9. Fire Safety: fire safety equipment is regularly serviced and reported, and Employees conduct fire-fighting and evacuation drills biannually. 10. Certification: Passed the ISO45001:2018 Occupational Health and Safety Management Standard review, adopting the PDCA model for management improvement. (4) The Company provides relevant internal and external education and training to enrich Employees career skills, and encourages Employees to develop various interests and skills, and set future career goals.	No significant variation from “The Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies”

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
(5) Does the Company comply with relevant laws and international standards in health, safety, and privacy of consumers as well as marketing and labeling of its products and services, and establish consumer protection policies and appeals procedures?	✓		(5) The Company has a Customer Service Department, which handles matters related to consumer rights and complaints, and all consumer appeals are decided fairly and promptly. All Company products are marked in accordance with relevant regulations and international standards.	No significant variation from "The Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
(6) Has the Company established and disclosed supplier management policies, requesting suppliers to comply with relevant regulations on issues regarding environmental protection, occupational health and safety, or labor rights?	✓		(6) The Company evaluates the environmental and societal impact of procurement behavior on the supply-source communities, cooperating with its suppliers to jointly promote corporate social responsibility. If major suppliers violate their corporate social responsibility policies and have a significant impact on the environment and society, the Company may suspend, terminate or rescind their suppliers contracts.	
5. Has the Company adopted internationally recognized standards or guidelines to prepare non-financial reports such as sustainability report? Has the Company obtained a third-party assurance or verification for such reports?		✓	5. The Company is currently planning to set up a special area to disclose the relevant information of corporate social responsibility.	The company has established an ESG Committee responsible for compiling the sustainability report, which is expected to be released in September, 2024.
6. If the Company has established sustainable development guidelines based on "The Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the guidelines and its implementation: The Company currently has no guidelines for sustainable development, and in the future, it will be handled based on actual and legal needs of the Company.				
7. Other important information to facilitate a better understanding of the Company's implementation of corporate social responsibility: "Reduce Pressure on Earth, Create Oxygen for the Environment" It is a mission we will never forget. The Company belongs to the steel cutting, processing and surface finish industry, and has little impact on the air environment or water source pollution. In terms of corporate social responsibility: (1) The Company has obtained ISO14001:2015 Environmental Management System certification by UKAS. (2) General business waste is entrusted to a professional company, with a waste removal permit issued by the Municipal Environmental Protection Bureau, and is responsible for its removal and transportation. (3) The Company has installed photovoltaic solar panels across the roofs of both the Xinhuang and Dayuan Facility further utilizing green energy and reducing our carbon footprint. (4) Other business wastes are treated with qualified equipment first and then legally entrusted to a professional organization responsible for communication and clearance. The sustainable operation of the Company contributes to economic development, creates benefits and returns for shareholders, continuously abides by ethical standards, and improves the quality of life for Employees and their families, the local community, and society as a whole.				

2.Climate-related information.

2-1 Implementation status of climate-related information.

Item	Implementation
1. Explanation of the supervision and governance by the board of directors and management regarding climate-related risks and opportunities. 2. Explanation of how the identified climate risks and opportunities affect the business, strategy, and finances of the company (short-term, medium-term, long-term).	1. This company establishes the Sustainable Development Committee organized by the Chairman and the General Managers, with the Manager of Corporate Governance serving as the Chairperson. Various functional teams are established under it to formulate plans and execute monitoring on relevant issues. The Committee convenes at least once a year to discuss and evaluate the progress of sustainable development initiatives. The General Manager presents the execution outcomes to the Board of Directors, who then provide relevant recommendations or opinions based on the report. 2. Short-term impact: Due to the increase in raw material costs and the changing patterns of rainfall (water) and extreme fluctuations in climate patterns, the company has developed contingency plans to address potential emergencies. This may include risk management measures and business continuity plans to ensure the ability to respond quickly and mitigate losses in the event of extreme weather events. Medium-term impact: Greenhouse gas emission pricing, rising raw material costs, changes in rainfall (water) patterns, and extreme fluctuations in climate patterns necessitate adjustments to business models and product portfolios to address these changes. It is also important to consider the impact of climate change on business and markets, and accordingly adjust strategic objectives and directions, including investments in innovative technologies or adjustments to market positioning. Long-term impact: Climate change may lead to issues such as greenhouse gas emission pricing and rising raw material costs, necessitating long-term business adjustments and transformations. Therefore, it is essential to proactively address climate change by developing long-term sustainable development strategies and goals. This may include investing in low-carbon technologies, developing sustainable supply chains, adjusting product structures, or exploring new markets to ensure the company's continued prosperity and development in the face of climate change.

(continued)

item	Implementation
3. Explanation of the financial impact of extreme weather events and transformation actions. 4. Description of how the identification, assessment, and management process of climate risks are integrated into the overall risk management system. 5. If utilizing scenario analysis to assess resilience to climate change risks, it should outline the scenario, parameters, assumptions, analysis factors, and key financial impacts used. 6. If there's a transformation plan to address and manage climate-related risks, explain its content and the indicators and objectives used to identify and manage physical risks and transition risks. 7. If internal carbon pricing is used as a planning tool, the basis for price determination should be explained. 8. If climate-related goals are set, information should be provided on the activities covered, greenhouse gas emission scopes, planning timeframe, progress achieved annually, etc. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these goals, details should be given on the source and quantity of carbon offsets exchanged or the number of RECs. 9. Greenhouse gas inventory and verification status, along with reduction targets, strategies, and specific action plans (to be filled in sections 2-2 and 2-3).	3. Extreme weather events may lead to direct losses, supply chain disruptions, increased insurance costs, asset impairment, and other financial risks for the company. To address these risks, the company may need to increase investments, improve risk management, enhance emergency preparedness, and strengthen the implementation of sustainable development strategies. These transformation actions may increase costs but also contribute to protecting the company's long-term financial stability. 4. Integrating the process of identifying, assessing, and managing climate risks with Environmental, Social, and Governance (ESG) factors into the overall risk management system involves identifying potential climate risks, considering the impacts of extreme weather events and climate change on supply chains and markets, assessing the degree of risk impact, while also taking into account environmental, social, and governance factors to ensure alignment with risk management objectives. In this process, incorporating ESG and climate risk considerations, developing business strategies in line with sustainable development goals, and continuously monitoring and evaluating the effectiveness of ESG-related risk management measures are crucial. 5. The company does not currently have such operations in place but will plan for implementation based on actual needs and legal requirements in the future. 6. Refer to the explanation provided in the fifth point above. 7. Refer to the explanation provided in the fifth point above. 8. Refer to the explanation provided in the fifth point above. 9. Please refer to Table 2-2. The reduction targets are still under consideration, with no specific plans in place yet. Currently, measures such as office air conditioning management have been implemented.

2-2 Recent two-year company greenhouse gas inventory and assurance status

Basic company information ☒ Capital of NT\$10 billion or more, iron and steel industry, or cement industry ☐ Capital of NT\$5 billion or more but less than NT\$10 billion ☐ Capital of less than NT\$5 billion	Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies: ☒ Inventory for parent company only ☐ Inventory for all consolidated entities ☒ Assurance for parent company only ☐ Assurance for all consolidated entities
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Scope 1	Total emission volume (ton CO2e)	Intensity (ton CO2e/NT\$ million)	Assurance agency	Description of assurance
Parent	363.7573	0.1271	-	1. Disclose the investigation information and confirmation status in accordance with the disclosure requirements of the sustainability development roadmap for listed companies. 2. Great International Certification Co., Ltd. was commissioned to complete the verification in April,2024, and plans to obtain recognition from the Corporate Governance Center as a recognized organization of confirmation in 2025.
Subsidiary	-	-		
...	-	-		
Total	363.7573	0.1271		
Scope 2	Total emission volume (ton CO2e)	Intensity (ton CO2e/NT\$ million)	Assurance agency	Description of assurance
Parent	548.2272	0.1916	-	1. Disclose the investigation information and confirmation status in accordance with the disclosure requirements of the sustainability development roadmap for listed companies. 2. Great International Certification Co., Ltd. was commissioned to complete the verification in April,2024, and plans to obtain recognition from the Corporate Governance Center as a recognized organization of confirmation in 2025.
Subsidiary	-	-		
...	-	-		
Total	548.2272	0.1916		
Scope 3	-			

(6) Ethical Corporate Management implementation, its variations, with reasons, from "The Ethical Corporate Management Best Practices for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
1. Establishment of Ethical Corporate Management Policies (1) Has the Company formulated ethical corporate management policies approved by the Board of Directors and specified its ethical corporate management policies, measures, and the commitment of Board of Directors and the senior management on active implementation of such policies in its regulations and external documents? (2) Has the Company established a risk assessment mechanism against unethical behavior, periodically analyzed and assessed operating activities with higher risk of unethical behavior within its business scope, and established prevention programs accordingly which at least include precautions against behaviors stipulated in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE /TPEx Listed Companies? (3) Has the Company specified operating procedures, guidelines for conduct, disciplinary and appeal system in its programs to prevent unethical behavior, implemented them accordingly and regularly reviewed those programs?		✓ ✓ ✓	(1) The Company has clearly defined and implemented policies for Shareholder Meetings, Board of Directors, Managers, accounting, dividends and other policies in the Articles of Association of the Company. (2) The Company has a good corporate image. Before establishing business relationships with others, it first evaluates the legality of the counterparty, their ethical management policy, and whether there has been a record of any dishonest behavior, so as to avoid the occurrence of risky business activities. (3) The Company has established rules and regulations for personnel management, performance appraisal methods, promotion methods, bonus and disciplinary methods, and a personnel evaluation meeting to set rewards and punishments.	Our company has not yet formulated an integrity management policy approved by the board of directors. We will consider formulating one in the future based on practical needs and legal requirements.
2. Implement Ethical Corporate Management (1) Does the Company evaluate the ethical records of counterparties and specify ethical conduct clauses in business contracts? (2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management, and report regularly (at minimum annually) to the Board its policies and plans for preventing dishonest behavior, and supervise the implementation? (3) Does the Company formulate policies to prevent conflict of interests, provide appropriate reporting channels, and implement it accordingly? (4) Has the Company established effective accounting and internal control systems for ethical corporate management, developed relevant audit plans based on the results of risk assessment of unethical behavior, and had the internal audit unit or a CPA audit the compliance of the programs to prevent unethical behavior?	✓ ✓ ✓ ✓		(1) The business activities of the Company are all handled according to laws and regulations, and contracts must be reviewed by the legal unit. (2) The Board of Directors and management implement the rules of the Company in compliance with laws and regulations and the policies of ethical management, however, a dedicated unit has not yet been established. (3) Company policy stipulates that if a conflict of interest arises, Supervisors must be notified in advance to avoid or prevent said conflict. All resolutions by the Board of Directors involve stakeholders in accordance with the regulations. If there is a conflict of interest, the directors shall follow the principle of recusal, not participating in the discussion, and leave the meeting without participating in the voting. (4) The accounting and internal control system of the Company are formulated in compliance with laws and regulations and the actual operational status of the Company. The Audit Department conducts audits according to the audit plan approved by the Board of Directors, and reports to the Board of Directors and Supervisors. CPAs audit the compliance of the accounting and internal control system annually.	Based on current planning, and on the actual and legal needs of the Company, a dedicated unit under the Board of Directors will be appointed to promote ethical corporate management, and plan for preventing dishonest behavior.

(continued)

Evaluation Item	Implementation			Variations and Reasons
	Yes	No	Summary	
(5) Does the Company regularly hold internal and external trainings on ethical corporate management?	✓		(5) Through the monthly and cadre meetings, the Company educates employees and makes them clearly understand its ethical management philosophy and norms.	
3. Implementation of Whistleblowing System (1) Has the Company established specific reporting and reward procedures, set up conveniently accessible complaint channels, and designated responsible individuals to handle any complaints received? (2) Has the Company established standard operating procedures for investigating reported cases, follow-up measures to be adopted after investigation, and related confidentiality mechanisms? (3) Has the Company taken measures to protect the whistleblower from being mistreated?	✓ ✓ ✓		To fully and concretely reward and punish employees as deserved, the Company has established the Personnel Deliberation Committee, to establish related regulations including the Charter of the Personnel Deliberation Committee, and provides fair and objective review based on the "Reward and Penalty Procedures for Employees." For any complaints filed by an Employee, the members, attending staff and other related staff shall keep the deliberations fully confidential without disclosing to any third party.	No significant variation from "The Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"
4. Strengthening Disclosure of Information Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company website and MOPS?	✓		The Company discloses its ethical management policies on the Company website and in the "Corporate Governance" column of the MOPS. The Company has also disclosed relevant information on the Company website and the annual report regarding the implementation of ethical management.	No significant variation from "The Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"
5. If the Company has formulated its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and their variations: no significant variations				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management practices (i.e.. reviews and amendments to its Ethical Corporate Management Best Practice Principles): The Company maintains a positive corporate image and complies with laws and regulations. Since the founding of the Company, there has been no major change in the management of corporate crisis.				

(7) Inquiry method for accessing the Corporate Governance Code and related regulations of the Company

The way to inquire about the Corporate Governance Code and related regulations is as follows:

1. Is available for download on the Market Observation Post System (<http://mops.twse.com.tw>) under "Corporate Governance" under "Corporate Governance Structure" → "Formulation of Relevant Rules and Regulations for Corporate Governance".
2. Is available for download on the Company website (<https://www.sinkang.com.tw/company-62>) under "Corporate Governance" → "Articles and Regulations".

(8) Other information to facilitate a better understanding of how corporate governance is implemented at the Company: None

(9) Implementation status of internal control system

1. Statement of Internal Control System: please refer to the following page for details.
2. A company that entrusts a CPA to review the internal control system should disclose the CPAs review report: None

Sinkang Industries Co., LTD.
Statement of Internal Control System

Date: March 14, 2024

Based on the results of the self-assessment, the Company states the following with regard to its internal control system during the year 2023:

1. The Company is aware that the Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The Company has already established this system. Its goal is to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes a number of items. Refer to the Regulations for more information on the items mentioned above.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This statement is an integral part of the Company's Annual Report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. The Statement was passed by the Board of Directors on March 14, 2024, with none of the nine attending directors(including one person with delegated proxy attendance) expressing dissenting opinions, and all approved the content of this statement.

Sinkang industries Co., LTD.



Chairman: Cosmos Co., LTD.



represented by: Cheng, I Hung



General Manager: Cheng, Chu Si



(10) Specify the content, major deficiencies and status of improvements made on penalties imposed on the Company and its internal staff or penalties imposed on its internal staff by the Company for violation of internal control regulations, where such penalties may have a significant impact on shareholders' rights or securities price, in the most recent year and up to the publication date of this annual report: None

(11) Resolutions adopted by the Shareholders Meeting and the Board of Directors in the most recent year and up to the publication date of this annual report

1. Material resolutions of the 2023 Shareholders Meeting

Meeting Date	Resolutions and Implementation
June 20, 2023	- The 2022 business reports and financial statements of the Company were approved as proposed, reported to the competent authorities for reference, and announced pursuant to the Company Act and other laws and regulations. - The 2022 Earnings Distribution proposal and schedule were approved as proposed. A cash dividend of NTD 0.2 per share was declared with its record date on July 13, 2023 and its distribution date on August 03, 2023.

2. Material resolutions of the Board of Directors for 2023 and 2024

Meeting Date	Proposal Content	Resolution Results
March 16, 2023 Board of Directors 18th Session 10th Meeting	2022 Internal Control System effectiveness assessment and issue "Statement of the Internal Control System". - Review of auditor's suitability, independence and appointment compensation 2022 Financial Reports. 2022 Annual Salary Distribution Plan for Employees, Managers, and Directors. 2022 Earnings Distribution Proposal. 2022 General Shareholders Meeting affairs. - Greenhouse gas inventory plan. - Appointment of Corporate Governance Executive offers.	Proposals 1-8 were approved unanimously by all Directors present. Opinions of Independent Directors: None Company handling of those opinions: N/A
May 4, 2023 Board of Directors 18th Session 11th Meeting	Revision to the Internal Control System.	Proposals 1 were approved unanimously by all Directors present. Opinions of Independent Directors: None Company handling of those opinions: N/A
June 20, 2023 Board of Directors 18th Session 12th Meeting	2022 cash dividend distribution schedule.	Proposals 1 were approved unanimously by all Directors present. Opinions of Independent Directors: None Company handling of those opinions: N/A
August 10, 2023 Board of Directors 18th Session 13th Meeting	- Subscribe to the issuance of preferred shares by Chunyuan Construction Co., Ltd. for cash capital increase in 2023. - Dismissal of manager case.	Proposal 1 was revoked because the board meeting of Chunyuan Construction on August 3, 2023, was canceled due to the typhoon holiday. Proposal 2 was revoked after discussion and reintroduced following communication between the chairman and the parties involved. Opinions of Independent Directors: None Company handling of those opinions: N/A

September 21, 2023 Board of Directors 18th Session 14th Meeting	1. Rental of the Taoyuan Plant Office. 2. Replacement of the Trademark.	Proposals 1-2 were revoked and reintroduce after further study and discussion Opinions of Independent Directors: None Company handling of those opinions: N/A
November 09, 2023 Board of Directors 18th Session 15th Meeting	1. 2024 Audit Plan 2. Proposed revisions to the "Internal Control System" and "Internal Audit Implementation" 3. Establishment of the "Information Security Policy" 4. Agenda for the second Compensation Committee meeting for 2023 5. Explanation for overdue payments exceeding three months as of September 30, 2023	Proposals 1-5 were approved unanimously by all Directors present. Opinions of Independent Directors: None Company handling of those opinions: N/A
December 21, 2023 Board of Directors 18th Session 16th Meeting	1. Proposed revision of the company's "Corporate Governance Best Practices Guidelines" 2. Extension of financing quota contract for 2024 3. Rental of Taipei office space.	Proposals 1-2 were approved unanimously by all Directors present. Proposal 3 was unanimously approved by all directors present, except for those affiliated with Chunyuan Steel, who abstained due to conflicts of interest. Opinions of Independent Directors: None Company handling of those opinions: N/A
March 14, 2024 Board of Directors 18th Session 17th Meeting	1. 2023 Internal Control System effectiveness assessment and issue "Statement of the Internal Control System". 2. Review of auditor's suitability, independence and appointment compensation 3. 2023 Financial Reports. 4. 2023 Annual Salary Distribution Plan for 5. Employees, Managers, and Directors. 6. 2023 Earnings Distribution Proposal. 7. Resolution for the re-election of directors (including independent directors). 8. Proposal for the Board of Directors' nomination and review of the list of candidates for the next term of directors. 9. Proposal to approve the lifting of the non-compete clause for newly appointed directors of the company. 10. 2023 General Shareholders Meeting affairs. 10. Explanation for overdue payments of the company's funds exceeding three months as of February 29, 2024	Proposals 1-10 were approved unanimously by all Directors present. Opinions of Independent Directors: None Company handling of those opinions: N/A
May 09, 2024 Board of Directors 18th Session 18th Meeting	1. Consideration of the First Quarterly Financial Statements of the Company for 2024	Proposals 1 were approved unanimously by all Directors present. Opinions of Independent Directors: None Company handling of those opinions: N/A

3. Material resolutions of the Audit Committee for 2023 and 2024

Meeting Date	Proposal Content	Resolution Results
March 16, 2023 Audit Committee 1st Session 8th Meeting	1. 2022 Internal Control System effectiveness assessment and "Statement of the Internal Control System". 2. Review of auditor's suitability, independence and appointment compensation 3. 2022 Financial Reports	Proposals 1-3 were approved unanimously by all members
May 4, 2023 Audit Committee 1st Session 9th Meeting	1. Q1 2023 financial statements 2. Amendments to the Internal Control System	Proposals 1-2 were approved unanimously by all members
August 10, 2023 Audit Committee 1st Session 10th Meeting	1. Q2 2023 financial statements 2. Subscribe to the issuance of preferred shares by Chunyuan Construction Co., Ltd. for cash capital increase in 2023.	Proposals 1 were approved unanimously by all members Proposal 2 was revoked because the board meeting of Chunyuan Construction on August 3, 2023, was canceled due to the typhoon holiday.
September 21, 2023 Audit Committee 1st Session 11th Meeting	1. Rental of the Taoyuan Plant Office.	Proposals 1 was revoked and reintroduce after further study and discussion
November 9, 2023 Audit Committee 1st Session 12th Meeting	1. Q3 2023 financial statements 2. Proposed revisions to the "Internal Control System" and "Internal Audit Implementation 3. Explanation for overdue payments exceeding three months as of September 30, 2023	Proposals 1-3 were approved unanimously by all members
December 21, 2023 Audit Committee 1st Session 13th Meeting	1. Proposed revision of the company's "Corporate Governance Best Practices Guidelines" 2. Rental of Taipei office space.	Proposals 1 was approved unanimously by all members Proposal 2 was unanimously approved by all directors present, except for those affiliated with Chunyuan Steel, who abstained due to conflicts of interest..
March 14, 2024 Audit Committee 1st Session 14th Meeting	1. 2023 Internal Control System effectiveness assessment and issue "Statement of the Internal Control System". 2. Review of auditor's suitability, independence and appointment compensation 3. 2023 Financial Reports. 4. Explanation for overdue payments of the company's funds exceeding three months as of February 29, 2024	Proposals 1-4 were approved unanimously by all members
May 9, 2024 Audit Committee 1st Session 15th Meeting	1. Q1 2024 financial statements	Proposals 1 was revoked and reintroduce after further study and discussion

(12) Dissenting or qualified opinions on resolutions passed by the Board of Directors which are made by Directors and are documented or issued through written statements in the most recent year and up to the publication date of this annual report: None

(13) Summary of resignation and dismissal of positions such as Chairman of the Board, General Manager, Chief Financial Officer, Internal Audit Manager, Corporate Governance Officer and Chief R&D Officer in the most recent year and up to the publication date of this annual report: None

V. Professional Fees of CPAs

unit: NTD thousands

Accounting Firm	Accountants Name	Audit Period	Audit Fees	Non-Audit Fees	Total	Remarks
Crowe (TW) CPAs	Wang WuChang	January 1, 2023 to December 31, 2023	1,270	10	1,280	
	Lin ZhiLong	January 1, 2023 to December 31, 2023				
Crowe (TW) CPAs	Wang WuChang	January 1, 2024 to December 31, 2024	1,270	10	1,280	
	Lin ZhiLong	January 1, 2024 to December 31, 2024				

Note: The content of Non-Audit Fees is for salary verification of full-time non-managerial Employees.

- I. Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: N/A.
- II. Reduction in audit fees by more than 10% compared with the previous year: N/A.

VI. Replacement of CPAs

In 2023 and up to the publication date of this annual report the Company did not replace any CPAs.

VII. Disclosure of Accounting Firm Relationships

The Company has no relationships with any accounting firms or related enterprises to disclose. As per the text above, no Director, CEO, or Manager responsible for financial or accounting matters have served in any accounting firm or related enterprise within the last year.

VIII. Changes in Shareholdings of Directors, Supervisors, Managers or Major Shareholders

(1) Changes in equity of Director, Supervisor, Manager or Shareholders with an equity ratio exceeding ten percent, in the most recent year and up to the publication date of this annual report

Title	Name	2023		as of March 31, 2024	
		Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged	Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged
Chairman	Cosmos Co., LTD.	0	0	0	0
Director	Tsai, Hsi Chi	(625,000)	0	0	0
Director	Lee, Wen Lung	0	0	0	0
Director	Cheng, Yi Ming	(1,700,000)	0	0	0
Director	Lee, Wen Fa	0	0	0	0
Director	Tsai, Zong Xian	0	0	0	0
Independent Director	Hsu, Li Ming	0	0	0	0
Independent Director	Chen, Hong Ji	0	0	0	0
Independent Director	Pan, Wei Geng	0	0	0	0
General Manager	Cheng, Chu Si	0	0	0	0
Operations Division Manager	Chen, Kun Chang	0	0	0	0
Business Division Manager	Tseng, Kuo Liang	0	0	0	0
General Managers Office Manager	Tsai, Cheng Ting	0	0	0	0
Accounting Dept. Manager	Wen, Jun Wan	0	0	0	0
Finance Dept. Manager	Tang, Ying Gui	0	0	0	0

(2) Equity Transfer Information: None

(3) Equity Pledge Information: None

IX. Disclosure of Relationships between the Top Ten Shareholders in terms of Equity Ratio, within the second degree of kinship

Name	Shares Held by Oneself		Shares Held by Spouse and Underage Children		Shares Held by Nominee Shareholder		Names and Relationships, within the second-degree of kinship, between the top ten Shareholders in terms of equity ratio		Remarks
	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Name	Relation	
Lee WenLong	7,623,480	5.84%	618,120	0.47%	-	-	Lee WenFa	Brother	
Lee WenFa	7,623,480	5.84%	-	-	-	-	Lee WenLong	Brother	
Cosmos Co LTD	6,962,488	5.33%	-	-	-	-	Cheng Yi Hung	Chairman	
representative: Cheng YiHung							Cheng Yi Ming	Brother	
Tsai HsiChi	6,345,294	4.86%	-	-	-	-	An Xi Invt Co LTD Tsai HsiYi	Principal Brother	
An Xi Invt Co LTD	5,187,087	3.97%	-	-	-	-	Tsai HsiChi Tsai HsiYi	Chairman Director	
representative: Tsai HsiChi							Tsai HsiYi	Brother	
Chun Ming Yao Invt Co LTD	3,400,000	2.60%	-	-	-	-	Cheng YiMing	Supervisor	
representative: Cheng YaoRen	760,147	0.58%					Cheng YiMing Cheng YiHung	Father Uncle	
Tsai HsiYi	3,309,037	2.54%	1,397,357	1.07%	-	-	Tsai HsiChi	Brother	
Cheng YiHung	3,102,000	2.38%	-	-	-	-	Cosmos Co LTD Cheng YiMing	Chairman Brother	
Cheng YiMing	2,545,121	1.95%	429,602	0.33%	7,645,121	5.86%	ChunMingYao Invt Cheng Yi Hung	Supervisor Brother	
Antin Invt Co LTD	2,080,522	1.59%	-	-	-	-	Lee WenFa Lee WenLong	Chairman Brother	
representative: Lee WenFa									

X. Total Shareholdings and Equity Ratio in any Single Enterprise held by the Company, including Directors, Supervisors, Managers, and any Enterprises controlled directly or indirectly by the Company

Invested Enterprise (Note)	Investment made by the Company		Investment made by Directors, Supervisors, Managers, or by any enterprise either directly or indirectly controlled by the Company		Comprehensive Investment	
	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)
ChunYuan Steel Co LTD	14,760,048	18.75%	14,716,177	18.69%	29,476,225	37.44%

Note: This is a long-term investment made using the equity method

IV. Capital Raising Activities

I. Capital and Shares

(1) Source of capital

1. Source of capital

Issued Month Year	Issued Price	Authorized Capital		Paid-In Capital		Remarks		
		Number of shares	Value (NTD)	Number of shares	Value (NTD)	Source of Capital	Capital Increase by Assets other than Cash	Other
July 1972	10	200,000	2,000,000	200,000	2,000,000	Incorporated as a Limited Company	None	
October 1996	10	80,000,000	800,000,000	65,112,238	651,122,380	\$15,502,910 Earnings \$15,502,910 Reserves	None	
July 1997	10	80,000,000	800,000,000	66,740,045	667,400,450	\$16,278,070 Reserves	None	
August 2000	10	80,000,000	800,000,000	73,414,050	734,140,500	\$60,066,050 Earnings \$6,674,000 Reserves	None	
August 2001	10	80,000,000	800,000,000	75,616,470	756,164,700	\$14,682,800 Earnings \$7,341,400 Reserves	None	
August 2002	10	80,000,000	800,000,000	77,884,965	778,849,650	\$22,684,950 Earnings	None	
September 2003	10	80,000,000	800,000,000	79,442,664	794,426,640	\$15,576,990 Earnings	None	
September 2004	10	109,000,000	1,090,000,000	87,386,930	873,869,300	\$79,442,660 Earnings	None	
September 2005	10	109,000,000	1,090,000,000	91,756,276	917,562,760	\$43,693,460 Earnings	None	
September 2007	10	200,000,000	2,000,000,000	114,695,345	1,146,953,450	\$229,390,690 Earnings	None	
October 2007	17	200,000,000	2,000,000,000	126,695,345	1,266,953,450	\$120,000,000 Cash	None	Note 1
October 2011	10	200,000,000	2,000,000,000	129,229,252	1,292,292,520	\$25,339,070 Earnings	None	Note 2
September 2012	10	200,000,000	2,000,000,000	130,521,545	1,305,215,450	\$12,922,930 Earnings	None	Note 3

Note 1: Approval Letter No.0960043413 from the Financial Supervisory Committee (FSC) dated August 21, 2007.

Note 1: Approval Letter No.1000032119 from the FSC dated July 12, 2011.

Note 1: Approval Letter No.1010030623 from the FSC dated July 11, 2012.

2. Types of shares

Type of Share	Approved Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total Shares	
common share	130,521,545	69,478,455	200,000,000	publicly listed

3. Information on the general reporting system for issuing and offering securities: None

(2) Shareholder structure

April 24, 2024

Shareholder Structure	Government Institutions	Financial Institutions	Other Institutions	Individuals	Foreign Institutions/ Individuals	Total
Number of Shareholders	-	3	31	15,767	27	15,828
Number of Shares Held	-	16,772	23,354,280	106,443,003	707,490	130,521,545
Equity Ratio	-	0.01%	17.90%	81.55%	0.54%	100.00%

(3) Distribution of equity

1. Common shares

April 24, 2024

Range of Shareholder Ownership	Number of Shareholders	Total of Shares Held	Equity Ratio
1 - 999	4,166	540,831	0.41%
1,000 - 5,000	9,334	19,068,031	14.61%
5,001 - 10,000	1,369	10,941,944	8.38%
10,001 - 15,000	313	3,967,960	3.04%
15,001 - 20,000	243	4,536,526	3.48%
20,001 - 30,000	165	4,210,230	3.23%
30,001 - 40,000	95	3,866,769	2.96%
50,001 - 100,000	65	4,585,757	3.51%
100,001 - 200,000	27	3,816,822	2.92%
200,001 - 400,000	15	4,535,879	3.48%
400,001 - 600,000	9	4,518,789	3.46%
600,001 - 800,000	8	5,633,979	4.32%
800,001 - 1,000,000	1	928,000	0.71%
above 1,000,001	18	59,370,028	45.49%
Total	15,828	130,521,545	100.00%

2. Preferred shares: None

(4) List of major Shareholders

Shareholdings of the Top 10 Shareholders

Shareholder Name	Number of Shares Held	Equity Ratio
Lee Wen Lung	7,623,480	5.84%
Lee Wen Fa	7,623,480	5.84%
Cosmos Co LTD	6,962,488	5.33%
Tsai His Chi	6,345,294	4.86%
An Xi Investments Co LTD	5,187,087	3.97%
Chun Ming Yao Investments Co LTD	3,400,000	2.60%
Tsai Hst Yi	3,309,037	2.54%
Cheng I Hung	3,102,000	2.38%
Cheng Yi Ming	2,545,121	1.95%
Antin Investment Co., Ltd.	2,080,522	1.59%

(5) Performance data for shares of the Company for the recent two years

unit: share, NTD

Items		2022	2023	Current year as of April 30 (Note 8)
Market Price per share (Note 1)	High	38.50	22.15	19.80
	Low	15.95	15.10	15.45
	Average	22.78	18.04	17.33
Net Value per share (Note 2)	Before distribution	13.06	12.69	12.82
	After distribution	12.86	12.69	-
Earnings per share	Shares Outstanding	130,521,545	130,521,545	130,521,545
	EPS (Note3)	Basic	0.29	(0.16)
		Diluted	0.29	(0.16)
Dividends per share	Cash dividends		0.20	0.00
	Stock dividends	from earnings	-	-
		from capital reserves	-	-
	Accumulated unpaid dividends (Note 4)		-	-
Return on Investment per share	Price to earnings ratio (Note 5)		78.55	(112.75)
	Price to dividend ratio (Note 6)		113.90	-
	Cash dividend yield (Note 7)		0.88%	0.00%

Note 1: Market Price information was collected from the website of the Taiwan Stock Exchange.

Note 2: Net Worth information based on the outstanding shares as of the end of the fiscal year and the distribution plan as approved by the Board of Directors or by the shareholders at the Annual Shareholders Meeting from the following year.

Note 3: If retroactive adjustments to the EPS calculation are necessary to properly account for share dividend dilution, present the EPS before and after the adjustment.

Note 4: For shares issued with conditions stipulating that unpaid dividends in a current year may be accumulated to be paid in a positive year, the accumulated unpaid dividends up to the current year shall be disclosed.

Note 5: Price to earnings ratio = Average Market Price/Diluted earnings per share.

Note 6: Price to dividend ratio = Average Market Price/Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share/Average Market Price.

Note 8: Current year information was filled in with data audited by a CPA for the most recent quarter and up to the publication date of this annual report.

(6) Dividend policy and implementation

1. Dividend policy of the Company as stated in the Articles of Association

As the Company's current business is in a stable growth phase, for the sake of sustainable operations, taking into account future profitability, capital needs, and long-term financial planning, and also considering Shareholders needs for cash flow, the Company adopts a balanced dividend policy. If there are positive earnings in the annual statement of the Company, the Board of Directors will consider the financial structure of the Company, rights and interests of Shareholders, and the stability of dividends when drafting an earnings distribution plan. The actual distribution of earnings will exceed 50% of distributable earnings, excluding the prior periods, and the cash dividend component will not be less than 10% of the total cash and stock dividends. The earnings distribution plan shall be submitted to the Shareholders Meeting for approval. If the entire distribution is in cash, the Board of Directors shall make a resolution with more than two-thirds of the Directors in attendance and the approval of more than half of the attending Directors, and report to the Shareholders Meeting.

2. Earnings distribution plan

The 2023 cash dividend distribution plan is based on the resolution of the Board of Directors on March 14, 2024, with a cash dividend of NTD 0 per share, and will be proposed for recognition at the Shareholders Meeting.

3. Explanation of significant changes in expected dividend policy: None

(7) Impact on business performance and EPS due to the earnings distribution plan proposed in the most recent Shareholders Meeting

		unit: NTD thousands
Item		2023
Initial paid-in capital		\$1,305,215
Distribution of shares and dividends for the current year	Cash dividend per share	0.00
	Stock dividend from earnings	0
	Stock dividend from capital	0
Changes in business performance	Operating income	Not applicable
	Operating income change rate, compared to same period last year	
	Net income	
	Net income change rate, compared to same period last year	
	Earnings per share (EPS)	
	EPS change rate, compared to same period last year	
	Annual return on investment (ROI)	
Projected EPS and price-to-earnings (P/E) ratio	If earnings are fully converted to cash dividends	Estimated EPS
		Estimated ROI
	If capital reserve is not converted to share capital	Estimated EPS
		Estimated ROI
	If capital reserve is not converted and earnings are distributed as cash dividends	Estimated EPS
		Estimated ROI

Note: In accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies", The Company will not disclose 2022 financial forecast information, therefore this section is not applicable.

(8) Compensation for Employees, Directors and Supervisors

1. Compensation for Employees, Directors and Supervisors, as stated in the Articles of Association:

The Company calculates the compensation for Employees, Directors and Supervisors based on the pre-tax profits of the current year, after deducting accumulated losses, and if there is still a surplus, it shall be distributed according to the following ratios:

- 1) Compensation for Directors and Supervisors is capped at one percent
- 2) Compensation for Employees is two percent

2. The basis for estimating the amount of compensation for Directors and Employees in the form of cash or stock in the current fiscal year, and the accounting treatment if there is a discrepancy between the actual distributed amount and the estimated amount:

In accordance with the Company law amended in May 2015 and the revised "Articles of Association" approved by the Shareholders Meeting on June 8, 2016, the Company allocates compensation for Directors and Supervisors, and profit sharing for Employees based on the pre-tax profit before deducting the distribution of compensation and profit sharing for the current year with a maximum of one percent and two percent respectively. In 2023 and 2022, the compensation for Directors was NT\$0 thousand and NT\$473 thousand, respectively, and the profit sharing for Employees was NT\$0 thousand and NT\$947 thousand, respectively, which was calculated based on the aforementioned ratio. If there is discrepancy between the amount after the annual financial report is released, it will be treated as a change in accounting estimate and will be adjusted and recorded in the next year.

3. Compensation and profit sharing approved by the Board of Directors:

- 1) The amount of compensation for Directors, and profit sharing for Employees distributed in cash or stock, and if there is any discrepancy from the estimated amount in the year, then the discrepancy, reason and actions by the Company shall be disclosed:

Date of resolution: March 14, 2024

Distribution amount:

- A. Directors and Supervisors compensation was 1% of annual profit, or NT\$0 thousand.
- B. Employees profit sharing was 2% of annual profit, or NT\$0 thousand.

- 2) The amount of compensation for Employees distributed as stock, and its proportion to the net income and total compensation of Employees in individual financial reports of the current period:

The compensation of Employees is paid in cash

4. The actual distribution of compensation for Employees, Directors, and Supervisors during the previous year (including the number of shares, amount and stock price) and any differences in recognized compensation for Employees, Directors, and Supervisors including the number of incidences, the reasons, and actions by the Company shall be disclosed: None

(9) Repurchases or buybacks of Company shares: None

II. Issuance of Corporate Bonds

None

III. Issuance of Preferred Shares

None

IV. Issuance of Global Depositary Receipts

None

V. Issuance of Employees Stock Options

None

VI. Restrictions on Employee Stock Rights for Issuance of New Shares

None

VII. Issuance of New Shares through Merger or Acquisition of Another Company's Shares

None

VIII. Execution of Capital Allocation Plan

The Company has not conducted previous public offerings or private issuances of securities within the last three years and there are no plans that have not been completed or are currently in progress.

V. Operational Overview

I. Business Activities

(1) Business scope

1. Industry classification of main business content

- 1) CA01050 Steel secondary processing
- 2) CA01070 Scrap iron and steel metal processing
- 3) CA02010 Metal structure and architectural components manufacturing
- 4) CA02090 Metal wire products manufacturing
- 5) CA02990 Other fabricated metal products manufacturing
- 6) CA04010 Surface treatments
- 7) CB01010 Mechanical equipment manufacturing
- 8) F401010 International trade
- 9) ZZ99999 All business activities that are not prohibited or restricted by law

2. Products and services

The Company specializes in stainless steel in the form of plate, coil, sheet, strip, tube and wire. The main services of the Company include:

- 1) Cutting/ Shearing for plate, coil, and sheet
- 2) Slitting for coil
- 3) Surface treatments for coil, and sheet
- 4) Mirror polishing for sheet
- 5) Tread plate stamping for sheet
- 6) Processing and handling of tube and wire
- 7) Processing of other metals in various forms

3. Proportion of business

In 2023, the proportion of stainless steel plate, and coil sales accounted for 99.95% of total sales, while other stainless steel products, other metal products, and processing services accounted for 0.05% of total sales. The proportion of domestic sales accounted for 100% of total sales while foreign sales accounted for 0% of total sales.

(2) Industry overview

1. Industry status and developments

Stainless steel can be found in so many aspects of our daily lives. From in the kitchen with silverware, cookware, appliances, sinks and countertops, to in a building with architectural structures and decorations, corrugated panels, elevators, banisters and railings, doors, and windows frames. From in the city with restaurants, hospitals, transportation and electronics, to the things that power our world, like mechanical components, manufacturing and processing equipment, food and chemical plants, and military and nuclear facilities. Even the exterior of the world's tallest twin building, the Petronas Twin Towers in Malaysia, standing at 452m, is made almost entirely of stainless steel. Understanding the reason for this simple, stainless steel is a superior material with high corrosion resistance, high mechanical strength and good machinability, while also offering a significantly longer service life, and being completely recyclable, it has become the material of choice for many industries.

The steel industry plays a fundamental role in the well-being of people and is a foundation of the national economy. Its impact is extensive and far-reaching, and its consumption level serves as a measure of a country's economic growth. The steel industry can be divided into two main categories, standard steels and specialty steels, with stainless steel in the specialty steels category. While standard steels are fairly straightforward, specialty steels not only have a wide range of types and grades, but an even wider range of applications. The products of specialty steels can be roughly divided into raw materials like billet and ingot, hot-rolled material like plate and coil, cold-rolled material like coil, sheet and welded pipe and extruded material like bar and seamless pipe. Stainless steel is similar to carbon steel, however, by adding raw nickel and chromium during the melting process, an alloy is created that is greyish silver in appearance, and that is highly resistant to corrosion, subsequently making it hygienic and easy to clean.

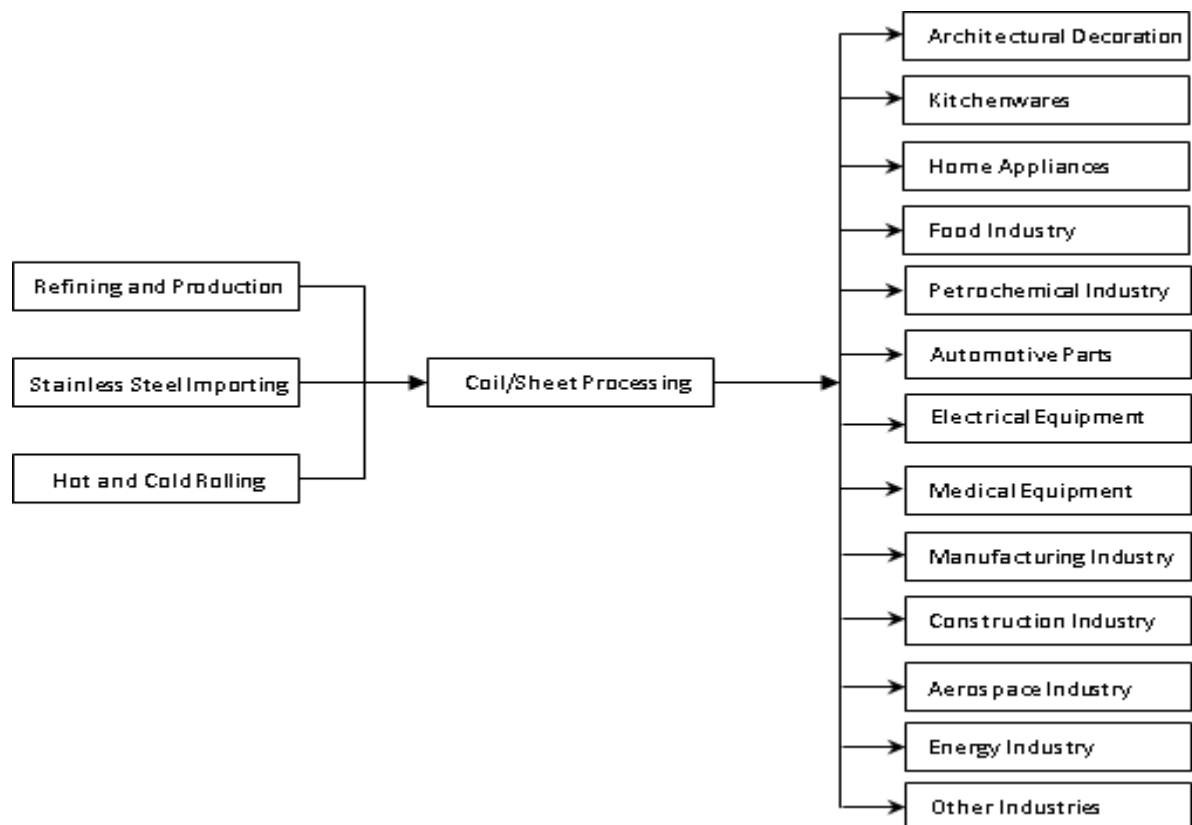
Stainless steel is a very mature commodity, and its prices and outputs are completely determined by the global and domestic markets. Half of the global stainless steel market is in Asia, where China has become the largest consumer of stainless steel in the world due to its rising manufacturing demand, and since joining the World Trade Organization, the surrounding markets have gradually opened up, giving a large number of Asian and European manufacturers an opportunity to export materials and products to the mainland and beyond. However, as the global economy has been affected by difficulties and financial turmoil in recent years, the demand for stainless steel has also dropped significantly, and the market has become oversupplied, indirectly affecting the economic growth of emerging countries. As with most industries, the stainless steel industry is cyclical, and once the storm passes, and the rebuild stage begins, stainless steel consumption will increase with demand in infrastructure and construction.

Looking to the future, the demand for stainless steel will fluctuate with the growth of the overall economy, but the supply and price of raw nickel will also directly affect the production capacity and supply of stainless steel. Stainless steels already have so many applications in today's world, and with greener production and recycling capabilities, they are also continually replacing applications previously using carbon steels, so the future of the stainless steel industry is expected to remain stable with long-term upward trends.

2. Relationships between the upstream, midstream, and downstream sectors of the industry

The main business of the Company is processing surface treatments and cutting of hot-rolled and cold-rolled stainless steel coils, and the trade of hot-rolled and cold-rolled stainless steel coils, strips and sheets. The Company belongs to the secondary processing industry of stainless steel flat products. Upstream manufacturers are engaged in the refining and production of stainless steel billet and the processes of hot rolling and cold rolling coils. After a stainless steel billet is produced, and while it is still hot, it is continuously rolled and pressed to form a hot-rolled coil. Presently, some domestic manufacturers include Tang Eng Ironworks, Yieh United and China Steel, and Walsin Lihwa. Once a hot-rolled coil has been produced it can be further rolled and pressed, without adding heat, to form cold-rolled steel coils. Presently, some domestic manufacturers include Tang Eng Ironworks, Yieh United, Tung Mung, and Walsin Lihwa.

As a secondary stainless steel processor, the Company is stationed in the midstream of the industry, as it acquires both hot-rolled and cold-rolled stainless steel coils than provides a variety surface treatments and finishes, as well as slitting, and cutting services. Due to the wide range of uses for stainless steel products, downstream businesses are in a variety of industries that include manufacturing, transportation, construction, energy and infrastructure, food and beverage, medical, among others. Please refer to the following diagram of the relationship between the upstream, midstream and downstream sectors of the industry.



3. Product development trends

Stainless steel products are essentially high-grade steel products, an integral part of the steel industry includes the technical fields of coil leveling, cutting, slitting, and recoiling, as well as sheet cutting and surface processing. The Company is continuously making in-depth and systematic upgrades and integrations to ensure technological leadership and to strengthen its competitive advantage, and allows customers of any size to purchase what they need to meet their business's demands.

4. Product competition

Due to the continuous growth of global stainless steel consumption over recent years, domestic stainless steel manufacturers have strong international competition in production and sales, Production capacity is critical to being able to accept orders and make a profit, and the key to success lies in mastering raw materials and trade channels. The Company is in the secondary steel processing industry, and due to its long-term stable operation and reputation, it has always maintained a leading position. In the future, the Company will continue to invest in hardware and software to improve the capabilities and efficiencies of the operation so that the Company can not only meet the needs of domestic demand, but will also achieve brilliant results in expanding international sales.

(3) Research and development

1. Technical level of business operations

The Company is a steel processing business, with the main technical level being steel cutting, slitting and surface treatments among other processing technologies. All processing technologies of the Company are mature, and there is no need to rely on foreign technologies. The current product line includes: hot-rolled and cold-rolled stainless steel in various grades, in a wide range of thickness, width and temperance, with various surfaces finish and treatment options, in the form of coil, strip, plate, sheet and other products. In recent years the Company has invested in precision leveling and cutting equipment, as well as continuous wet grinding equipment for steel coils. These processes stand out in the industry and the quality is especially recognized by customers.

2. Research and development

The Company focuses on the research and development of steel processing technology, and it has a dedicated technology research and development unit. According to operational needs, the unit will utilize various testing instruments and processing equipment to continuously improve the independent ability of processing technology, stabilize steel quality requirements, research automation and efficiency opportunities for process improvements, and reduce the failure rate of equipment to provide customers with the best products and services available. Looking forward, the Company will continue to focus on meeting customer needs, balanced with the continued development and introduction of new technologies, so as to achieve the goal of sustainable operation.

3. Research and development achievements and expenses invested in the most recent year and up to the publication date of this annual report

- 1) Xinzhuang sandblasting machine install air blowing dust removal device.
- 2) Xinzhuang 4ft. line shearing machine brake clutch improvements.
- 3) Xinzhuang 5ft. shearing machine program control improvements.
- 4) Dayuan 5ft. sandblasting line machine water-oil lubrication and cooling improvements.
- 5) Dayuan 5ft. sandblasting line machine PVA wheel shaft improvements.

4. Planned research and development goals

- 1) Xinzhuang 2ft. straightening machine roughing equipment improvements.
- 2) Xinzhuang 3ft. shearing machine table scratch prevention improvements.
- 3) Xinzhuang 5ft. line shearing monitoring system improvements
- 4) Dayuan 5ft. steel coil slitting machine weighing scale converse to eletronic.
- 5) Dayuan 5ft. sandblasting line machine PVA wheel shaft improvements.

(4) Short-term and long-term business development plan

1. Short-term business development plan

1) Consolidate existing customers and actively promote market expansion

In line with customer needs and market development trends, the Company will use its existing production scale and professional knowledge to consolidate the business of existing customers, and actively develop mid-stream and downstream customer groups to expand the scope of services and expand the market opportunities.

2) Develop new processes to increase market share

Committed to the research and development of new technologies and the introduction of new equipment to improve the quality and standards of steel processing, thereby increasing relevance and market share.

3) Reduce production cost and increase production efficiency

Strengthen the standardization of product planning and production processes, retrain employees to handle multi-tasking automated tasks, and implement various budget and cost controls to improve production efficiency and reduce production costs.

4) Increase production capacity

In response to performance growth needs, it is planned to expand the production line to increase capacity.

5) Maintain product quality

Strengthen the implementation of the ISO 9001: quality management system, enhance product diversification and its added value, and apply various testing for products to improve quality.

2. Long-term business development plan

1) Marketing strategy

Continue to expand production scale and capacity and expand market opportunity, cultivate diversified groups of customers, establish a comprehensive production, sales and marketing network, use strategic alliances for cooperative projects, strengthen the real-time control of market information, and increase the added value of products.

2) Continue to expand production scale, production capacity, and global market opportunities

Take advantage of new developments in industrial manufacturing equipment and high value-added products to increase quality and efficiencies to expand market territory.

3) Strengthen research and development objectives

Improve the technical level of product research and development, and manufacture high-quality, low-cost products to enhance the competitiveness of the Company.

4) Continue to cultivate professional talent for the future development of the Company

Promote recognition of the corporate culture to establish common values and unite all aspects of the Company, adhere to the concept of sustainable management, strive to attain an outstanding corporate culture, and continue the direction of the short-term development plan, in response to growth of the production scale of the operation.

II. Market and Sales Overview

(1) Market Analysis

1. Regional sales of main product

unit: NTD millions

Sales Regions		2022		2023	
		Amount	% of Total Sales	Amount	% of Total Sales
Domestic	North	1,737	51.68%	1,424	49.76%
	Central	757	22.52%	646	22.57%
	South	867	25.80%	792	27.67%
Foreign		0	0.00%	0	0.00%
Total		3,361	100.00%	2,862	100.00%

2. Expected supply and demand, and growth of the market

1) Expected supply and demand of the market

The continuous growth of the domestic stainless steel industry is due to a combination of the improvement of people's living standards, and Taiwan's island-like environment, where steel is more prone to corrosion, further accelerating stainless steel consumption. Stainless steel is beautiful in color, has excellent corrosion resistance, forming and machining is easy, and has a significantly longer life cycle. Over the years, a large number of traditional carbon steel and aluminum products have been replaced, such as water towers, rolling security doors, stair railings, doors and door frames, window frames, decorative paneling, street carts, kitchenware, cookware, food and beverage facilities, papermaking, pharmaceutical and chemical processing, oil and gas infrastructure, to name a few. Stainless steel has broken away from the "high-priced luxury goods" image of the past and has become a popular product of everyday life, further stimulating consumer demand. The continuous promotion of architectural decorations and public works related to cold-rolled stainless steel, and the more recent large-scale use of stainless steel in computer components, electronic parts, and automation equipment are business opportunities to boost the industry. Also, depending on usage conditions, there are more than ten surface processing methods for cold-rolled sheets, such as patterned, colored, coated, mirrored, or even combinations of multiple processes. These different surface finishes and treatments give stainless steel more optionality, and being widely used in various industries.

According to Lin WeiKai, an industry analyst at the Metal Center, in the future, stainless steel applications will increase in three major areas:

- A. Environmental protection: More heat-resistant and corrosion-resistant stainless steel will be used in high-temperature waste incineration devices, liquefied natural gas power generation and high-efficiency power generation using coal, automotive batteries for electric vehicles, and sewage pipes and water treatment devices.
- B. Longer service life: Based on the Life-Cycle Cost (LCC) evaluation method, countries in Europe and the United States have already elected to use more stainless steel and stainless steel components in infrastructure such as bridges, highways, and tunnels. For comparison, the expected life of buildings in Japan fifty years ago was 20-30 years, but almost one hundred years ago, in 1930, the Chrysler Building in New York City was built, with many parts of its exterior made from stainless steel. The first scheduled service for the stainless steel areas, in 1960, was cancelled due to minimal wear. This service has continued to be cancelled even into more recent years, and the skyscraper is still in beautiful condition, standing as a testament to longevity and driving the use of related products.

C. New applications in electronics: Electronic equipment, like mobile phones, require high-strength, elastic and non-magnetic materials, and stainless steel can meet those requirements. Also, because of the cleanliness and durability of stainless steel the demand for equipment for manufacturing semiconductors and various integrated circuit boards will further expand in the future.

In the future, international nickel prices will affect the rise and fall of the stainless steel industry, and the increase or decrease in nickel prices will be affected by the overall economic situation and global demand. Under the constraints of difficult and non-renewable mining resources, opportunities to increase production capacity is limited. It is expected that nickel will continue to be in a situation of short supply inevitably affecting the stainless steel market.

2) Expected sales volume

The estimated sales volume for 2024 is 42,000 metric tons

3. Competitive niche

1) Rich experience in raw material procurement

In the stainless steel industry, procurement has become a critical aspect of success, as raw material costs account for more than 80% of total manufacturing costs. Inaccurate identification of quality raw materials and untimely procurement practices can have a huge impact on product quality, manufacturing costs, and the overall operation. As a professional stainless steel processor, the Managers and Employees of the Company responsible for procurement are seasoned professionals, with many years of experience in the industry.

2) Mature technology and affirmed product quality

The turnover rate of personnel in the Company is low, and the average length of employment in the production department is over five years. The Training Within Industry (TWI) method and Standard Operating Procedures (SOP) are inherited, making the production technology quite mature. Since 1963, the Company has owned a complete set of production process equipment, and over the years the Company has introduced a variety of advanced machinery and processing equipment to meet market demand, and to meet the needs of customers. The Company has also obtained ISO 9002 quality certification from the Commodity Inspection Bureau of the Ministry of Economic Affairs in 1987; ISO 9001:2000 quality management system certification from the Commodity Inspection Bureau of the Ministry of Economic Affairs in 1992; ISO 14001:2004 environmental management certification from UKAS in 1995; recertifications ISO 9002 and 14001: 2015 in 2018. The Dayuan facility received the water pollution control measures permit in 2008, with extensions given in 2013, 2018 and 2021. The printing of quality inspection certificates was fully computerized in 2014, and the labeling of storage slips was fully computerized in 2016. The products of the Company have been adopted and are widely used by many major companies, demonstrating a strong trust from users, and further proving the excellent quality of the products.

3) Complete and advance processing equipment

In order to meet the growing domestic demand for stainless steel year after year, and to strengthen competitiveness in the industry, the Company serves customers at all levels, and has continuously introduced new highly-advanced processing machinery. Some examples, are the Japanese made 5-foot and 2-foot guillotine shears, the advanced steel coil wet sand blasting machine, Taiwan made 5-foot and 4-foot line shears and 5-foot slitting machines. In addition, the Company ensures the stability of product ingredients, product quality, and customer specifications by introducing and utilizing a variety of quality assurance instruments to guarantee excellence.

4) Networks and sources of raw materials

Since 1971, the Company has cultivated the domestic market and has built a stable network for sourcing raw materials. In more recent years, the Company has been more active in diversifying the sources of raw material purchases, and has developed specific customer groups in order to, conversely, diversify business risks. Continuing to expand the network and diversify the sources of raw materials is the reason that the Company is constantly recruiting and cultivating outstanding talent.

4. Favorable and unfavorable factors to long-term developments and countermeasures

1) Favorable factors

- A. Fully meet the needs of customers with leading industrial technologies and know-how, and new and complete line equipment with strong multi-process capabilities.
- B. Diversified product specifications and quality classification systems to provide the most suitable products and services for downstream customers.
- C. Obtained ISO 9001 and 14001 quality certifications and under the computerized and systematic production system, the PDCA cycle strictly controls and continues to improve the quality, meeting many foreign steel standards.
- D. Continuously carry out in-depth and internal technical improvements and integrations to ensure technological leadership and strengthen competitive advantage.
- E. With customers across the island scattered throughout each province, utilizing the existing customer base, and expanding direct sales to customers with upstanding qualities and good reputations, can increase market share and reduce bad debt risks.
- F. The production capacity of upstream stainless steel suppliers has been increased, meaning the source of raw materials should not be in short supply, and costs can be reduced further.

2) Unfavorable factors

- A. it is difficult to control the inventory of nickel in international markets which creates constant movements in the price, consequently affecting the stainless steel industry.
- B. Due to the continuous increase in production capacity of domestic stainless steel producers, the domestic supply exceeds demand, and market competition has intensified, affecting profitability.
- C. In recent years, due to surrounding trends, the reduction in work hours and increase in wages will affect operational costs.

3) Countermeasures

- A. Actively collect domestic and foreign supply and demand data, and keep abreast of market information to strengthen the ability to study and judge dynamic market trends as a reference for purchasing raw materials.
- B. Actively strive for domestic contract volume, but if imported from abroad, the foreign currency debt will be repaid with proceeds from export sales to avoid exchange rate risks.
- C. Develop a diversified product line, staying committed to product standardization, with decreased processing times to fully meet customer's needs.
- D. Increase the level of production automation, decreasing the need for standard laborers and reducing personnel costs, and utilize foreign workers to make up for any shortage of personnel.

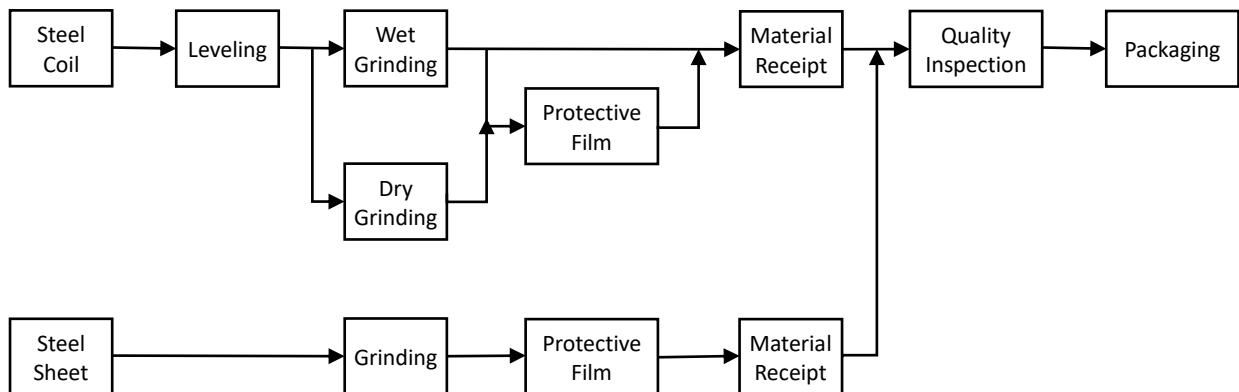
(2) Application and production process of main products

1. Product applications

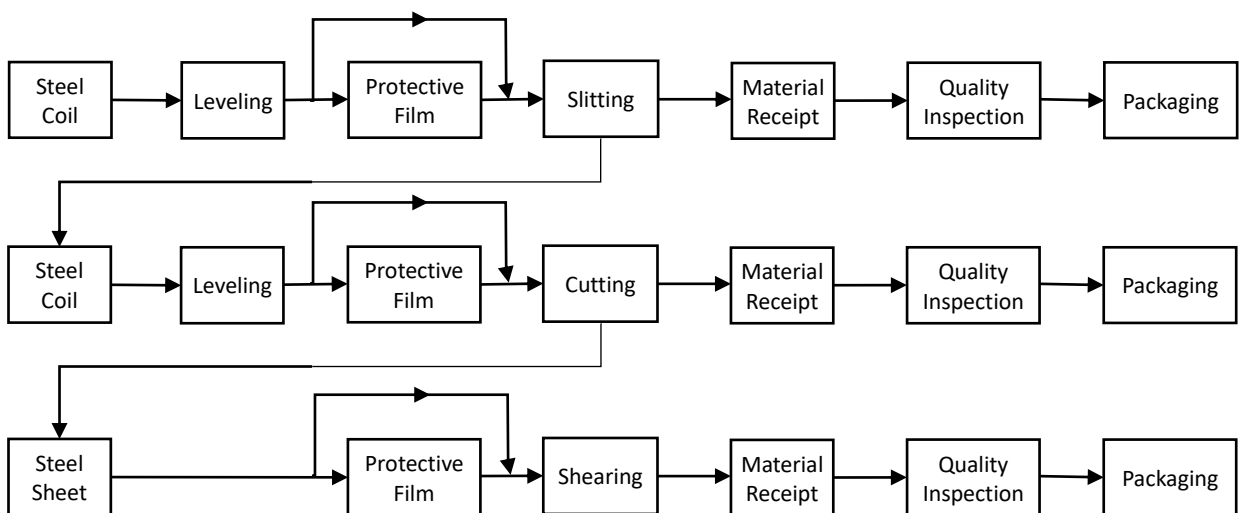
Main Products	Applications	
	Industry	Product/ Usage
Stainless Steel in Coils, Sheets, Pipes, Tubes, Round Bars, Flat Bars, Angles, Patterns, Tread Plating, and other products in Stainless Steel	Life Goods	Home appliances, office furniture, mirrors, grooming tools, watches, gym equipment, bicycles, thermoses, barbeques, espresso machines, hand tools and power tool components, etc.
	Electronics	Mobile phones and tablets, digital cameras, display panels, flash drives and hard drives, computers, televisions, monitors, intercoms, enclosures, microwaves, water kettles, scales etc.
	Medical	Hospital cabinetry and fixtures, hospital beds, medical supplies, surgical tools, needles, wheelchairs, prosthetic limbs, dental equipment, rehab equipment, pharmaceutical processing, etc.
	Restaurant Catering	Pots and pans, utensils, cookware, serveware, ovens, ranges, grills, range hoods, prep tables and countertops, shelving, wall paneling, refrigerators and other appliances, etc.
	Transportation	Parts and accessories for planes, ships, boats, trains, railcars, buses, tankers, motorcycles and autos including exhaust and muffler systems, and battery components for electric vehicles.
	Construction	Elevators and escalators, HVAC systems, fire safety systems, decorative paneling, corrugated walls and roofing, bathroom and kitchen fixtures, doors and door fixtures, nuts and bolts, etc.
	Food and Beverage	Storage equipment such as storage kegs, tanks and vats, and processing equipment for freezing, heating, stirring, filtration, distillation, fermentation, pasteurization, etc.
	Chemical	Processing and storage equipment like kegs, tanks, vats, forceps, clean rooms, flexible hosing, piping systems, valves, nozzles, ventilation and filtration systems, cathodic systems, etc.
	Energy and Power	Electrical distribution towers and transformers, electrical panels, compartments and boxes, hydro energy turbines and systems, coal, LNG, nuclear and other power generation systems, etc.
	Environmental Engineering	Industrial washing systems, incineration and exhaust systems, air quality and filtration systems, water treatment systems, drainage and sewage systems, waste and garbage systems, etc.

2. Production Processes

1) Stainless steel surface finishes/ grinding flow chart



2) Stainless steel coil/ sheet processing flow chart



(3) Status of raw material supply

The main raw materials of the Company are cold-rolled and hot-rolled stainless steel coils. In the past, raw materials were all imported from suppliers in Japan, Korea, China, South Africa, Spain, Finland, Brazil and other regions, and the Company has maintained cooperative relationships over the years. Domestically, raw material supply began with Tang Eng Iron Works, and gradually, as quality of life improved and demand for high-grade steel increased, Tung Mung, Yieh United, and Walsin Lihwa successfully came into production and have since been long-term cooperative suppliers of the Company. In recent years, the domestic self-sufficiency rate for high-grade steel has reached 100%, with plenty of capacity remaining for export. Options for raw material procurement are plentiful, both at home and abroad, so it is highly unlikely for a shortage in the supply of raw materials.

(4) Major suppliers and customers of the most recent two years

1. Major suppliers

unit: NTD millions

	2022				2023				2024 - first quarter			
Item	Name	Sales Amount	Annual Purchase Ratio	Relationship	Name	Sales Amount	Annual Purchase Ratio	Relation	Name	Sales Amount	Annual Purchase Ratio	Relation
1	Suppler A	1,249	42.40%	none	Suppler A	1,170	43.77%	none	Suppler A	241	38.31%	none
2	Suppler B	813	27.60%	none	Suppler C	631	23.61%	none	Suppler C	168	26.71%	none
3	Suppler C	654	22.20%	none	Suppler B	582	21.77%	none	Suppler B	125	19.87%	none
4	Suppler D	195	6.62%	none	Suppler D	238	8.90%	none	Suppler D	78	12.40%	none
	Other	35	1.18%	none	Other	52	1.95%	none	Other	17	2.71%	none
	Total	2,946	100.00%	-	Total	2,673	100.00%	-	Total	629	100.00%	-

Note 1: List the name, purchase amount, and annual purchase ratio, of any supplier whose total supplied amount exceeds ten percent in the last two years, however, if the name of the supplier cannot be disclosed due to contractual agreement or the transaction partner is an individual and not a related party, the name can be coded.

Note 2: As of the publication date of the annual report, companies that are publicly listed or whose shares have been traded at a securities firms, the most recent financial information that has been audited, reviewed or certified by an accountant, shall also be disclosed.

Reason for change: Procurement plans were adjusted to adapt to the changes of the supply-demand situation and prices.

2. Major customers

unit: NTD millions

	2022				2023				2024 - first quarter			
Item	Name	Sales Amount	Annual Purchase Ratio	Relation	Name	Sales Amount	Annual Purchase Ratio	Relation	Name	Sales Amount	Annual Purchase Ratio	Relation
1	The domestic customer base is spread across the island and scattered among the provinces as to increase market share and reduce bad debt risks. For the most recent two years there has been no one customer that accounts for ten percent or more of total sales volume.											
	Other	3,361	100.00%	-	Other	2,862	100.00%	-	Other	667	88.06%	-
	Total	3,361	100.00%	-	Total	2,862	100.00%	-	Total	667	88.06%	-

Note 1: List the name, purchase amount, and annual purchase ratio, of any customer whose total purchase amount exceeds ten percent of total sales in the last two years, however, if the name of the supplier cannot be disclosed due to contractual agreement or the transaction partner is an individual and not a related party, the name can be coded.

Note 2: As of the publication date of the annual report, companies that are publicly listed or whose shares have been traded at a securities firms, the most recent financial information that has been audited, reviewed or certified by an accountant, shall also be disclosed.

Reason for change: The decrease in net sales was mainly due to the impact of the rise and fall of the nickel sales price on international exchanges.

(5) Production volume and value of the most recent two years

unit: metric tons/NTD millions

Production Volume and Value	Year					
	2022			2023		
Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Stainless Steel Sheets	87,000	45,767	3,323	87,000	46,201	2,820
Other Stainless Steel Products	-	-	-	-	-	-
Total	87,000	45,767	3,323	87,000	46,201	2,820

Note: The production capacity is multi-process processing.

(6) Sales volume and value of the most recent two years

unit: metric tons/NTD millions

Sales Volume and Value	Year							
	2022				2023			
Main Products	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Stainless Steel Sheets	37,521	3,383	-	-	38,080	2,890	-	-
Other Stainless Steel Products	-	-	-	-	-	-	-	-
Total	37,521	3,383	-	-	38,080	2,890	-	-

III. Employee Information

Total number, average age, average length of service and educational background of Employees in the past two years and up to the publication date of this annual report

		2022	2023	As of April 30, 2024
Total Number of Employees	Technicians	74	71	70
	Office staff	88	86	86
	Total	162	157	156
Average Age		44.98	45.66	45.89
Average Length of Service		14.56	15.19	15.83
Ratio of Highest Achieved Education Level	Doctorate, PhD	0.00%	0.00%	0.00%
	Masters	0.62%	1.95%	2.03%
	Bachelors	53.09%	53.25%	53.38%
	High School	37.04%	35.71%	35.14%
	below High School	9.25%	9.09%	9.46%

IV. Environmental Protection Expenditure Information

- (1) Total amount of expenses and penalties due to environmental pollution in the most recent year and up to the publication date of this annual report: None

The Company has never had an environmental pollution incident, so no compensation for losses or penalties has been made.

- (2) Countermeasures

1. Improvement plan

- 1) To prevent environmental problems, and in accordance with the "Waste Disposal Act" the Company disposes of waste effectively and properly. All reusable materials are classified to increase resource utilization, and general industrial wastes are entrusted to qualified professional organizations responsible for their transportation and disposal.
- 2) The average annual waste removal cost is about NTD 500 thousand.

2. Environmental policy

- 1) Purchase dust covers and dust collection equipment to improve air quality and increase production quality.

- 2) The Company, which is part of the surface treatment and processing of stainless steel industry, basically has little impact on air environment pollution and water source pollution.
- 3) Focus on operational health and safety, disaster prevention, pollution prevention and control, environmental protection work, introducing monitoring technology and equipment, implementing the safety management system, and improving safety and environmental performance. Strengthen the work of good neighborliness, maintain a harmonious relationship inside local communities, and fulfill social responsibilities. Strengthen crisis management capabilities, prevent disasters, accidents and pollution incidents in advance, and reduce environmental disputes with effective emergency handling capabilities. The company has always been very active in creating and maintaining a safe and comfortable working environment, and can enhance the information and inspection of environmental sanitation at any time.

V. Labor Relations

The company attaches great importance to the maintenance of Employee benefits and labor-management relations. In order to stabilize the life of Employees, promote harmony between labor and capital, and enhance solidarity within, the Company actively promotes various measures.

- (1) Employees welfare, education and training, retirement system and its implementation, and any labor-management agreements or measures for preserving Employees rights and interests.

1. Employees welfare measures:

To make Employees feel at ease during employment, and in addition to the National Health Insurance and Labor Insurance benefits, the Company provides group welfare insurance for Employees and their dependents, and regularly holds health examinations for Employees. The Company has also established an Employee Welfare Committee with a percentage of revenue being transferred to the committee to be used for:

Benefit and Supplementary Items					
Marriage	Employees, or children of Employees wedding	Babies	Employee or their spouse gives birth	Employees Education	High School, College and above
Funerals	Death of a spouse or child, parent or parent of spouse, grandparent, or adopted family	Annual Festivities	Lunar New Years, Labor Day, Dragon Boat Festival, Moon Festival, Birthdays, Other events	Emergency Support	Hospitalization due to physical injury or general disease, and subsidies for major disasters
Childs Education	Elementary, Junior High, High School, College and above	Travel Expenses	Subsidy standard for work-related domestic travel	Training	Subsidies for foreign language learning and technical training
Condolence	Hospitalization due to physical injury or general disease		10 years of service domestic travel expenses	Beneficial Equipment	Subsidies for beneficial equipment and devices

2. Employees education and training measures:

The Company provides Employees a diversified environment for learning and growth, through regular internal/external trainings, on-the-job trainings, and various learning simulations. Also, Employees get to explore the different aspects of the operation, through the comprehensive training system with management trainings and courses, and the joy of knowing how to grow can be maximized in work.

1) Internal Trainings: at main facility/office or other locations. (Dayuan, Taichung, Tainan, Kaohsiang)

2) External Trainings: outside equipment or foreign technology training.

The Company has established the "Education Training Measures" to plan related education and training courses in accordance with operational and professional needs, formulate an annual education and training plan, promote various topics and training to enhance the knowledge and ability of Employees in many aspects, and improve the quality of Employees, professional talents, and future management to improve overall business performance.

Related education and training expenses in 2023 were NTD 134,190

Course Category	Classes Held	Total Attendees	Total Hours
Management Skills	25	224	284
Professional Abilities	34	544	980
Technical Updates	2	35	37
Environmental Safety	41	698	815
New Employee Training	5	22	108
Total	107	1523	2224

3. Retirement system: According to the Labor Standards Act.

The retirement regulations of the Company covers all regular Employees. According to Article 53 of the Labor Standards Act, eligible Employees can apply for retirement and receive a reasonable pension based on their length of service. Additionally, the Labor Pension Act came into effect on July 1, 2005, and adopted a defined appropriation system. Following its implementation, Employees can use Article 56 of the Labor Standards Act to retain their working years before the change and apply it to the new pension system.

4. Labor-management agreements

The Company has always upheld the operational method of self-management and full participation of Employees. Through various methods such as proposals, monthly department meetings, and monthly operational meetings, two-way communication regarding production and sales coordination, operating conditions, Employee dynamics, etc., has been attained to achieve a harmony between labor and management.

(2) Losses suffered due to labor disputes

Since the establishment of the Company, there have been no labor disputes and no losses. The Company continually focuses on the welfare of Employees, and provides a good working environment, to make labor relations harmonious, and will continue to enhance mutual trust and mutual dependence to achieve a win-win situation between labor and management.

VI. Information Security Management

(1) Information security risk management framework

The Company established the "Information Security Special Unit" in November, 2023. Under this unit, there is one Information Security Supervisor and one Information Security Officer, both of whom are concurrently held by the head and staff of the Information Section, respectively. They are also subject to internal audit. This unit is responsible for formulating regulations related to information security management, conducting relevant education and training, revising system recovery plans, and conducting regular testing. In the event of a major information security incident, they are responsible for coordinating and commanding.

(2) Information Security Policy

At the same time as the establishment of the "Information Security Special Unit," the "Information Security Policy" was also formulated, establishing a complete information security management system to effectively implement information security management. In addition to conducting irregular information security education and training, relevant reports on information security are collected to provide employees with information on current high-risk information security attack methods and security measures, thereby enhancing employees' awareness of information security.

(3) Specific management plan

Implement protection measures for devices, networks, data, and applications, and ensure their effectiveness through regular drills and audits.

(4) Resources invested in information security management

The Company has built firewalls that protect internal networks, and terminal devices are fully installed with relevant security protection such as anti-virus software and utilize anti-hacking measures. The Company also introduced equipment such as constant electric system generators and other equipment to ensure uninterrupted service.

(5) Losses and impact of any major information security incident

In the most recent year and up to the publication date of this annual report, the Company has not suffered any major information or communication security incidents, and there is no related losses or impact.

VII. Important Contracts

Nature of Contract	Contracting Party	Commencement and Expiration Date	Main Conditions	Restrictions
Distribution Contract	Tang Eng Iron Works Co LTD	January 1, 2024 to June 30, 2024	Provide products that are purchased, commissioned, and manufactured for steel-making, and various production processes of hot-rolled and cold-rolled steel products.	None

VI. Financial Overview

I. Condensed Balance Sheet, Comprehensive Income Statement and Audit Opinions

(1) Condensed balance sheet of the most recent five years

unit: NTD thousands

Item		Financial data of the most recent five years (Note 1)					Financial data of the current year up to March 31 (Note 2)
		2019	2020	2021	2022	2023	
Current Assets		1,181,587	1,285,905	1,453,285	1,161,605	1,065,802	1,100,815
Property, Plant and Equipment		590,067	570,992	557,049	540,486	526,385	522,818
Intangible Assets		913	647	381	202	67	34
Other Assets		224,479	219,388	227,167	221,643	295,290	301,706
Total Assets		1,997,046	2,076,932	2,237,882	1,923,936	1,887,544	1,925,373
Current Liabilities	Before distribution	120,452	182,136	259,017	66,244	80,178	102,064
	After distribution	166,135	251,312	413,032	92,348	80,178	-
Non-Current Liabilities		202,686	185,817	166,687	153,525	151,117	150,371
Total Liabilities	Before distribution	323,138	367,953	425,704	219,769	231,295	252,435
	After distribution	368,821	437,129	579,719	245,873	231,295	-
Equity attributable to the Owners of the Company		1,639,098	1,708,979	1,812,178	1,704,167	1,656,249	1,672,938
Share Capital		1,305,215	1,305,215	1,305,215	1,305,215	1,305,215	1,305,215
Capital Surplus		107,011	107,011	107,011	107,011	107,011	107,011
Retained Earnings	Before distribution	284,863	319,471	422,640	291,895	243,638	260,327
	After distribution	239,180	250,295	268,625	265,791	243,638	-
Other Equity		(23,181)	(22,718)	(22,688)	46	385	385
Treasury Notes		-	-	-	-	-	-
Non-Controlling Interests		-	-	-	-	-	-
Total Equity	Before distribution	1,673,908	1,708,979	1,812,178	1,704,167	1,656,249	1,672,938
	After distribution	1,628,225	1,639,803	1,658,163	1,678,063	1,656,249	-

Note 1: The financial data of the most recent five years has been audited and certified by independent CPAs.

Note 2: The financial data of the current year up to March 31, has been reviewed by independent CPAs.

(2) Comprehensive income statement of the most recent five years

unit: NTD thousands

Item	Financial data of the most recent five years (Note 1)					Financial data of the current year up to March 31 (Note 2)
	2019	2020	2021	2022	2023	
Net Revenue	2,844,436	3,266,944	3,489,139	3,361,067	2,862,276	666,893
Gross Income	146,802	195,384	300,926	108,110	43,418	32,071
Income from Operations	48,985	88,605	190,150	17,045	(58,794)	7,360
Non-Operating Income and Expenses	8,714	3,737	15,066	28,875	32,598	11,331
Income before taxes	57,699	92,342	205,216	45,920	(26,196)	18,691
Net Profit from continued operations	47,375	75,993	166,927	38,216	(20,810)	16,689
Loss from discontinued operations	-	-	-	-	-	-
Net Profit(loss) for the period	47,375	75,993	166,927	38,216	(20,810)	16,689
Other Comprehensive Income for the period (net of tax)	4,403	4,761	5,448	7,788	(1,004)	-
Total Comprehensive Income for the period	51,778	80,754	172,375	46,004	(21,814)	16,689
Net Profit attributable to Owners of the Company	47,375	75,993	166,927	38,216	(20,810)	16,689
Net Profit attributable to Non-controlling Interests	-	-	-	-	-	-
Total Comprehensive Income attributable to Owners of the Company	51,778	80,754	172,375	46,004	(21,814)	16,689
Total Comprehensive Income attributable to Non-Controlling Interests	-	-	-	-	-	-
Earnings per Share	0.36	0.58	1.28	0.29	(0.16)	0.13

Note 1: The financial data of the most recent five years has been audited and certified by independent CPAs.

Note 2: The financial data of the current year up to March 31, has been reviewed by independent CPAs.

(3) Audit opinions and names of CPAs of the most recent five years

Year	Name of Accountants	Audit Opinion
2019	Lin, MeiLing , Chen, GuiMei	unqualified opinion
2020	Wang, WuChang , Lin, ZhiLong	unqualified opinion
2021	Wang, WuChang , Lin, ZhiLong	unqualified opinion
2022	Wang, WuChang , Lin, ZhiLong	unqualified opinion
2023	Wang, WuChang , Lin, ZhiLong	unqualified opinion

II. Financial Analysis

(1) Financial Analysis of the most recent five years

Items (Note 4)		Financial data of the most recent five years (Note 1)					Financial data of the current year up to March 31 (Note 2)
		2019	2020	2021	2022	2023	
Capital Structure	Debt to asset ratio (%)	16.18	17.72	19.02	11.42	12.25	13.11
	Long-term fund to property ratio (%)	318.03	331.84	355.24	343.71	343.35	348.75
Solvency	Current ratio (%)	980.96	706.01	561.08	1,753.52	1,329.29	1,078.55
	Quick ratio (%)	749.46	510.74	368.01	1,306.99	1,008.72	801.93
	Interest coverage ratio (%)	106.48	124.45	261.43	92.11	(46.63)	113.60
Operating Ability	Trade receivables turnover (times)	4.68	4.81	4.73	4.83	4.50	4.47
	Average collection days	77.99	75.88	77.16	75.56	81.11	81.65
	Inventory turnover (times)	8.84	9.85	7.62	8.41	10.50	9.67
	Trade payables turnover (times)	56.41	83.29	77.71	135.07	148.89	93.03
	Average Inventory turnover days	41.28	37.05	47.90	43.40	34.76	37.76
	Property, plant and equipment turnover (times)	4.87	5.63	6.19	6.12	5.37	5.08
	Total assets turnover (times)	1.43	1.60	1.62	1.62	1.50	1.40
Profitability	Return on assets (%)	2.41	3.76	7.77	1.86	(1.07)	3.53
	Return on equity (%)	2.86	4.49	9.48	2.17	(1.24)	4.01
	Income before tax to paid-in capital ratio (%) (Note 3)	4.42	7.07	15.72	3.52	(2.01)	5.73
	Net margin (%)	1.67	2.33	4.78	1.14	(0.73)	2.50
	Earnings per share (NTD)	0.36	0.58	1.28	0.29	(0.16)	0.13
Cash Flow	Cash flow ratio (%)	79.85	(56.43)	21.79	387.30	105.84	8.14
	Cash flow adequacy ratio (%)	106.41	(13.84)	13.44	69.17	70.57	56.29
	Cash flow reinvestment ratio (%)	3.28	(6.17)	(0.51)	4.33	2.52	0.35
Leverage	Operating leverage	3.56	2.16	2.19	5.01	(1.22)	2.57
	Financial leverage	1.01	1.01	1.00	1.03	0.99	1.02

Note 1: The financial data of the most recent five years has been audited and certified by independent CPAs.

Note 2: The financial data of the current year up to March 31, has been reviewed by independent CPAs.

Note 3: If the shares of the Company have no value or the par value per share is less than NT\$10, the paid-in capital shall be calculated based on the equity ratio attributable to the owners of the Company on the balance sheet.

Note 4: The formulas for the financial analysis are listed as follows:

1. Capital Structure

- 1) Debt to asset ratio = total liabilities / total assets.
- 2) Long-term fund to property, plant and equipment ratio =
(total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- 1) Current ratio = current assets / current liabilities.
- 2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities.
- 3) Interest coverage ratio = earnings before interest and taxes / interest expense.

3. Operating Ability

- 1) Trade receivables turnover = net revenue / average trade receivables
- 2) Average collection days = 365 / receivables turnover.
- 3) Inventory turnover = cost of goods sold / average inventory.
- 4) Trade payables turnover = cost of goods sold / average trade payables.
- 5) Average inventory turnover days = 365 / inventory turnover.
- 6) Property, plant, and equipment turnover =
net revenue / average net property, plant, and equipment.
- 7) Total asset turnover = Net revenue / average total assets.

4. Profitability

- 1) ROA = [net income + interest expense (1 - tax rate)] / average total assets.
- 2) ROE = net income / average total equity.
- 3) Net margin = net income / Net revenue.
- 4) Earnings per share = (net income attributable to owners of the Company –
preferred share dividends) / weighted average of shares outstanding.

5. Cash Flow

- 1) Cash flow ratio = net cash generated from operating activities / current liabilities.
- 2) Cash flow adequacy ratio = five-year sum of net cash generated from operating activities /
five-year sum of (capital expenditure, inventory additions and cash dividends).
- 3) Cash flow reinvestment ratio = (net cash flow from operating activities – cash dividends) /
(property, plant, and equipment + long-term investments + other non-current assets +
working capital).
- 4) If the net cash flow from operating activities is negative, the ratio is represented by a "-".

6. Leverage

- 1) Operating leverage = (net revenue – variable expenses) / income from operations.
- 2) Financial leverage = income from operations / (income from operations - interest expenses).
- 3) If the income from operations is negative, the ratio is represented by a "-".

(2) Explanation for changes in financial ratios over 20% of the most recent two years

Item	Explanation
Current Ratio	The decrease in the current ratio was mainly due to the increase in current liabilities.
Quick ratio (%)	The decrease in the quick ratio was mainly due to the increase in current liabilities.
Interest coverage ratio (%)	The decrease in the interest coverage ratio was mainly due to the decrease in income before tax.
Inventory turnover (times)	The increase in inventory turnover was mainly due to the decrease of inventory
Return on assets (%)	The decrease in ROA is mainly due to the decrease in net profit, and the decrease in the market price of nickel in international exchanges.
Return on equity (%)	The decrease in ROE is mainly due to the decrease in net profit, and the decrease in the market price of nickel in international exchanges.
Income before tax to paid-in capital ratio (%)	The decrease in the income before tax to paid-in capital ratio is mainly due to the decrease in net income.
Net margin (%)	The decrease in the net margin is mainly due to the decrease in net income.
Earnings per share (NTD)	The decrease in the earnings per share is mainly due to the decrease in income before tax and net margin.
Gross profit margin (%)	The decrease in Gross profit margin is mainly due to the decrease in net profit, and the decrease in the market price of nickel in international exchanges.
Cash flow ratio (%)	The decrease in the cash flow ratio is mainly due to the decrease in accounts receivable amid the net inflow of operating activity.
Cash flow reinvestment ratio (%)	The decrease in the cash flow reinvestment ratio is mainly due to the decrease in operating cash flow of the current period.
Operating Leverage	The decrease in the operating leverage is mainly due to the decrease in operating net profit.

(3) Consolidated financial analysis: None

III. Audit Committee Review Report of the most recent Annual Financial Statements

Report of the Audit Committee

The Board of Directors prepared the 2023 financial statements, business reports and earnings distribution proposal of the Company. The financial statements have been audited by CPA Wang WuChang and CPA Lin ZhiLong, of Crowe (TW) CPAs, and an audit report with unqualified opinions has been issued. The aforementioned reports and financial statements prepared by the Board of Directors have been reviewed by this Audit Committee and no non-conformity was found. We therefore prepare this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

The Audit Committee has the responsibility to conduct the Company's business operations faithfully and professionally. The attesting CPAs, Wang WuChang and Lin ZhiLong, communicated the following matters with the Audit Committee:

1. The planned scope and timing of the audit and major findings from the audit.
2. Matters regarding the independence of the accounting firm to which the CPAs belong.
3. Key audit matters

For your review and decision,

To:

2024 Shareholders Meeting of Sinkang Industries Co., LTD.

Sinkang Industries Co., Ltd

Audit Committee

Convener: 

March 16, 2024

IV. Consolidated Financial Statements of the most recent Fiscal Year, and Independent Auditors Report



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Independent Auditor Report

The Board of Directors and Shareholders
Sinkang Industries Co LTD

Opinion

The accompanying consolidated financial statements of Sinkang Industries Co LTD (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows, and the related notes to the consolidated financial statements (including the summary of significant accounting policies) from January 1, to December 31, 2023 and 2022, have been audited by our certified public accountant.

In the opinion of our accountant, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and cash flows from January 1, to December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

This auditor conducted the audit work in accordance with the Auditor's Attestation Financial Statements Rules and the Auditing Standards. The auditor's responsibilities under these standards will be further explained in the auditor's responsibility section of the audit report. Personnel of the auditor's firm, who are subject to independence regulations, have maintained independence from Sinkang Industries Co., Ltd. in accordance with professional ethical standards and fulfilled other responsibilities required by those standards.

Key Audit Matters

The key audit matters refer to the most important issues in the auditor's professional judgment regarding the audit of the financial statements of Sinkang Industries Co., Ltd. for the year 2023. These matters have been appropriately addressed in the course of the audit of the financial statements as a whole and in forming the audit opinion. The auditor does not provide a separate opinion on these matters. The key audit matters for the financial statements of Sinkang Industries Co., Ltd. for the year 2023 are described below: follows:

Revenue Recognition

Please refer to Notes to Financial Statements section 4-18 for the accounting policies for revenue recognition, and to section 6-17 for the relevant disclosures of revenue.

Explanation of key audit matters:

Revenue is an important indicator for evaluating the financial and business performance of companies and is particularly significant for Sinkang Industries Co., LTD due to the nature of its industry. The selling price of goods is affected by fluctuations in market prices of raw materials, which makes the timing of revenue recognition crucial and can significantly impact the financial statements. Therefore, the recognition of revenue has been identified as a key audit matter.

Audit procedures performed in response

The main audit procedures performed by the accountant on the above matters are as follows:

1. Understand and test the effectiveness of the design and implementation of the internal control system for revenue recognition of Sinkang Industries Co., Ltd.
2. Test whether the Company's sales revenue is recognized at the correct point in time.
3. Analyze the top ten sales customers, compare changes, and evaluate whether there are any significant abnormalities.

Expected Credit Loss on Accounts Receivables

Please refer to Notes to Financial Statements section 4-6 for the accounting policy on the evaluation of the expected credit losses of receivables, and to section 6-3 for the allowance losses and related disclosures.

Explanation of key audit matters

The recognition of expected credit losses on accounts receivable based on their expected credit loss duration is determined by management's subjective judgment, and is subject to the impact of management's assumptions about customer credit risk. In addition, the balance of accounts receivable is material to the overall financial statements. Therefore, the evaluation of expected credit losses on accounts receivable is considered a key audit matter.

Audit procedures performed in response

The main audit procedures performed by the accountant on the above matters are as follows:

1. Carefully assess the reasonableness of management's evaluation of expected credit losses on accounts receivable and understand the recent credit conditions in the industry as well as historical collection trends.
2. Test the accuracy of the aging schedule of accounts receivable, examine the historical collection records, and analyze whether there are any unusual industry economic conditions or concentration of credit risk to evaluate the adequacy of the allowance for doubtful accounts.

Responsibility of Management and Governance for Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Management is also responsible for maintaining necessary internal controls related to financial reporting to ensure that the financial statements are free from material misstatements caused by fraud or errors. Governance has the responsibility to oversee the financial reporting process and ensure that it is carried out in a responsible and ethical manner.

In preparing the consolidated 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 of Sinkang Industries Co., LTD. are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

The responsibility of the auditor in auditing financial statements is to obtain reasonable assurance that the financial statements are free from material misstatements due to fraud or error and to issue an audit report. Reasonable assurance means a high degree of assurance, but the audit work performed in accordance with auditing standards cannot guarantee that all material misstatements will be detected. Misstatements may result from fraud or error. If the amount of an individual misstatement or the aggregate of misstatements is reasonably expected to influence the economic decisions of users based on the financial statements, it is considered to be material.

When conducting an audit in accordance with auditing standards, the auditor applies professional judgment and professional skepticism. The auditor also performs the following procedures:

1. Identify and evaluate the risk of material misstatement in the financial statements due to fraud or error, design and perform appropriate audit procedures to respond to the assessed risks, and obtain sufficient and appropriate audit evidence as a basis for the audit opinion. As fraud may involve collusion, forgery, intentional omission, misrepresentation, or override of internal control, the risk of material misstatement due to fraud is higher than that due to error if not detected.
2. Obtain necessary understanding of internal control related to the audit, in order to design appropriate audit procedures under the circumstances, but not to express an opinion on the effectiveness of the internal control of Sinkang Industries Co., Ltd.
3. Evaluate the appropriateness of the accounting policies adopted by management and the reasonableness of the accounting estimates made and related disclosures
4. Based on the audit evidence obtained, draw conclusions on the appropriateness of management's use of the going concern basis of accounting and whether events or conditions exist that may cast significant doubt on the company's ability to continue as a going concern. If the auditor believes that such events or conditions create significant uncertainty, the auditor must alert financial statement users to the relevant disclosures in the audit report or modify the audit opinion if the disclosures are inappropriate. The auditor's conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or conditions may cause New Steel Industrial Co., Ltd. to no longer have the ability to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the financial report (including related notes), and whether the financial report appropriately expresses the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of Sinkang Industries Co., Ltd., to express an opinion on the individual financial statements. The auditor is responsible for guiding, supervising, and executing the audit engagement and is responsible for forming the audit opinion on Sinkang Industries Co., Ltd.

The matters communicated by the auditor with the governance body include the planned scope and timing of the audit, significant audit findings (including significant deficiencies in internal control identified during the audit process).

The auditor also provides the governance body with a statement that the personnel subject to independence requirements of the auditor's firm have complied with the independence requirements of the Code of Ethics for Professional Accountants, and communicates to the governance body all relationships and other matters (including safeguards) that might reasonably be thought to bear on independence of the auditor.

From the matters communicated with the governance body, the auditor determines the key audit matters for the audit of the 2023 financial statements of Sinkang Industries Co., Ltd. The auditor describes those matters in the auditor's report, unless law or regulation prohibits public disclosure of a particular matter or, in extremely rare circumstances, the auditor determines that it would not communicate a particular matter in the auditor's report because the adverse effect of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (TW) CPAs

Taipei, Taiwan - March 14, 2024



Sinkang Industries Co., LTD.
Balance Sheet
December 31, 2023 and 2022

Unit: NTD thousands

CODE	ASSETS	2023		2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note VI-1)	\$ 203,800	11	\$ 196,403	10
1150	Notes receivable, net (Note VI-3)	287,051	15	318,900	17
1170	Accounts receivable, net (Note VI-4)	316,533	17	347,379	18
1180	Accounts receivable – related parties, net (Note VII)	122	-	127	-
1200	Other receivables	800	-	2,687	-
1220	Current income tax assets	319	-	27	-
130x	Inventories (Note VI-5)	249,586	13	286,974	15
1410	Prepayments	7,442	-	8,828	-
1470	Other Financial Assets	149	-	280	-
11xx	TOTAL CURRENT ASSETS	1,065,802	56	1,161,605	60
	NONCURRENT ASSETS				
1517	Financial assets at FVTOCI - noncurrent (Note VI-5)	59,417	3	-	-
1550	Investments accounted for using equity method (Note VI-6)	211,816	11	199,706	10
1600	Property, plant, and equipment (Note VI-7)	526,385	28	540,486	29
1755	Right-of-use assets (Note VI-8)	12,469	1	15,809	1
1780	Intangible Assets	67	-	202	-
1840	Deferred income tax assets (Note VI-23)	10,973	1	5,408	-
1920	Guarantee deposits paid	577	-	577	-
1990	Other noncurrent assets – other (Note VI-9)	38	-	143	-
15xx	TOTAL NONCURRENT ASSETS	821,742	44	762,331	40
1xxx	TOTAL ASSETS	\$ 1,887,544	100	\$ 1,923,936	100

(continued on next page)

(continued from previous page)

CODE	LIABILITIES AND EQUITY	2023		2022	
		Amount	%	Amount	%
	CURRENT LIABILITIES				
2100	Short-term borrowings (Note VI-10)	\$ 12,015	1	\$ -	-
2130	Contract Liabilities – current (Note VI-17)	820	-	6,949	-
2150	Notes payable	7,256	-	9,811	1
2170	Accounts payable	14,207	1	6,590	-
2200	Other payables	37,583	2	34,897	2
2250	Provisions – current (Note VI-11)	3,985	-	3,837	-
2280	Lease liabilities – current (Note VI-8)	3,360	-	3,314	-
2300	Other Liabilities	952	-	846	-
21xx	TOTAL CURRENT LIABILITIES	80,178	4	66,244	3
	NONCURRENT LIABILITIES				
2570	Deferred income tax liabilities (Note VI-23)	128,684	7	128,843	6
2580	Lease liabilities – noncurrent (Note VI-8)	9,515	-	12,875	1
2640	Defined benefit liability, net – noncurrent (Note VI-12)	12,918	1	11,807	1
25xx	TOTAL NONCURRENT LIABILITIES	151,117	8	153,525	8
2xxx	TOTAL LIABILITIES	231,295	12	219,769	11
	EQUITY				
3100	Share capital (Note VI-13)	1,305,215	69	1,305,215	68
3200	Capital surplus (Note VI-14)	107,011	6	107,011	6
	Retained earnings (Note VI-15)				
3310	Legal reserve	80,064	4	77,737	4
3320	Special reserve	105,000	6	105,000	5
3350	Unappropriated retained earnings	58,574	3	109,158	6
3300	Total retained earnings	243,638	13	291,895	15
3400	Other equity (Note VI-16)	385	-	46	-
3410	Exchange differences on foreign financial statements	31	-	46	-
3420	Unrealized gains (loss) on financial assets at FVTOCI	354	-	-	-
3xxx	TOTAL EQUITY	1,656,249	88	1,704,167	89
	TOTAL LIABILITIES AND EQUITY	\$ 1,887,544	100	\$ 1,923,936	100

(The accompanying notes are part of this financial statement)

Chairman:



General Manager:



Accounting Dept. Manager:





Sinkang Industries Co., LTD.
Comprehensive Income Statement
December 31, 2023 and 2022

Unit: NTD thousands

CODE	ITEM	2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note VI-17)	\$ 2,862,276	100	\$ 3,361,067	100
5000	Operating costs (Note VI-4)	(2,818,858)	(99)	(3,252,957)	(97)
5900	Gross profit (loss) from operations	43,418	1	108,110	3
	Operating expenses				
6100	Selling expenses	(56,465)	(2)	(54,199)	(2)
6200	Administrative expenses	(34,916)	(1)	(37,231)	(1)
6450	Loss or recovery gain on expected credit impairment	(10,831)	-	365	-
6000	Total operating expenses	(102,212)	(3)	(91,065)	(3)
6900	Operating income (loss)	(58,794)	(2)	17,045	-
	Non-operating income and expenses				
7100	Interest income (Note VI-19)	2,983	-	1,080	-
7010	Other income (Note VI-20)	2,685	-	2,878	-
7020	Other gains and losses (Note VI-21)	604	-	7,668	-
7050	Finance costs (Note VI-22)	(550)	-	(504)	-
7060	Shares of profits of subsidiaries, associates, and joint ventures under equity method	26,876	1	17,753	1
7000	Total non-operating income and expenses	32,598	1	28,875	1
7900	Net income (loss) before income tax	(26,196)	(1)	45,920	1
7950	Income tax (expense) benefit (Note VI-23)	5,386	-	(7,704)	-
8200	NET INCOME (LOSS)	(20,810)	(1)	38,216	1
	Other comprehensive income (loss)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan	(1,353)	-	6,621	-
8316	Unrealized valuation gains or losses on equity instruments measured at FVTOCI	354	-	(103)	-
8320	Remeasurements of defined benefit plan – subsidiaries, associates, and joint ventures	10	-	1,255	-
8360	Items that may be subsequently reclassified into profit or loss				
8370	Shares of other comprehensive income of associates and joint ventures under equity method – items that may be reclassified into profit or loss	(15)	-	15	-
8300	Other comprehensive income (loss), net	(1,004)	-	7,788	-
8500	TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (21,814)	(1)	\$ 46,004	1
	EARNINGS PER SHARE (NTD)				
9750	Basic earnings per share (Note VI-24)	\$ (0.16)		\$ 0.29	
9850	Diluted earnings per share (Note VI-24)	\$ (0.16)		\$ 0.29	

(The accompanying notes are part of this financial statement)

Chairman:



General Manager:



Accounting Dept. Manager:





Sinkang Industries Co., LTD.
Changes in Equity Statement
December 31, 2023 and 2022

Unit: NTD thousands

Item	Retained Earnings					Other Equity Items		Total Equity
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Financial Assets at FVTOCI	
Balance, January 1, 2022	\$ 1,305,215	\$ 107,011	\$ 60,502	\$ 105,000	\$ 257,138	\$ 31	\$ (22,719)	\$ 1,812,178
Appropriation and Distribution of Earnings:								
Provision for Legal Reserve	-	-	17,235	-	(17,235)	-	-	-
Cash Dividend-common shares	-	-	-	-	(154,015)	-	-	(154,015)
2022 Net income (loss)	-	-	-	-	38,216	-	-	38,216
2022 Other comprehensive income	-	-	-	-	7,876	15	(103)	7,788
2022 Total Comprehensive Income	-	-	-	-	46,092	15	(103)	46,004
Disposal Of Financial Assets measured at FVTOCI	-	-	-	-	(22,822)	-	22,822	-
Balance, December 31, 2022	\$ 1,305,215	\$ 107,011	\$ 77,737	\$ 105,000	\$ 109,158	\$ 46	\$ -	\$ 1,704,167
Balance, January 1, 2023	\$ 1,305,215	\$ 107,011	\$ 77,737	\$ 105,000	\$ 109,158	\$ 46	\$ -	\$ 1,704,167
Appropriation and Distribution of Earnings:								
Provision for Legal Reserve	-	-	2,327	-	(2,327)	-	-	-
Cash Dividend-common shares	-	-	-	-	(26,104)	-	-	(26,104)
2023 Net income (loss)	-	-	-	-	(20,810)	-	-	(20,810)
2023 Other comprehensive income	-	-	-	-	(1,343)	(15)	354	(1,004)
2023 Total Comprehensive Income	-	-	-	-	(22,153)	(15)	354	(21,814)
Balance, December 31, 2023	\$ 1,305,215	\$ 107,011	\$ 80,064	\$ 105,000	\$ 58,574	\$ 31	\$ 354	\$ 1,656,249

(The accompanying notes are part of this financial statement)

Chairman:



General Manager:



Accounting Dept. Manager:





Sinkang Industries Co., LTD.
Cash Flow Statement
December 31, 2023 and 2022

Unit: NTD thousands

Item	2023	2022
Cash Flows from Operating Activities		
Net Income (loss) Before Income Tax	\$ (26, 196)	\$ 45, 920
Adjustment Items:		
Income or Expense Items:		
Depreciation expense	18, 442	20, 118
Amortization expense	240	459
Expected credit loss (gain) on financial assets	10, 831	(365)
Net loss (gain) of financial assets and liabilities at FVTPL	-	128
Interest expense	550	504
Interest income	(2, 983)	(1, 080)
Share of loss (profit) of equity method investments	(26, 876)	(17, 753)
Disposal of property, plant, and equipment loss (gain)	(4)	-
Disposal of investments loss (gain)	-	(191)
Other items	-	(5)
Total Income or Expense Items	200	1, 815
Changes in Assets and Liabilities related to Operating Activities		
Net changes in assets related to operating activities		
Notes receivable (increase) decrease	28, 718	97, 453
Accounts receivable (increase) decrease	23, 056	(40, 640)
Accounts receivable from related parties (increase) decrease	5	(127)
Other receivables (increase) decrease	1, 865	(1, 084)
Inventories (increase) decrease	37, 388	199, 091
Prepaid Expenses (increase) decrease	1, 386	5, 193
Other current assets (increase) decrease	131	(119)
Other operating assets (increase) decrease	90	203
Total net changes in assets related to operating activities	92, 639	259, 970
Net changes in liabilities related to operating activities		
Contract liabilities increase (decrease)	(6, 129)	3, 497
Notes payable increase (decrease)	(2, 555)	(3, 441)
Notes payable to related parties increase (decrease)	-	(57)
Accounts payable increase (decrease)	7, 617	(11, 865)
Other accounts payable increase (decrease)	2, 684	(10, 370)
Other accounts payable to related parties increase (decrease)	-	(30)
Liability reserves increase (decrease)	148	(115)
Other current liabilities increase (decrease)	106	(17)
Net defined benefit liabilities, increase (decrease)	(581)	(3, 456)
Total net changes in liabilities related to operating activities	1, 290	(25, 854)
Total change in assets and liabilities related to operating activities	93, 929	234, 116
Total Adjustments	94, 129	235, 931
Total Cash Flows from Operating Activities	67, 933	281, 851
Interest received	3, 005	973
Dividends received	14, 760	11, 660
Interest paid	(547)	(534)
Income tax refunded (paid)	(291)	(37, 388)
Total Cash Flows from Operating Activities	84, 860	256, 562

(continued on next page)

(continued from previous page)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at FVTOCI	\$ (59,063)	-
Return of capital from financial assets at FVTOCI	-	615
Disposal of financial assets at FVTPL	-	106,191
Acquisition of property, plant and equipment	(1,001)	-
Disposal of property, plant and equipment	4	-
Decrease in deposits as collateral	-	1,150
Increase in other prepaid expenses	-	(91)
Net cash flows from investing activities	(60,060)	107,865
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowing	12,015	(103,000)
Short-term notes payable	-	(29,990)
Lease principal repayment	(3,314)	(3,503)
Distribution of cash dividends	(26,104)	(154,015)
Net cash flows from financing activities	(17,403)	(290,508)
Net increase (decrease) in cash and cash equivalents for the	7,397	73,919
Start of year balance of cash and cash equivalents	196,403	122,484
End of year balance of cash and cash equivalents	\$ 203,800	\$ 196,403

(The accompanying notes are part of this financial statement)

Chairman:



General Manager:



Accounting Dept. Manager:



Sinkang Industries Co., LTD.
Notes to Financial Statements
For the years ended December 31, 2023 and 2022
(Amounts are in NTD thousands, unless otherwise stated)

I. Company History

Sinkang Industries Co., Ltd. (hereafter “the Company”), originally Sinkang Industries Co. was approved and founded in July 1971 with an initial registered capital of NT\$2,000,000. In March 1974, the Company was reorganized as a limited liability company with the name, Sinkang Industries Co., Ltd. After several capital increases, the current capital of the Company is NT\$1,305,215,000, which is divided into 130,522,000 registered common shares, with a par value of NT\$10 per share. The main business activities of the Company are as follows:

1. CA01050 Steel secondary processing
2. CA01070 Scrap iron and steel metal processing
3. CA02010 Metal structure and architectural components manufacturing
4. CA02090 Metal wire products manufacturing
5. CA02990 Other fabricated metal products manufacturing
6. CA04010 Surface treatments
7. CB01010 Mechanical equipment manufacturing
8. F401010 International trade
9. ZZ99999 All business activities that are not prohibited or restricted by law

The main business of the Company is cutting and processing surface treatments for stainless steel. The Company has no ultimate parent company. This financial report is presented in the functional currency of the Company, the New Taiwan Dollar (NT\$).

II. Approval of Financial Statements

The Financial Statements of the Company were approved by the Board of Directors on March 14, 2024.

III. Application of new, amended and revised standards, and interpretations

1. Initial application of the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC, and SIC (collectively, IFRSs) are endorsed and issued into effect by the Financial Supervisory Commission (FSC). The following table summarizes the newly published, amended, or revised IFRSs that are recognized by the FSC in the most recent year:

Newly Issued, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendment to IAS 1, “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendment to IAS 8, “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendment to IAS12, “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)
Amendment to IAS12, “International Tax Reform – Pillar Two Model Rules”	(Note 4)

Note 1: This amendment applies to annual reporting periods beginning on or after January 1, 2023.

Note 2: Changes in accounting estimates and accounting policies that occur during the annual reporting period beginning on or after January 1, 2023 are subject to this amendment.

Note 3: Unless there are additional provisions related to temporary differences in leases and decommissioning obligations, this amendment applies to transactions occurring on or after the earliest comparative period beginning date expressed (January 1, 2022).

Note 4: For the temporary exemption provision under IAS 12 (i.e., entities are not allowed to recognize deferred tax assets and liabilities related to Pillar Two income taxes, nor disclose related information; however, entities should disclose the application of this exemption in their financial statements), upon issuance of this amendment (May 23, 2023), immediate retrospective application shall be applied in accordance with IAS 8. Other disclosure requirements shall apply to annual reporting periods beginning on or after January 1, 2023; interim reporting periods ending before December 31, 2023, are not required to disclose such other information.

1) Amendment to IAS 1 “Disclosure of Accounting Policies”

This amendment clarifies that significant accounting policy information related to a transaction, other event or condition should be disclosed if the size or nature of such transaction, other event or condition is material to the financial statements and also material to the accounting policy information. Conversely, if an entity determines that a transaction, other event or condition is not material in size or nature, or if the accounting policy information related to it is not material, it is not required to disclose such immaterial accounting policy information. However, an entity's conclusion that accounting policy information is not material does not affect other IFRS standards that require related disclosures.

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

This amendment defines accounting estimates as monetary amounts in the financial statements that are affected by measurement uncertainty, and provides further explanation that the effect of changes in inputs or measurement techniques on accounting estimates is considered to be a change in accounting estimates, except for the correction of prior period errors.

3) Amendment to IAS 12, “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

This amendment limits the exemption scope for recognition of deferred tax liabilities and assets related to a single transaction in paragraphs 15 and 24 of IAS 12. If the temporary difference arising from a single transaction at initial recognition is equal to the amount of deductible temporary differences, the aforementioned exemption provisions do not apply. When an entity first applies this amendment, it should recognize deferred tax for all temporary differences related to leases and decommissioning obligations, and recognize the cumulative effect as an adjustment to the opening balance of retained earnings (or another component of equity, where appropriate) on the beginning date of the earliest comparative period expressed (January 1, 2022), and defer applying this amendment to other transactions that occur after January 1, 2022.

4) Amendment to IAS12, “International Tax Reform – Pillar Two Model Rules”

This amendment, as a temporary exemption under IAS 12, prohibits entities from recognizing deferred tax assets and liabilities related to Pillar Two income taxes associated with international tax reform, nor disclosing related information; however, entities should disclose the application of this exemption in their financial statements. Additionally, entities should separately disclose the current income tax expense (benefit) related to Pillar Two income taxes. If the Pillar Two legislation has been enacted or substantially enacted but not yet effective, entities should disclose qualitative and quantitative information about their exposure to Pillar Two income taxes that is known or reasonably estimable.

After assessment, the above standards and interpretations do not have a material impact on the financial position or financial performance of the Company.

2. The impact of newly published, amended, or revised IFRSs that are not yet recognized by the FSC:

The following table summarizes the newly published, amended, or revised IFRSs that are recognized by the FSC in the current year:

Newly Issued, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendment to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 1)
Amendment to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1, "Non-current Liabilities with Contractual Maturities"	January 1, 2024
Amendment to IAS 7 and IFRS 7, "Supplier Finance Arrangements"	January 1, 2024 (Note 2)

Note 1: The seller-lessee should retrospectively apply the amendments in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 2: This amendment provides certain transitional reliefs where entities are not required to disclose comparative information, interim period information, and the initial information specified in paragraph 44H(b)(ii)-(iii) upon initial application.

1) Amendment to IFRS 16, "Lease Liability in a Sale and Leaseback"

This amendment clarifies that in sale and leaseback transactions, if the transfer of assets is accounted for as a sale in accordance with IFRS 15, the seller-lessee should account for the liability arising from the leaseback in accordance with the lease liability requirements of IFRS 16. However, if the lease payments are variable and not based on an index or a rate, the seller-lessee should determine and recognize the lease liability arising from those variable lease payments by not recognizing profit or loss related to the retained right of use. Any difference between the actual lease payments and the reduction in the carrying amount of the lease liability is recognized in profit or loss.

2) Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"

This amendment clarifies that when determining whether a liability should be classified as non-current, entities should assess whether they have a right, at the end of the reporting period, to defer settlement of the liability for at least twelve months after the reporting period. If the entity has such a right at the end of the reporting period, regardless of whether it expects to exercise that right, the liability should be classified as non-current. If the entity is required to meet specific conditions to have the right to defer settlement, those conditions must have been met at the end of the reporting period for the liability to be classified as non-current, even if the creditor checks whether the entity meets those conditions at a later date.

Furthermore, this amendment specifies that for the purpose of liability classification, settlement refers to the extinguishment of the liability by transferring cash, other economic resources, or equity instruments of the entity to the counterparty. However, if the terms of the liability allow the counterparty to settle it by transferring equity instruments of the entity at their discretion, and if that option is required to be separately accounted for as equity in accordance with IAS 32 "Financial Instruments: Presentation," then those terms do not affect the classification of the liability.

3) Amendment to IAS 1, "Non-current Liabilities with Contractual Maturities"

This amendment further clarifies that only contractual terms existing at the end of the reporting period that require compliance before that date affect the classification of liabilities as of that date. Contractual terms that must be complied with within twelve months after the end of the reporting period do not affect the classification of liabilities. However, if an entity classifies a liability as non-current at the end of the reporting period and it may be required to settle the liability within twelve months after the reporting period due to the inability to comply with contractual terms, the entity should disclose the relevant facts and circumstances in the notes.

4) Amendment to IAS 7 and IFRS 7, "Supplier Finance Arrangements"

The amendment to IAS 7 requires entities to disclose information about their supplier finance arrangements, where one or more financing providers pay invoices to suppliers on behalf of the entity, and the entity agrees to make payments to the financing providers on or after the due date specified in the agreement with the supplier. This disclosure is aimed at enabling users of financial statements to assess the impact of such arrangements on the entity's liabilities, cash flows, and liquidity risk exposure.

The amendment to IFRS 7, incorporated in its application guidance, includes considerations for entities when disclosing how they manage liquidity risk related to financial liabilities. This may involve assessing whether they have obtained or could obtain financing through supplier finance arrangements and whether such arrangements could lead to concentrations of liquidity risk.

After assessment, the above standards and interpretations do not have a material impact on the financial position or financial performance of the Company

3. The impact of IFRSs issued by the International Accounting Standards Board (IASB) that are not yet recognized by the FSC:

The following table summarizes the newly published, amended, or revised IFRSs issued by the IASB but have not been incorporated into the IFRSs recognized by the FSC:

Newly Issued, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendment to IFRS 10 and IAS 28, "Sale or contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17, "Comparative Information – initial Application for IFRS 17 and IFRS 9"	January 1, 2023
Amendment to IAS 21, "Lack of liquidity"	January 1, 2025

As of the release date of this financial report, the company continues to assess the impact of the above-mentioned standards and interpretations on the Company's financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies apply consistently throughout all reporting periods, unless otherwise stated.

1. Statement of compliance

This financial report is prepared in accordance with the Financial Reporting Standards for Securities Issuers and the IFRSs recognized by the FSC.

2. Basis of preparation

1) Except for the following items, the Financial Statements were prepared under the historic cost basis.

- A. Financial assets and liabilities (including derivatives) measured at fair value through profit or loss.
- B. Financial assets measured at fair value through other comprehensive income.
- C. Liabilities for cash-settled share-based payment agreements measured at fair value.
- D. Defined benefit liabilities recognized as the net amount of retirement fund assets less the present value of defined benefit obligations.

- 2) The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of the Company. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note V.

3. Foreign currency conversion

- 1) Foreign currency transactions are translated into functional currencies using the spot exchange rate on the transaction date, and the translation differences arising from the exchange are recognized as profit or loss in the current period.
- 2) The balance of foreign currency monetary assets and liabilities is evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the translation difference arising from the adjustment is recognized as profit or loss in the current period.
- 3) The balance of foreign currency non-monetary assets and liabilities, which are measured at fair value through profit or loss (FVTPL), shall be adjusted according to the spot exchange rate on the balance sheet date, and the translation difference arising from the adjustment is recognized as profit or loss in the current period. If it is measured at fair value through other comprehensive income (FVTOCI), it shall be adjusted at the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in other comprehensive income in the current period. Those that are not measured at fair value are measured at the historical exchange rate on the initial transaction date.

4. Classification standards for current and non-current assets and liabilities

- 1) Assets that meet the following criteria are classified as current assets
 - A. Assets arising from operating activities that are expected to be realized, or are intended to be sold within the normal business cycle.
 - B. Assets held mainly for the purpose of trading.
 - C. Assets expected to be realized within twelve months from the balance sheet date.
 - D. Cash or cash equivalents (excluding those that are restricted for exchange or settlement of liabilities within twelve months from the balance sheet date).

The Company classifies all assets that do not meet the above criteria as non-current.

- 2) Liabilities that meet the following criteria are classified as current liabilities
 - A. Liabilities expected to be settled during within the normal business cycle.
 - B. Liabilities held mainly for the purpose of trading.
 - C. Liabilities that must be settled within twelve months from the balance sheet date (including long-term refinancing and payment rescheduling agreements completed after the balance sheet date and before the release of the financial report).
 - D. Liabilities whose settlement cannot be unconditionally deferred for at least 12 months after the balance sheet date. The terms of the liability, which may be settled by issuing equity instruments at the option of the counterparty, do not affect its classification.

The Company classifies all liabilities that do not meet the above criteria as non-current.

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, and highly-liquid short-term investments (including time deposits with original maturity within three months) with small risk of change in value, which can be converted into a given amount of cash at any time.

6. 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial Assets

The regular transactions of financial assets are recognized and derecognized based on the accounting on the transaction date.

A. Measurement categories

The types of financial assets held by the Company are financial assets measured at FVTPL, financial assets measured at amortized cost, and equity instrument investments measured at FVTOCI.

A) Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets measured at FVTPL include those that are required to be measured at FVTPL and those that are designated as FVTPL by the Company. Those that are required to be measured at FVTPL include investments in equity instruments that are not designated to be measured at FVTOCI, and debt instruments that do not meet the criteria for measuring at amortized cost or through FVTOCI. Financial assets that are designated at FVTPL at the time of initial recognition, and if that designation is subsequently removed or significantly reduces the measurement or recognition inconsistency.

Financial assets measured at FVTPL are measured at fair value and the dividends and interest generated from these assets are recognized in other income and interest income respectively, any gain or loss from the change in fair value is recognized in other gains and losses. for further information about the fair value determination method, please refer to Note XII.

B) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are subsequently measured at amortized cost.

- a. The financial assets held under a business model with the purpose of holding these assets to collect contractual cash flows; and
- b. The contractual terms generate cash flows on a specific date that are solely payments of principal and interest on the outstanding principal amount.

After the initial recognition, the financial assets (including cash and cash equivalents and accounts receivable measured at amortized cost) measured at amortized cost are measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses and any profit or loss from foreign currency translation was recognized in the profit or loss.

Except for the following two circumstances, the interest income is calculated as the effective interest rate times the total book value of financial assets:

- a) For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.
- b) For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment.

C) Equity instrument investments measured at FVTOCI

Upon Initial recognition, the Company can make an irrevocable choice to designate the equity instrument investment that is not held for trading and recognized as a contingent consideration by a business combination acquirer to be measured at FVTOCI.

Investments in equity instruments measured at FVTOCI are measured at fair value, with subsequent fair value changes presented in other comprehensive profit or loss and accumulated in other equity. When the investment is disposed of, the accumulated profit or loss is directly transferred to retained earnings and is not reclassified as profit or loss.

Dividends on investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

B. Impairment of Financial Assets

- A) The Company assesses impairment losses on the financial assets (including accounts receivable) measured at amortized cost, equity Instrument Investments measured at FVTOCI, lease receivables, and contract assets based on expected credit losses on each balance sheet date.
- B) Loss allowance for accounts receivable, lease receivables, and contract assets is recognized based on lifetime expected-credit losses. The Group first assesses whether the credit risk on other financial assets significantly increases after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized based on 12-month expected credit losses; when the increase is significant, it is recognized based on lifetime-expected credit losses.
- C) Expected credit losses are the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within twelve months after the reporting date. Lifetime-expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.
- D) The impairment loss on all financial assets is deducted from the book value of the financial assets through allowance accounts. However, the loss allowance of the investment in liability instruments measured at FVTOCI is recognized in other comprehensive income and the book value is not reduced.

C. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following criteria is met:

- A) The contractual rights to the cash flows from the assets become invalid or expire.
- B) Transfers the contractual rights to the cash flows from the financial asset and substantially all the risks and rewards of ownership of the asset to another party.
- C) Neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control over the financial asset.

For derecognition of financial assets measured at amortized cost, the difference between the book value and the received consideration is recognized as profit or loss. For derecognition of debt instrument investments measured at FVTOCI, the difference between its book value, and the total amount of the consideration received plus any cumulative gain or loss recognized as other comprehensive income is recognized as profit or loss. For derecognition of equity instrument investments measured at FVTOCI, any cumulative profits or losses are directly transferred to retained earnings and not reclassified as profit or loss.

2) Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities and equity instruments. An equity instrument is any contract that recognizes the residual interest of a business in its assets less all its liabilities. The equity instruments issued by the Company are recognized at the amount obtained after deducting the direct issuance costs.

3) Financial liabilities

A. Subsequent measurement

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

A) Financial liabilities at FVTPL are financial liabilities held for trading or financial liabilities designated at FVTPL on initial recognition. Financial liabilities classified as held for trading are those whose main purpose at the time of occurrence is to repurchase in the short term, and derivatives other than financial guarantee contracts or designated and effective hedging instruments. When a financial liability meets one of the following conditions, the Company designates it to be measured at FVTPL on initial recognition:

- a. It is a hybrid (combined) contract; or
- b. It may eliminate or substantially reduce measurement or recognition inconsistencies; or
- c. It is a tool for managing and determining its performance on a fair value basis in accordance with a written risk management policy.

B) Financial liabilities at FVPTL are measured at fair value at the time of initial recognition, and related transaction costs are recognized as current profit or loss. It is subsequently measured at fair value, and changes in its fair value are recognized in profit or loss for the current period.

C) For financial liabilities designated as FVPTL, the amount of changes in fair value due to changes in credit risk is recognized in other comprehensive income, and will not be reclassified to profit or loss in the future, and the remaining amount of changes in fair value of the liability is presented in profit and loss. However, if the above-mentioned accounting treatment causes or aggravates the improper accounting ratio, the profit or loss of the liability shall be fully reported in profit or loss.

B. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the obligation is discharged, canceled or expired. For derecognition of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) are recognized in profit or loss.

4) Modification of financial instruments

When there is a renegotiation or modification of the contractual cash flows of a financial instrument that does not result in its derecognition, the Company recalculates the carrying amount of financial assets or the amortized cost of financial liabilities based on the modified contractual cash flows

discounted at the original effective interest rate. Any modification gain or loss is recognized in the income statement. The costs or fees incurred are adjusted against the modified carrying amount of the financial instrument and amortized over the remaining modified term. If the renegotiation or modification leads to derecognition of the financial instrument, it is accounted for according to the derecognition requirements.

If an interest rate benchmark change results in a modification of the contractual cash flow basis of financial instruments, and it is necessary due to the direct consequences of the interest rate benchmark change, and the new basis is economically equivalent to the previous basis, the company adopts practical expedients and treats it as an effective interest rate change when determining the basis change. If, in addition to the interest rate benchmark change, there are additional modifications to the financial instruments, the company applies the practical expedients to the required changes from the interest rate benchmark, and then applies the provisions for financial instrument modifications to any additional changes not covered by the practical expedients.

7. Inventory

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

8. Investment in Associates

The Company adopts the equity method for investment in Associates.

- 1) Associates refer to all entities over which the Company has significant influence but no control, and usually directly or indirectly hold more than 20% of its voting shares. The Company adopts the equity method for investment in Associates, and is recognized at cost upon acquisition.
- 2) The share of profit or loss obtained by the Associate for the Company will be recognized as profit and loss in the current period. The share of other comprehensive income will be recognized as other comprehensive income. If the Company's share of losses to any Associate equals or exceeds its interest in the Associate (including any other unsecured receivables), the Company does not recognize further loss unless the Company incurs legal obligations, constructive obligations, or payments made on behalf of the Associate.
- 3) The unrealized gains and losses generated from transactions between the Company and its Associates have been eliminated in proportion to its equity in the Associate; unless there is evidence that the assets transferred in the transaction have been impaired, the unrealized losses are also eliminated. Necessary adjustments have been made to the accounting policies of Associates, in order to be consistent with the policies adopted by the Company.
- 4) When an Associate issues new shares, and if the Company does not purchase or acquire them proportionately, resulting in a change in the shareholding ratio but the Company maintains significant influence, the increase or decrease of the change in the net equity value is to adjust the "additional paid-in capital" and "equity method investments". If the shareholding ratio is reduced, in addition to the above adjustments, the gains or losses previously recognized in other comprehensive income, where the gains or losses shall be reclassified to profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction. When the Company loses its significant influence on the Associate, the remaining investment in the original Associate is remeasured according to the fair value, and the difference between the fair value and the book value is recognized as the current profit and loss.
- 5) When the Company disposes of an Associate, if it loses its significant influence on the Associate, for all the amounts previously recognized in other comprehensive income related to the Associate, the accounting treatment is the same as if the Company directly disposes of assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income, upon disposal of related assets or liabilities, will be reclassified as profit or loss. Then when the significant influence on the Associate is lost, the gains or losses are reclassified from equity to profit or loss. If there is still a significant influence on the Associate, only the amount previously recognized in other comprehensive income shall be transferred out in the above-mentioned manner on a proportionate basis.
- 6) When the Company disposes of an Associate, if it loses its significant influence on the Associate, the additional paid-in capital related to the Associate will transfer to profit or loss; if it still has a significant influence on the Associate, it will transfer it to profit and loss according to the disposal ratio.

9. Property, plant and equipment

- 1) Property, plant and equipment are initially measured at cost and the relevant interest during the period of acquisition and construction is capitalized.

- 2) Subsequent costs are included in the book value of the asset or recognized as a separate asset only when the future economic benefits related to the item are likely to flow into the Company and the cost of the item can be measured reliably. The book value of the replaced part shall be derecognized. All other maintenance expenses are recognized as current profit or loss when incurred.
- 3) Land does not depreciate. Other property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate costs over their estimated useful life. Each assets residual value, service life and depreciation method are reviewed, and adjusted if appropriate at the end of each financial year. If expectations for the assets residual value and service life differs from previous estimates, or the patterns of consumption of the assets future economic benefits embodied in the assets have significantly changed, it shall be handled in accordance with the provisions of the IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change.

The useful life of each asset is as follows:

Land Improvements	10 years
Major components of houses and buildings:	
Factory main building	60 years
Surge arrester system	10 years
Fiber optic network	10 years
Fire protection system	5 years
Major components of machinery and equipment:	
Main body, housing	8 - 15 years
Basic engineering	10 years
Electrical equipment	10 years
Other peripheral equipment	10 years
Crane equipment	4 - 10 years
Coil trolleys	5 years
Transportation equipment	2 - 5 years
Other equipment	3- 5 years

- 4) When property, plant, and equipment are disposed of or are expected to be unable to generate future economic benefits from use or disposal, they are derecognized. The gain or loss on the derecognition of property, plant, and equipment is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the current period's income or loss.

10. Leasing

The Company assesses whether the contract is (or contains) a lease on the date of establishment of the contract. For contracts containing one lease component and one or more additional lease or non-lease components, based on the corresponding stand-alone price of each lease component and the summarized stand-alone price of the non-lease components, the Company allocates the proceeds of the contract to the respective lease component.

The Company as lessee

The lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and from short-term leases is recognized as expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

1) Right-of-use assets

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, lease payments less lease incentives received before the commencement date of the lease, original direct costs and the estimated cost of restoring the underlying asset), and is subsequently measured at cost less accumulated depreciation and the amount after the accumulated impairment loss is measured, and the remeasurement amount of the lease liability is adjusted.

Except for right-of-use assets that meet the definition of investment real estate, right-of-use assets are presented in the balance sheet as a single line item.

The right-of-use asset is depreciated on a straight-line basis from the commencement date of the lease to the expiry of the useful life or the expiry of the lease term, whichever is earlier. However, if ownership of the underlying asset will be acquired at the end of the lease term, or if the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation is provided from the commencement date of the lease until the end of the useful life of the underlying asset.

2) Lease liability

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantially fixed payment, variable lease payment determined by indices or fee rates, the amount expected to be paid by the lessee under the residual value guarantee, price of reasonably expected execution cost for purchasing the right-of-use asset and expected termination penalty reflecting the lessee's option to terminate the lease during the lease period, less lease incentives received). If the implied interest rate of the lease is easy to determine, the lease payment shall be discounted using the interest rate. If this rate is not readily determined, the incremental borrowing rate is used.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. If there is a change in the future lease payment due to changes in the lease period, the evaluation of the purchase option of the underlying asset, the amount expected to be paid under the residual value guarantee, or the indices or fee rates used to determine the lease payment, the Company will remeasure the lease liability and adjust the use of right-of-use asset, unless the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented as a single line item in the balance sheet.

Variable lease payments not determined by indices or fee rates under lease agreement are recognized as expenses in the period in which they occur.

11. Intangible assets

Intangible assets with finite useful life acquired separately are stated at cost less accumulated amortization and accumulated impairment losses. The amortization amount is accrued according to the following useful years according to the straight-line method: computer software design, two to ten years.

The estimated useful life and amortization method are reviewed at the end of the reporting period, and the impact of any change in estimate is deferred. Intangible assets are derecognized when they are disposed of or are not expected to generate future economic benefits from use or disposal. The amount of profit or loss arising from the derecognizing of intangible assets is the difference between the net disposal price and the book value of the asset, and is recognized in the current profit and loss.

12. Impairment of non-financial assets

On the balance sheet date, the Company estimates the recoverable amount of assets with signs of impairment, and recognizes the impairment loss when the recoverable amount is lower than its book value. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. If the asset impairment recognized in the previous year does not exist, it shall be reversed within the scope of the provision for loss in the previous year.

13. Provision for liabilities

Provision for liabilities is recognized when the Company has a present legal or constructive obligation as a result of past events, and it is likely to require outflow of resources with economic benefits to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at the best estimated present value of the expenditure required to settle the obligation on the balance sheet date. The discount rate shall be a pre-tax rate that reflects current market assessment of the time value of money and the specific risks of the liability. Where discounting is used, the carrying amount of a provision increases in each period, reflecting the passage of time. The increase is recognized as interest expense. Provisions are not recognized for future operating losses.

14. Employee Benefits

1) Short-term Employee benefits

Short-term Employee benefits are measured at non-discounted amounts expected to be paid and are recognized as an expense when the related service is rendered.

2) Pension

A. Defined contribution plan

For the defined contribution plan, the contributions are recognized as expenses when they are due on an accrual basis. Prepaid contributions are recognized as assets to the extent of a cash refund from the plan or a reduction in future contributions

B. Defined benefit plans

A) The net obligation under the defined benefit plan is calculated by discounting the amount of future benefits earned by the Employee in the current period or past service, and the fair value of the plan assets is subtracted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by the actuary using the projected unit benefit method, and the discount rate is the market yield rate of government bonds (on the balance sheet date).

B) Remeasurements arising from defined benefit plans are recognized in other comprehensive income and expressed in retained earnings in the period in which they occur.

C) Expenses related to upfront servicing costs are recognized immediately in profit or loss.

3) Compensation of Employees, Directors and Supervisors

Compensation of Employees, Directors and Supervisors are recognized as expenses and liabilities when there are statutory or constructive obligations and the amount can be reasonably estimated. If there is a discrepancy between the actual distribution amount and the estimated amount in subsequent resolutions, it shall be treated as a change in accounting estimate.

4) Severance benefits

Severance benefits are benefits provided when the Employee's employment is terminated before the normal retirement date or when the Employee decides to accept the Company's welfare offer in exchange for the termination of employment. The Company recognizes an expense when it is no longer possible to revoke the offer of termination benefits or when the related restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled within twelve months after the balance sheet date are discounted.

15. Share capital

Ordinary shares are classified as equity. The classification of preferred shares is based on the substance of the contract agreement and the definition of financial liabilities and equity instruments, and the specific rights attached to preferred shares are assessed. When the basic characteristics of financial liabilities are displayed, they are classified as liabilities, otherwise they are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are included in equity as a reduction of the price.

16. Stock-based compensation

- 1) The stock-based payment agreement for the settlement of rights and interests is based on the fair value of the rights and interests given on the date of grant, and is recognized as compensation cost during the period of acquisition. The equity is adjusted accordingly. The fair value of the rights and interests should reflect the impact of both the market conditions on the date of grant and the non-market conditions. The compensation cost recognized is adjusted for the expected award of compensation that will meet the service conditions and non-market vesting conditions until the final amount recognized is based on the number of rights and interests acquired on the date of acquisition.
- 2) The stock-based payment agreement for cash settlement is based on the fair value of the liability assumed, and is recognized as compensation cost and liability during the period of acquisition. On each balance sheet date and on the date of settlement, the fair value of the rights and interests granted is measured and any changes are recognized as current period income or loss.

17. Income tax

- 1) Income tax expenses include current and deferred income tax. Except for income tax related to items that are included in other comprehensive income or directly in equity, income tax is recognized in profit or loss.
- 2) Current income tax is calculated based on tax rates that have been legislated or substantively enacted as of the balance sheet date. Management evaluates the tax position based on legislation in force at the balance sheet date and provides for any additional income taxes that are expected to be due, based on the expected payment of tax to the tax authorities. Unrecognized deferred tax assets resulting from the temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Tax benefits are recognized only when it is probable that the tax benefit will be realized. The amount of the tax benefit recognized in profit or loss is the tax benefit that is realized or realizable in the current period. Any excess tax benefits or deficits are recognized as part of equity in the period in which they arise. Undistributed profits subject to income tax in Taiwan are not recognized as income tax expense until the profits are distributed and approved by the shareholders at the annual general meeting in the following year.
- 3) Deferred income tax is recognized using the balance sheet method, based on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities arising from the initial recognition of goodwill are not recognized. Deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that does not affect either the accounting profit or the taxable profit (tax loss) at the time of the transaction and no equal taxable and deductible temporary differences were generated at that time. The tax rates and tax laws that are expected to be applied to the deferred income tax assets and liabilities when they are realized or settled are those that have been enacted or substantively enacted as of the balance sheet date.
- 4) Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses, and unused tax credits can be utilized. The company reassesses the recognized and unrecognized deferred income tax assets at each balance sheet date.

- 5) When it is legally possible to offset current income tax assets and liabilities and when it is intended to settle the balances on a net basis or to realize the assets and settle the liabilities simultaneously, current income tax assets and liabilities are offset. When it is legally possible to offset deferred income tax assets and liabilities and when they arise from the same taxable entity or different taxable entities that intend to settle the balances on a net basis or to realize the assets and settle the liabilities simultaneously, deferred income tax assets and liabilities are offset.
- 6) Tax benefits from tax incentives resulting from the purchase of equipment or technology, research and development expenses, personnel training expenses, and equity investments are recognized as an income tax reduction.

18. Revenue recognition

The Company recognizes revenue from customer contracts in accordance with the following steps:

- 1) Identify the contract with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognize revenue when (or as) the performance obligations are satisfied.

The Company allocates the transaction price to the performance obligations in a customer contract and recognizes revenue when (or as) the performance obligations are satisfied. For contracts in which the transfer of goods or services and the consideration received are within one year, the transaction price is not adjusted for the major financial component.

A. Sale of goods

The Company recognizes revenue when control of the products is transferred to the customer. Control is transferred when the products are delivered to the customer and there are no remaining performance obligations. Delivery occurs when the customer has taken possession of the products according to the terms of the transaction, the products are no longer subject to return, the risks and rewards of ownership have been transferred to the customer, and the Company has no further performance obligations. The Company records accounts receivable when delivery of the goods has occurred, as the Company has the right to unconditional payment at that point.

B. Provision of services

The Company's services primarily consist of outsourced manufacturing services for customers, and revenue is recognized when the promised services are transferred to the customer (that is, when the customer obtains control of the assets) and there are no further obligations.

19. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset until it is substantially ready for its intended use or sale.

Income earned on specific borrowings that are temporarily invested prior to the expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalization.

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

V. Significant accounting judgments, estimates and assumptions

The Company considers the economic impact of the COVID-19 pandemic; climate change and related government policies and regulations; Russia-Ukraine military conflict and related international sanctions; inflation and market interest rate fluctuations as significant factors in its accounting estimates. The Company continuously reviews fundamental assumptions and estimates. If a revision of an estimate only affects the

current period, it is recognized in the current period. If a revision of an accounting estimate affects both the current period and future periods, it is recognized in the current and future periods.

The significant accounting judgments, estimates, and assumptions adopted in preparing this financial report by the Company are as follows:

1. Significant judgments in applying accounting policies

1) Judgment on the business model for the classification of financial assets

The Company evaluates the business model of financial assets based on the level of the financial asset group that is managed jointly for the purpose of achieving specific business objectives. This evaluation requires consideration of all relevant evidence, including the way in which the performance of the asset is measured, the risks that affect its performance, and the way in which the compensation of the relevant managers is determined, and requires judgment. The Company continues to assess the appropriateness of its business model judgment and monitors investments in financial assets measured at amortized cost and debt instruments measured at FVTOCI before their expiration date to understand the reasons for their disposal and evaluate whether the disposal is consistent with the objectives of the business model. If a change in the business model is found, the Company reclassifies financial assets in accordance with the provisions of IFRS 9 and delays the application from the date of reclassification.

2) Recognition of revenue

A. The Company determines whether it has obtained or not obtained control of a specific good or service before transferring it to the customer, according to IFRS 15, and whether it will be the principal or agent in the transaction. If it is determined to be an agent in the transaction, the net amount of the transaction is recognized as revenue. If any of the following conditions apply, the Company is the principal:

- A) The Company obtains control of the goods or other assets before transferring them to the customer; or
- B) The Company controls the right to provide services from another party, with the ability to direct that party to provide the services to the customer on behalf of the Company; or
- C) The Company obtains control of the goods or services from another party to combine them with other goods or services to provide a specific product or service to the customer.

B. Indicators used to help determine whether the Company has control of a specific goods or services prior to transferring them to customers include (but are not limited to):

- A) The Company has primary responsibility for fulfilling the commitment to provide specific goods or services.
- B) The Company bears inventory risk prior to and after transferring specific goods or services to customers.
- C) The Company has the discretion to set prices for specific goods or services.

3) Lease term

During the determination of the lease term, the Company considers all relevant facts and circumstances that create an economic incentive for the exercise (or non-exercise) of a choice option, including the expected changes in circumstances and facts from the start date to the exercise date of the option. Factors considered include the terms and conditions of the contract covered by the option, significant improvements to the leased asset during the contract period, and the importance of the target asset to the Company's operations, among others. If a significant event or significant change in circumstances occurs within the Company's control, the lease term is reassessed.

2. Important accounting estimates and assumptions

1) Revenue recognition

Sales revenue is recognized when performance obligations are satisfied by transferring control of goods

or services to customers, net of estimated related sales returns, discounts and other similar allowances. These sales returns and discounts are estimated based on historical experience and other known reasons, and the Company regularly reviews the reasonableness of the estimates.

2) Estimate of impairment of financial assets

The estimate of impairment for accounts receivable, debt securities investments, and financial guarantee contracts is based on the Company's assumptions about default rates and expected loss rates. The Company considers historical experience, current market conditions, and forward-looking information to make assumptions and choose appropriate input values for impairment assessments. If actual future cash flows are lower than expected, significant impairment losses may occur.

3) Fair value measurement and evaluation process

When assets and liabilities are measured at fair value, the Company determines whether to obtain an external valuation and selects appropriate fair value measurement techniques based on the relevant laws and regulations or its own judgment. If the fair value cannot be determined using level 1 inputs, the Company references analyses of the investee's financial condition and operating results, recent transaction prices, quotations for similar instruments in inactive markets, quotations for similar instruments in active markets, and comparable company valuation multiples to determine inputs. If the actual future changes in inputs differ from the expected changes, there may be a fair value change. The Company regularly updates inputs according to market conditions to monitor the appropriateness of fair value measurements.

4) Impairment assessment of tangible and intangible assets

In the asset impairment assessment process, the Company needs to rely on subjective judgment and determine the independent cash flows, useful life and future expected income and expenses of specific asset groups based on the asset usage pattern and industry characteristics. Any changes in estimates due to changes in economic conditions or Company strategy may result in significant impairment in the future.

5) Equity method investment impairment assessment

When there are indications that a certain equity method investment may have been impaired to the extent that the book value cannot be recovered, the Company immediately assesses the impairment of the investment. The Company assesses the recoverable amount based on the discounted value of the expected future cash flows of the invested company or the discounted value of the expected cash dividends received and the future cash flows generated from the disposal of the investment, and analyzes the reasonableness of the related assumptions.

6) Realizability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable income will be available to use the temporary differences. The evaluation of the realizability of deferred tax assets involves significant judgments and estimates by management, including assumptions about future revenue growth and profitability, tax holidays, available tax deductions, and tax planning. Any changes in the global economic or industry environment or changes in laws and regulations may result in significant adjustments to deferred tax assets.

7) Evaluation of inventory

Since inventory is valued at the lower of cost and net realizable value, the Company must use judgment and estimates to determine the net realizable value of inventory on the balance sheet date. The Company assesses the amount of inventory due to normal wear and tear, obsolescence or lack of market selling value, and reduces inventory cost to net realizable value.

8) Calculation of net defined benefit liability

In calculating the present value of defined benefit obligations, the Company must use judgment and estimation to determine the relevant actuarial assumptions as of the balance sheet date, including the discount rate and the expected rate of return on plan assets. Any changes in actuarial assumptions may have a significant impact on the amount of the Company's defined benefit obligations.

9) Incremental borrowing rate for lessees

In determining the incremental borrowing rate for leases for the purpose of discounting lease payments, the Company refers to the risk-free rate for the same currency and relevant period and incorporates the estimated credit risk premium and specific lease adjustments (such as asset-specific and secured factors) of the lessee.

VI. Explanation of important accounting items

1. Cash and cash equivalents

ITEMS	December 31, 2023	December 31, 2022
Cash	\$ 590	\$ 379
Checking Deposits	56,640	16,774
Savings Deposits	105,483	10,216
Term Deposits	30,705	155,278
Foreign Currency Deposits	10,382	13,756
TOTAL	\$ 203,800	\$ 196,403

1) Cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. The Company has good credit quality with financial institutions, and has diversified credit risk by dealing with multiple financial institutions, with a low likelihood of default.

2) The Company has not provided any collateral for cash and cash equivalents.

2. Net notes receivable

ITEMS	December 31, 2023	December 31, 2022
Notes receivable	\$ 293,403	\$ 322,121
Less: Allowance for losses	(6,352)	(3,221)
Net notes receivable	\$ 287,051	\$ 318,900

1) As of December 31, 2023 and 2022, the Company has no notes receivable to pledge.

2) Please refer to the following accounts receivable for the relevant disclosure of allowance loss on notes receivable.

3. Net accounts receivable

ITEMS	December 31, 2023	December 31, 2022
Accounts receivable	\$ 325,099	\$ 354,468
Accounts receivable – related parties	122	127
Less: Allowance for losses	(8,566)	(7,089)
Net notes receivable	\$ 316,655	\$ 347,506

- 1) The accounts receivable of the Company that have not exceeded their due date and have not been impaired comply with the credit standards set based on the industry characteristics, business scale, and profitability of the counterparties, with an average credit period of 90 days.
- 2) The Company has not pledged any accounts receivable
- 3) The Company's accounts receivable is measured at net realizable value, and as of December 31, 2023 and 2022, the Company had no accounts receivable discounted with third parties.
- 4) The Company adopts the simplified approach to recognize the allowance for doubtful accounts on notes receivable and accounts receivable based on the expected credit losses during the period they are expected to be outstanding. The expected credit losses during the period they are expected to be outstanding are based on consideration of the customers' past default records and current financial and business conditions, as well as industry outlooks and external credit ratings, by adjusting historical and real-time information to establish loss rates. The Company's credit loss history shows that there is no significant difference in loss types among different customer groups, therefore, the matrix for allowance for doubtful accounts does not further distinguish customer groups, and only sets the expected credit loss rate based on the number of days that accounts receivable are overdue. The Company measures the allowance for doubtful accounts on notes receivable and accounts receivable (including overdue receivables and related parties) based on the matrix for allowance for doubtful accounts as follows:

December 31, 2023	Expected Credit Loss Rate	Total Book Value	Allowance for Loss (expected credit losses during the period)	Amortized Cost
Not overdue	1%~2%	\$618, 624	\$ 14, 918	\$603, 706
Overdue 1 – 30 days	–	–	–	–
Overdue 31 – 60 days	–	–	–	–
Overdue 61 – 90 days	–	–	–	–
Overdue 91+ days	100%	6, 223	6, 223	–

December 31, 2022	Expected Credit Loss Rate	Total Book Value	Allowance for Loss (expected credit losses during the period)	Amortized Cost
Not overdue	1%~2%	\$676, 716	\$ 10, 310	\$666, 406
Overdue 1 – 30 days	–	–	–	–
Overdue 31 – 60 days	–	–	–	–
Overdue 61 – 90 days	–	–	–	–
Overdue 91+ days	100%	–	–	–

5) Changes in allowance for notes receivable and accounts receivable (including overdue receivable related parties) are as follows:

Item	December 31, 2023	December 31, 2022
Opening balance	\$ 10,310	\$ 11,543
Add: Provision for impairment loss	10,831	–
Less: Reversals of impairment loss	–	(365)
Less: Write-offs	–	–
Less: Offsets due to uncollected accounts	–	(868)
Foreign exchange difference	–	–
Closing Balance	\$ 21,141	\$ 10,310

The Company does not hold any collateral or other credit enhancement on such accounts receivable.

6) Please refer to Note XII-2 for the relevant credit risk management and assessment methods.

4. Inventories and cost of goods sold

Item	December 31, 2023	December 31, 2022
Raw materials	\$ 223,574	\$ 248,712
Finished goods	24,355	33,250
Unfinished goods	186	169
In-transit inventory	1,471	4,843
TOTAL	\$ 249,586	\$ 286,974

1) Inventory-related (loss) gains recognized as cost of goods sold in the current period are as follows:

Item	December 31, 2023	December 31, 2022
Cost of goods sold	\$ 2,794,486	\$ 3,262,491
Indirect manufacturing costs	20,715	21,862
Inventory write-down(reversal)	3,657	(31,396)
Total cost of sales	\$ 2,818,858	\$ 3,252,957

2) In 2023 and 2022, the Company wrote down its inventory to its net realizable value and consumed a portion of its inventory, resulting in inventory impairment losses (reversals) of NT\$3,657 thousand and NT\$(31,396) thousand, respectively.

3) As of December 31, 2023, and December 31, 2022, the inventory insurance amounted to NT\$126,000 thousand and NT\$147,000 thousand, respectively.

4) The Company did not pledge its inventory as collateral

5. Financial assets measured at fair value through other comprehensive income (FVTOCI) - non-current

Item	December 31, 2023	December 31, 2022
Equity instrument investments		
Domestic unlisted company stock	\$ 59,063	\$ -
Fair value adjustment	354	-
Total	\$ 59,417	\$ -

1) The Company has invested in Chunyuan Construction Co., Ltd. preferred shares as part of its medium to long-term strategic objectives, with the expectation of generating profits through long-term investment. The management believes that recognizing short-term fair value fluctuations of these investments in the income statement would not align with the aforementioned long-term investment strategy. Therefore, the Company chooses to designate these investments as measured at fair value through other comprehensive income. The fair value of these investments as of December 31, 2023, and December 31, 2022, amounted to NT\$59,417 million and NT\$0.

2) Please refer to Note XII-2 for the relevant credit risk management and assessment methods.

6. Equity method investments

Investee	December 31, 2023	December 31, 2022
Associated enterprises		
Significant Associates :		
Chun Yuan Construction Co., LTD.	\$ 211,816	\$ 199,706

1) Associated enterprises

A. The basic information of the significant Associates of the Company is as follows:

Company name	Shareholding Ratio	
	December 31, 2023	December 31, 2022
Chun Yuan Construction Co., LTD.	18.75%	18.75%

The nature of the business, main place of business, and country of incorporation of the above-mentioned associated enterprises are indicated in Note XIII-2.

B. The consolidated financial information of significant Associates of the Company is as follows:

A) Balance sheet

	Chun Yuan Construction Co., LTD.	
	December 31, 2023	December 31, 2022
Current assets	\$ 2, 937, 963	\$ 2, 351, 977
Non-current assets	193, 440	193, 345
Current liabilities	(1, 642, 357)	(1, 462, 805)
Non-current liabilities	(9, 360)	(17, 420)
Preferred Shares	(350, 000)	–
Total Equity	\$ 1, 129, 686	\$ 1, 065, 097
Share of net assets attributable to the Associate	\$ 211, 816	\$ 199, 706
Unrealized gain (loss) on transactions with Associate	–	–
Goodwill	–	–
Book value of the investment	\$ 211, 816	\$ 199, 706

B) Comprehensive income statement

	Chun Yuan Construction Co., LTD.	
	December 31, 2023	December 31, 2022
Operating revenue	\$ 3, 371, 110	\$ 3, 512, 213
Net income for the period	\$ 143, 337	\$ 94, 681
Other comprehensive income (net of tax)	(27)	6, 775
Total comprehensive income for the period	\$ 143, 310	\$ 101, 456
Dividends received from Associates	\$ 14, 760	\$ 11, 660

C) The investments and Company's share of profits and other comprehensive income using the equity method are calculated based on audited financial statements by an auditor.

7. Property, plant and equipment

Item	December 31, 2023	December 31, 2022
Personal Use	\$ 521,382	\$ 535,354
Operating lease rentals	5,003	5,132
TOTAL	<u>\$ 526,385</u>	<u>\$ 540,486</u>

- 1) The amount of capitalized borrowing cost for the years ending December 31, 2023 and 2022 was \$0.
- 2) The Company has not provided collateral in the form of property, plant and equipment.
- 3) As there were no indications of impairment in the years ending December 31, 2023 and 2022, the Company did not conduct impairment assessments.

Personal Use	December 31, 2023	December 31, 2022
Land	\$ 427,174	\$ 427,174
Land improvements	396	396
Building and structures	175,903	175,903
Machinery and equipment	398,583	399,925
Transportation equipment	29,011	29,011
Other equipment	10,723	10,723
Total cost	<u>1,041,790</u>	<u>1,043,132</u>
Less: Accumulated depreciation	(520,408)	(507,778)
Less: Accumulated impairment	–	–
TOTAL	<u>\$ 521,382</u>	<u>\$ 535,354</u>

Cost	Land	Land Improvements	Building/ Structures	Machinery/ Equipment	Transport Equipment	Other Equipment	Total
Balance, January 1, 2023	\$ 427,174	\$ 396	\$ 175,903	\$ 399,925	\$ 29,011	\$ 10,723	\$ 1,041,790
Additions	–	–	–	1,001	–	–	1,001
Disposals	–	–	–	(2,343)	–	–	(2,343)
Transferred to operating leases	–	–	–	–	–	–	–
Balance, December 31, 2023	\$ 427,174	\$ 396	\$ 175,903	\$ 398,538	\$ 29,011	\$ 10,723	\$ 1,041,790

Accumulated Depreciation and Impairment	Land	Land Improvements	Building/ Structures	Machinery/ Equipment	Transport Equipment	Other Equipment	Total
Balance, January 1, 2023	\$ –	\$ 396	\$ 142,132	\$ 328,812	\$ 26,918	9,520	\$ 507,778
Depreciation expense	–	–	1,668	11,996	598	711	14,973
Disposals	–	–	–	(2,343)	–	–	(2,343)
Transferred to operating leases	–	–	–	–	–	–	–
Balance, December 31, 2023	\$ –	\$ 396	\$ 143,800	\$ 338,465	\$ 27,516	\$ 10,231	\$ 520,408

Cost	Land	Land Improvements	Building/ Structures	Machinery/ Equipment	Transport Equipment	Other Equipment	Total
Balance, January 1, 2022	\$ 427,174	\$ 396	\$ 175,903	\$ 399,925	\$ 29,011	\$ 10,751	\$ 1,043,160
Additions	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(28)	(28)
Transferred to operating leases	–	–	–	–	–	–	–
Balance, December 31, 2022	\$ 427,174	\$ 396	\$ 175,903	\$ 399,925	\$ 29,011	\$ 10,723	\$ 1,043,132

Accumulated Depreciation and Impairment	Land	Land Improvements	Building/ Structures	Machinery/ Equipment	Transport Equipment	Other Equipment	Total
Balance, January 1, 2022	\$ –	\$ 396	\$ 140,109	\$ 316,206	\$ 25,852	\$ 8,809	\$ 491,372
Depreciation expense	–	–	2,023	12,606	1,066	739	16,434
Disposals	–	–	–	–	–	(28)	(28)
Transferred to operating leases	–	–	–	–	–	–	–
Balance, December 31, 2022	\$ –	\$ 396	\$ 142,132	\$ 328,812	\$ 26,918	\$ 9,520	\$ 507,778

Operating Lease Rentals	December 31, 2023	December 31, 2022
Land	\$ 2,183	\$ 2,183
Building and structures	7,873	7,873
Total cost	10,056	10,056
Less: Accumulated depreciation	(5,053)	(4,924)
Less: Accumulated impairment	—	—
TOTAL	\$ 5,003	\$ 5,132

Cost	Land	Bulidings/ Structures	Total
Balance, January 1, 2023	\$ 2,183	\$ 7,873	\$ 10,056
Additions	—	—	—
Disposals	—	—	—
Reclassified as/ transferred from Property, plant, and equipment	—	—	—
Acquired from business combination	—	—	—
Reclassified as held for sale	—	—	—
Impact of foreign exchange differences	—	—	—
Balance, December 31, 2023	\$ 2,183	\$ 7,873	\$ 10,056

Accumulated Depreciation and Impairment	Land	Bulidings/ Structures	Total
Balance, January 1, 2023	\$ —	\$ 4,924	\$ 4,924
Depreciation expenses	—	129	129
Disposals	—	—	—
Reclassified as/ transferred from Property, plant, and equipment	—	—	—
Acquired from business combination	—	—	—
Reclassified as held for sale	—	—	—
Impact of foreign exchange differences	—	—	—
Reclassified as assets for operating lease	—	—	—
Balance, December 31, 2023	\$ —	\$ 5,053	\$ 5,053

Cost	Land	Bulidings/Structures	Total
Balance, January 1, 2022	\$ 2, 183	\$ 7, 873	\$ 10, 056
Additions	–	–	–
Disposals	–	–	–
Reclassified as/ transferred from Property, plant, and equipment	–	–	–
Acquired from business combination	–	–	–
Reclassified as held for sale	–	–	–
Impact of foreign exchange differences	–	–	–
Balance, December 31, 2022	\$ 2, 183	\$ 7, 873	\$ 10, 056

Accumulated Depreciation and Impairment	Land	Bulidings/Structures	Total
Balance, January 1, 2022	\$ –	\$ 4, 795	\$ 4, 795
Depreciation expenses	–	129	129
Disposals	–	–	–
Reclassified as/ transferred from Property, plant, and equipment	–	–	–
Acquired from business combination	–	–	–
Reclassified as held for sale	–	–	–
Impact of foreign exchange differences	–	–	–
Reclassified as assets for operating lease	–	–	–
Balance, December 31, 2022	\$ –	\$ 4, 924	\$ 4, 924

4) The Company leases office space for business purposes, with a lease term of 3 years. All business leases contain a clause allowing the lessee to adjust the rent based on market rental rates when exercising their option to renew. At the end of the lease term, the lessee does not have the right of first refusal to purchase the property.

5) The total amount of future rental payments to be received for property, plant and equipment under operating leases is as follows:

	December 31, 2023	December 31, 2022
Year 1	\$ 1, 641	\$ 1, 641
Year 2	1, 641	–
Year 3	1, 641	–
TOTAL	\$ 4, 923	\$ 1, 641

6) As of the end of fiscal year 2023 and 2022, the market value of assets leased out by the Company under operating leases is still higher than the net book value, and no impairment was recognized.

8. Rental agreements

1) Right-of-use assets

Right-of-use assets	December 31, 2023	December 31, 2022
Buildings and structures	\$ 25,052	\$ 25,052
Transportation equipment	1,896	1,896
Total cost	\$ 26,948	\$ 26,948
Less: Accumulated depreciation	(14,479)	(11,139)
Less: Accumulated impairment	–	–
TOTAL	\$ 12,469	\$ 15,809

Cost	Buildings and Structures	Transportation Equipment	Total
Balance, January 1, 2023	\$ 25,052	\$ 1,896	\$ 26,948
Increase in the period	–	–	–
Decrease in the period	–	–	–
Balance, December 31, 2023	\$ 25,052	\$ 1,896	\$ 26,948

Accumulated Depreciation and impairment

Balance, January 1, 2023	\$ 10,830	\$ 309	\$ 11,139
Depreciation expense	2,708	632	3,340
Decrease in the period	–	–	–
Provision (reversal) for impairment loss	–	–	–
Balance, December 31, 2023	\$ 13,538	\$ 941	\$ 14,479

Cost	Buildings and Structures	Transportation Equipment	Total
Balance, January 1, 2022	\$ 25,052	\$ 2,940	\$ 27,992
Increase in the period	–	1,896	1,896
Decrease in the period	–	(2,940)	(2,940)
Balance, December 31, 2022	\$ 25,052	\$ 1,896	\$ 26,948

Accumulated Depreciation and impairment

Balance, January 1, 2022	\$ 8,123	\$ 2,162	\$ 10,285
Depreciation expense	2,707	847	3,554
Decrease in the period	–	(2,700)	(2,700)
Provision (reversal) for impairment loss	–	–	–
Balance, December 31, 2022	\$ 10,830	\$ 309	\$ 11,139

2) Lease liability

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	\$ 3,360	\$ 3,314
Non-current	\$ 9,515	\$ 12,875

The range of discount rates used for lease liabilities is as follows:

	December 31, 2023	December 31, 2022
Buildings and structures	1.092%	1.092%
Transportation equipment	1.024%~1.296%	1.024%~1.296%

Regarding the analysis of the expiry of lease liabilities, please refer to the explanation in Note XII-2.

3) Important leasing activities and terms

The Company leases several buildings and transportation equipment for use as business premises and official vehicles, with lease terms ranging from 1 to 10 years. The Company has already included the right to renew the lease after the end of the lease period in its lease liability. According to the contract, the Company is not allowed to sublease the leased assets without the consent of the lessor. As of December 31, 2023 and 2022, there are no indications of impairment of the right-of-use assets, so no impairment assessment has been carried out.

4) Other leasing information

A. The Company leases out its own property, plant and equipment for operating leases. Refer to Note VI-7 "Property, plant and equipment" for details.

B. Information on lease-related expenses for the current period is as follows:

Item	December 31, 2023	December 31, 2022
Short-term lease expense	\$ 150	\$ 153
Lease expenses for low-value assets	\$ 141	\$ 122
Variavle lease payments not included in the Measurement of lease lialilities	\$ –	\$ –
Total cash outflow for leasing	\$ 3,764	\$ 3,963

The Company chose to exempt the recognition of short-term leases and low-value asset leases that meet the recognition criteria for the years 2023 and 2022, and did not recognize the related right-of-use assets and lease liabilities for such leases.

9. Other non-current assets – Other

Item	December 31, 2023	December 31, 2022
Receivables for collection	\$ 6,223	\$ –
Less: Allowance for doubtful accounts	(6,223)	–
Other	38	143
TOTAL	\$ 38	\$ 143

10. Short-term borrowing

1) Year ending December 31, 2023

Nature of Loan	Amount	Interest Rate
Inventory loan	\$ 12,015	1.85%

2) Year ending December 31, 2022: None.

This company issues promissory notes as collateral. Please refer to Note IX for details regarding the collateral situation.

11. Current liabilities – provisions

Item	December 31, 2023	December 31, 2022
Employee benefits	\$ 3, 985	\$ 3, 837

Item	2022	2021
Beginning balance	\$ 3, 837	\$ 3, 952
Provision	3, 985	3, 837
Amount reversed in the period	(3, 837)	(3, 952)
Closing balance	\$ 3, 985	\$ 3, 837

12. Pension

1) Defined contribution plan

- A. The Company's retirement plan applicable to the "Labor Pension Act" is a government-managed defined contribution plan, which allocates 6% of an Employee's monthly salary to an individual account at the Labor Insurance Bureau.
- B. In 2023 and 2022, the Company recognized the total amount of expenses in the consolidated income statement according to the specified proportion of the amount to be paid under the fixed contribution plan as NT\$3,568 thousand and NT\$3,573 thousand, respectively.

2) Defined benefit plan

- A. The Company's retirement benefits system, which is governed by the "Labor Standards Act" of Taiwan, is a defined benefit retirement plan that is overseen by the government. Retirement benefits are calculated based on years of service and the average salary in the six months prior to the approved retirement date. The Company contributes 3% of total salary per month to the employee retirement fund, which is deposited into a special account at the Taiwan Bank in the name of the Labor Pension Supervisory Committee. If the estimated balance in the account is insufficient to pay the estimated retirement benefits to employees who are expected to reach retirement eligibility in the following year, the balance will be supplemented by a one-time contribution by the end of March of the following year. The account is managed by the Labor Fund Investment Agency of the Ministry of Labor and the Company has no influence on investment management strategy.
- B. The obligation amount resulting from the defined benefit plan of the Company is shown below:

Item	December 31, 2023	December 31, 2022
Defined benefit obligation	\$ (74, 240)	\$ (72, 932)
Fair value of plan assets	61, 322	61, 125
Net liability (or asset) recognized On the balance sheet	\$ (12, 918)	\$ (11, 807)

C. Changes in net defined benefit liability are as follows:

	2023		
	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance, January 1	\$ (72,932)	\$ 61,125	\$ (11,807)
Service cost			
Current service cost	(156)	–	(156)
Past service cost	–	–	–
Interest expense (income)	(852)	713	(139)
Recognized in income statement	(1,008)	713	(295)
Remeasurement amount			
Plan asset return (excluding amount included in net interest expense)	–	617	617
Actuarial (gain)/loss			
Demographic assumption changes	–	–	–
Financial assumption	–	–	–
Experience adjustment	(2,309)	–	(2,309)
Recognized in other Comprehensive income	(2,309)	617	(1,692)
Employer contribution	–	876	876
Benefit payments	2,009	(2,009)	–
Balance, December 31	\$ (74,240)	\$ 61,322	\$ (12,918)

	2022		
	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance, January 1	\$ (85,252)	\$ 61,712	\$ (23,540)
Service cost			
Current service cost	(221)	–	(221)
Past service cost	–	–	–
Interest expense (income)	(579)	416	(163)
Recognized in income statement	(800)	416	(384)
Remeasurement amount			
Plan asset return (excluding amount included in net interest expense)	–	5,021	5,021
Actuarial (gain)/loss			
Demographic assumption changes	–	–	–
Financial assumption	2,609	–	2,609
Experience adjustment	647	–	647
Recognized in other Comprehensive income	3,256	5,021	8,277
Employer contribution	–	898	898
Benefit payments	9,864	(6,922)	2,942
Balance, December 31	\$ (72,932)	\$ 61,125	\$ (11,807)

D. The Company is exposed to the following risks due to the pension system of the "Labor Standards Act":

A) Investment risk

The Labor Department's Labor Fund Management Agency invests the workers' retirement fund through self-management and delegated management methods, investing in domestic (foreign) equity securities and debt securities and bank deposits, etc. However, the allocated amount of the Company's plan assets is calculated based on the return on deposits with a local bank with a 2-year fixed deposit rate.

B) Interest rate risk

A decrease in the interest rate of government bonds will increase the present value of the benefit obligation, but the return on debt investments of the plan assets will also increase, resulting in a partially offsetting effect on the net defined benefit liability.

C) Salary risk

The calculation of the present value of the benefit obligation is based on the future salary of the plan members. Therefore, an increase in the salary of the plan members will increase the present value of the benefit obligation.

E. The present value of the benefit obligation of the Company is calculated by a qualified actuary. The major assumptions used at the measurement date are as follows:

Item	Measurement Date	
	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.20%
Expected salary increase rate	2.00%	2.00%
Average remaining service period of defined benefit obligation	6 years	6 years

A) The assumption for future mortality rates is based on the 6th Taiwan Life Table estimated by the life insurance industry.

B) If significant actuarial assumptions were to change in a reasonable range of possible outcomes, keeping all other assumptions constant, the following amount would increase (decrease) the present value of defined benefit obligations:

Item	December 31, 2023	December 31, 2022
Discount rate		
0.25% increase	\$ (1,166)	\$ (1,252)
0.25% decrease	\$ 1,197	\$ 1,287
Expected salary increase rate		
0.25% increase	\$ 1,184	\$ 1,273
0.25% decrease	\$ (1,160)	\$ (1,245)

Due to the possibility of interdependence among the actuarial assumptions, the likelihood of a single assumption changing is small, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

C) The Company estimates that it will pay a contribution of NT\$578 thousand and NT\$567 thousand to the retirement plan in the years 2023 and 2022, respectively.

13. Share capital

1) The common shares of the Company in circulation at the beginning and end of the period, and the adjustment of the number and amount, are as follows:

Item	2023	
	Number of shares	Amount
Balance, January 1	130,522	\$ 1,305,215
Balance, December 31	130,522	\$ 1,305,215

Item	2022	
	Number of shares	Amount
Balance, January 1	130,522	\$ 1,305,215
Balance, December 31	130,522	\$ 1,305,215

2) As of December 31, 2023, the authorized capital of the Company is NT\$2,000 million divided into 200 million shares.

14. Capital Surplus

Item	December 31, 2023	December 31, 2022
Premium on issuance of stocks	\$ 84,000	\$ 84,000
Treasury stock transactions	20,835	20,835
Equity method accounted changes in equity of associated companies and joint ventures	2,176	2,176
TOTAL	\$ 107,011	\$ 107,011

The excess of the par value of the shares issued over the issuing price and the capital surplus received from the capital contribution, except for the loss compensation, can be distributed to new shares or cash in proportion to the original shares of the Shareholders when the Company has no accumulated loss. In accordance with the relevant regulations of the Securities and Exchange Act, the above capital surplus for capitalization shall not exceed 10% of the paid-in capital each year. When the Company's capital deficit is not filled with profits and reserves, it cannot be supplemented with capital surplus. Capital surplus generated from investments using the equity method cannot be used for any purpose.

15. Retained Earnings and Dividend Policy

- 1) According to the profit distribution policy set forth in the Articles of Association, if the Company has profits after paying taxes and other obligations, it shall first offset previous losses, allocate 10% to legal reserve, and allocate or reverse special reserve in accordance with laws and regulations or regulatory requirements. If there is still remaining profit, it may be added to the undistributed profit from previous years to form the distributable profit. After considering the business situation, the Board of Directors shall propose a profit distribution plan to be approved by the Shareholders Meeting. If the profit is to be distributed in cash, the Board of Directors shall pass a resolution by more than two-thirds of the Directors present and a majority of the attending Directors, and report it to the Shareholders Meeting.
- 2) The Company's current business is in a stable growth phase in its lifecycle, and in order to achieve sustainable operations, the Company adopts a balanced dividend policy, taking into account the Company's future profitability, funding requirements, long-term financial planning, and the shareholders need for cash inflows. For each fiscal year the Company has a surplus, the Board of Directors will consider the Company's financial structure, shareholder equity, and dividend stability when formulating the earnings distribution plan. Except for funding needs, the actual distributed earnings for each fiscal year shall account for no less than 50% of the undistributed earnings from previous years. The cash dividend portion shall not be less than 10% of the total cash and stock dividends distributed.
- 3) The legal reserves, except for being used to offset the company's losses or to issue new shares or cash dividends to shareholders in proportion to their original shareholding, cannot be utilized for any other purposes. However, in the case of issuing new shares or cash dividends, the amount of such utilization shall be limited to the portion of the legal reserves that exceeds 25% of the paid-in capital.
- 4) When the Company distributes profits, according to legal regulations, the special surplus reserve can only be allocated based on the debit balance of other equity items as of the year-end balance sheet date. When the debit balance of other equity items is reversed later, the reversed amount can be included in the distributable profit.

Based on the letter no. 1090150022 issued by the Financial Supervisory Commission on March 31, 2021, the Company set up a special surplus reserve. In the future, when the Company uses, disposes of, or reclassifies related assets, the proportion of the originally allocated special surplus reserve can be reversed to distributable retained earnings.

- 5) The earnings distribution for the fiscal years 2022 and 2021, as resolved by the Shareholders Meeting in June 2023 and June 2022 respectively, and the dividends per share are as follows:

Item	盈餘分配案		每股股利(元)	
	2022	2021	2022	2021
Legal reserve	\$ 2,327	\$ 17,235		
Cash dividend for common share	26,104	154,015	\$ 0.20	\$ 1.18
Stock dividend for common share	-	-	-	-
TOTAL	<u>\$ 28,431</u>	<u>\$171,250</u>		

- 6) The earnings distribution for fiscal year 2023, as resolved by the Board of Directors, on March 14, 2024, and the dividends per share are as follows:

Item	Earnings Distribution Plan	Dividend per share (NTD)
Legal reserve	\$ –	
Special earnings reserve (reversal)	–	
Cash dividend for common share	–	\$ –
Stock dividend for common share	–	–

The earnings distribution plan for the year 2023 is pending approval from the Shareholders Meeting scheduled to be held in June 2024.

- 7) Details of the proposed earnings distribution plan by the Board of Directors and the resolution of the Shareholders Meeting can be found on the Market Observation Post System of the Taiwan Stock Exchange.

16. Other interests

Item	Foreign Currency Translation Adjustments	Unrealized Gain (loss) on Financial Assets At FVTOCI	Total
Balance, January 1, 2023	\$ 46	\$ –	\$ 46
Unrealized gain (loss) on financial assets at FVTOCI	–	354	354
Equity in affiliates and joint ventures Using equity method	(15)	–	(15)
Balance, December 31, 2023	\$ 31	\$ 354	\$ 385

Item	Foreign Currency Translation Adjustments	Unrealized Gain (loss) on Financial Assets At FVTOCI	Total
Balance, January 1, 2022	\$ 31	\$ (22, 719)	\$ (22, 688)
Unrealized gain (loss) on financial assets at FVTOCI	–	(103)	(103)
Equity in affiliates and joint ventures Using equity method	15	–	15
Disposal of equity instruments at FVTOCI	–	22, 822	22, 822
Balance, December 31, 2022	\$ 46	\$ –	\$ 46

17. Operating revenue

Item	December 31, 2023	December 31, 2022
Revenue from customer contracts	\$ 2, 890, 308	\$ 3, 383, 155
Less: Returned goods	(27, 825)	(23, 342)
Less: Sales allowances	(1, 597)	(220)
Other operating revenue	1, 390	1, 474
TOTAL	\$ 2, 862, 276	\$ 3, 361, 067

1) Breakdown of revenue from customer contracts

The Company's revenue can be broken down into the following major production lines and geographic regions:

Division	December 31, 2023	December 31, 2022
Major Regional Markets		
Domestic	\$ 2, 862, 276	\$ 3, 361, 067
Foreign	–	–
TOTAL	\$ 2, 862, 276	\$ 3, 361, 067
Major Goods and Services		
Stainless steel products	\$ 2, 862, 276	\$ 3, 361, 067
TOTAL	\$ 2, 862, 276	\$ 3, 361, 067
Time of Revenue Recognition		
Fulfilled obligation at a point in time	\$ 2, 862, 276	\$ 3, 361, 067
TOTAL	\$ 2, 862, 276	\$ 3, 361, 067

2) Contract balance

The Company recognizes customer contract revenue related accounts receivable, contract assets, and contract liabilities as follows:

	December 31, 2023	December 31, 2022
Note receivable, accounts	\$ 603, 706	\$ 666, 406
Contract liabilities – current		
Sales of goods	\$ 820	\$ 6, 949

3) Significant changes in contract assets and liabilities

The changes in contract assets and liabilities are mainly due to the difference in timing between the satisfaction of performance obligations and customer payments.

4) Unfulfilled customer contracts

As of December 31, 2023 and December 31, 2022, the Company has unfulfilled sales contracts with customers that are expected to continue for less than one year and are expected to be fulfilled and recognized as revenue within the next year.

18. Employee benefits, depreciation, and amortization expenses

Type	2023		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Employee benefit expenses			
Salary expenses	\$ 43,704	\$ 45,962	\$ 89,666
Labor/Health insurance expenses	5,257	5,431	10,688
Pension expenses	1,770	2,093	3,863
Directors compensation	–	3,366	3,366
Other Employee benefits expenses	3,948	5,961	9,909
Depreciation expenses	13,628	4,814	18,442
Amortization expenses	–	240	240
TOTAL	\$ 68,307	\$ 67,867	\$ 136,174

Type	2022		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Employee benefit expenses			
Salary expenses	\$ 44,673	\$ 46,278	\$ 90,951
Labor/Health insurance expenses	5,342	5,469	10,811
Pension expenses	1,894	2,063	3,957
Directors compensation	–	3,821	3,821
Other Employee benefits expenses	4,418	5,827	10,245
Depreciation expenses	14,918	5,200	20,118
Amortization expenses	–	459	459
TOTAL	\$ 71,245	\$ 69,117	\$ 140,362

In 2023 and 2022, the number of Employees was 185 and 192 respectively, of which 8 of the 8 Directors were not concurrently Employees.

- 1) The average Employee benefit expense in 2023 and 2022 was NT\$645 thousand and NT\$630 thousand, respectively.
- 2) The average Employee salary expense in 2023 and 2022 was NT\$507 thousand and NT\$494 thousand, respectively.
- 3) The average Employee salary expense adjustment changed by 2.63%.
- 4) The Supervisors expenses in 2023 and 2022 was NT\$0 and NT\$0 thousand, respectively.
- 5) The Company's salary and compensation policy (including Directors, Supervisors, Managers, and Employees) is as follows:
 - A. Directors and Supervisors:
 - A) Remuneration (Travel expenses)

Article 23 of the Articles of Association of the Company: The remuneration of the Directors and Supervisors shall be determined by the Directors based on the standards of relevant peers and other listed companies.

B) Compensation

Article 26 of the Articles of Association of the Company: Based on the pre-tax profit of the current year which does not include the compensation of Employees and Directors and Supervisors, after deducting the accumulated losses, if there is still profit, it should be allocated in the following proportion:

- a. Compensation of Directors and Supervisors is capped at one percent.
- b. Compensation of Employees is two percent.

B. Managers and Employees

A) The salary of Managers and Employees is based on:

- a. The company's scale system.
- b. The market conditions of the relevant industry.
- c. Individual performance (determined by evaluation, attendance rate, work efficiency, quality, skills, etc.).

B) Compensation

Article 25 of the Articles of Association of the Company: Based on the pre-tax profit of the current year which does not include the compensation of Employees and Directors and Supervisors, after deducting the accumulated losses, if there is still profit, it should be allocated in the following proportion:

- a. Compensation of Directors and Supervisors is capped at one percent.
- b. Compensation of Employees is two percent.

6) The Company sets aside 2% and 1% of the pre-tax profits for Employee and Director compensation, respectively, before distribution, with a cap of 1%. The estimated employee and director compensation for the years ending 2023 and 2022 were calculated to be NT\$0 thousand and NT\$947 thousand and NT\$0 thousand and NT\$473 thousand, respectively, based on the pre-tax profits for the respective years. If there are any changes to the amounts after the publication of the annual financial report, they will be adjusted in the next fiscal year based on changes in the accounting estimates.

7) The Board of Directors of the Company resolved on March 14, 2024 and March 16, 2023, respectively, to approve the Employees, Directors and Supervisors compensation for 2023 and 2022, as well as the related amounts recognized in the financial statements as follows:

	2023		2022	
	Employees	Directors and Supervisors	Employees	Directors and Supervisors
Resolved distribution amount	\$ –	\$ –	\$ 947	\$ 473
Recognized amount in the Financial statements	–	–	947	473
Difference	\$ –	\$ –	\$ –	\$ –

8) Details on the compensation of Employees, Directors and Supervisors for 2023 and 2022 that was resolved by the Board of Directors can be found on the Market Observation Post System of the Taiwan Stock Exchange.

19. Interest Income

Item	December 31, 2023	December 31, 2022
Interest on bank deposits	\$ 2,983	\$ 1,075
Other interest income	–	5
TOTAL	\$ 2,983	\$ 1,080

20. Other income

Item	December 31, 2023	December 31, 2022
Rental income	\$ 2,221	\$ 2,171
Other income	464	707
TOTAL	\$ 2,685	\$ 2,878

21. Other profit and loss

Item	December 31, 2023	December 31, 2022
Disposal of financial assets at FVTPL	\$ –	\$ 191
Financial assets and liabilities at FVTPL	–	(128)
Net foreign exchange	699	7,629
Disposal of property, plant and equipment	4	–
Other	(99)	(24)
TOTAL	\$ 604	\$ 7,668

22. Financial costs

Item	December 31, 2023	December 31, 2022
Interest expense:		
Bank loan	\$ 391	\$ 314
Interest on lease liabilities	159	185
Other interest expenses	–	5
Less: amount of interest capitalized	–	–
Financial costs	\$ 550	\$ 504

23. Income tax

1) Income tax expenses

A. The components of income tax expense (benefit) are as follows:

Item	December 31, 2023	December 31, 2022
Current Income tax		
Income tax incurred in the current period	\$ –	\$ –
Surcharge on undistributed earnings	–	55
Prior period income tax adjustment	–	–
Total current income tax	–	55
Deferred income tax		
Origination and reversal of temporary differences	(5, 386)	7, 649
Impact of changes in tax rates	–	–
Total deferred income tax	(5, 386)	7, 649
Income tax expense (benefit)	\$ (5, 386)	\$ 7, 704

B. Income tax (expense) benefit related to other comprehensive income:

	December 31, 2023	December 31, 2022
Remeasurement of defined benefit plans	\$ 338	\$ (1, 655)

2) The adjustment of income tax expense for the current year's accounting period is shown as follows:

Item	December 31, 2023	December 31, 2022
Profit before tax	\$ (26, 196)	\$ 45, 920
Tax amount calculated based on statutory tax rate	\$ (5, 239)	\$ 9, 184
Tax effects of adjustments:		
Items not included in taxable income calculation		
Equity method investment income (loss)	(5, 375)	(3, 551)
Fair value changes of financial assets	–	26
Exempt income	–	(38)
Other adjustments	6, 032	(6, 576)
Loss carryforward	4, 582	955
Adjustment for prior year income tax	–	–
Impact of tax rate changes	–	–
Additional 5% ax on undistributed earnings	–	55
Net change in deferred income tax	(5, 386)	7, 649
Income tax expense recognized in financial report	\$ (5, 386)	\$ 7, 704

The applicable tax rate for the Company is 20%. In addition, the tax rate for undistributed profits applicable from the 2018 fiscal year is 5%. In July 2019, the President of Taiwan promulgated the revised Industry Innovation Act, specifying that undistributed profits used to construct or purchase certain assets or technologies above a certain amount starting from the 2018 fiscal year may be deducted when calculating undistributed profits. When calculating undistributed profits tax, the Company only deducts the actual capital expenditure for reinvestment.

3) Deferred tax assets or liabilities arising from temporary differences, loss carryforwards, and investment tax credits:

Item	2023			
	Beginning Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets:				
Temporary differences				
Net defined benefit liability	\$ 2,362	\$ (116)	\$ 338	\$ 2,584
Unrealized inventory loss	1,324	731	–	2,055
Unused vacation pay	767	30	–	797
Unrealized exchange loss	–	–	–	–
Unused tax loss carryforwards	955	4,582	–	5,537
Subtotal	5,408	5,227	338	10,973
Deferred tax liability :				
Temporary differences				
Land appreciation tax reserve	(128,469)	–	–	(128,469)
Unrealized exchange gain	(374)	159	–	(215)
Subtotal	(128,843)	159	–	(128,684)
TOTAL	\$ (123,435)	\$ 5,386	\$ 338	\$ (117,711)

Item	2022			
	Beginning Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets:				
Temporary differences				
Net defined benefit liability	\$ 4,708	\$ (691)	\$ (1,655)	\$ 2,362
Unrealized inventory loss	7,603	(6,279)	–	1,324
Unused vacation pay	790	(23)	–	767
Unrealized exchange loss	1,237	(1,237)	–	–
Unused tax loss carryforwards	–	955	–	955
Subtotal	14,338	(7,275)	(1,655)	5,408
Deferred tax liability :				
Temporary differences				
Land appreciation tax reserve	(128,469)	–	–	(128,469)
Unrealized exchange gain	–	(374)	–	(374)
Subtotal	(128,469)	(374)	–	(128,843)
TOTAL	\$ (114,131)	\$ (7,649)	\$ (1,655)	\$ (123,435)

4) Items not recognized as deferred tax assets: None

5) Our Company's corporate income tax has been assessed and determined by the tax authority until the 2021 fiscal year.

24. Earnings per share

Item	2023	2022
Basic earning per share:		
Net profit for the period (A)	\$ (20,810)	\$ 38,216
Weighted average shares outstanding (thousands/shares) (B)	130,522	130,522
Weighted average shares outstanding adjusted for Retrospective effect (thousands/shares) (C)	130,522	130,522
Basic earnings per share (after tax) (in NTD) (A)/(C)	\$ (0.16)	\$ 0.29
	2023	2022
Diluted Earnings Per Share		
Net profit for the period (A)	\$ (20,810)	\$ 38,216
Impact of potentially dilutive common shares	–	–
Net profit for the period adjusted for dilution (D)	\$ (20,810)	\$ 38,216
Weighted average shares outstanding adjusted for retrospective effect (thousands/shares) (C)	130,522	130,522
Employee compensation impact on shares (thousands/shares)	10	75
Weighted average shares outstanding adjusted for Dilution (thousands/shares) (E)	130,532	130,597
Diluted Earnings Per Share (after tax) (D)/(E)	\$ (0.16)	\$ 0.29

If the Company has the option to pay Employees compensation in stock or cash, the diluted earnings per share calculation assumes that Employees compensation will be paid in stock and includes the potential common shares in the weighted average of outstanding shares when calculating diluted earnings per share. The diluted earnings per share calculation for the following year will also consider the dilutive effect of such potential common shares before the number of shares for Employees compensation is resolved.

25. Adjustment of liabilities from financing activities

2023	Balance , January 1	Cash flow	Non-cash changes New leases and modifications	Balance , December 31
Short term loans	\$ –	\$ 12,015	\$ –	\$ 12,015
Lease liabilities	16,189	(3,314)	–	12,875
Total liabilities	\$ 16,189	\$ 8,701	\$ –	\$ 24,890
			Non-cash changes New leases and Modifications	Balance , December 31
2022	Balance , January 1	Cash flow		
Short term loans	\$ 103,000	\$ (103,000)	\$ –	\$ –
Accounts payable – short-term	29,990	(29,990)	–	–
Lease liabilities	18,041	(3,503)	1,651	16,189
Total liabilities	\$ 151,031	\$ (136,493)	\$ 1,651	\$ 16,189

VII. Related party transactions

1. Parent company and ultimate controlling party

The Company does not have a parent company or ultimate controlling party.

2. Names of related parties and their relationship with the Company

Related Party Name	Relationship with the Company
Chun Yuan Steel Industries Co. LTD.	Other stakeholders
Yung Kuang Hwa Metal Industrial Co. LTD.	Other stakeholders
Chun Yuan Construction Co. LTD.	Associated enterprise

3. Significant transactions with related parties

The transaction details between the Company and related parties are disclosed as follows:

1) Purchasing: None

2) Operating income

Accounting Item	Related Party Type	2023	2022
Sales Revenue	Other stakeholders	\$ 18,978	\$ 9,834

Note : A. Sales price: The transaction terms of sales between the Company and the related parties mentioned above are not significantly different from those of transactions with non-related parties.

B. Payment Terms: The terms of transaction with Chun Yuan Steel Industries Co. Ltd., is wire Transfer within 41days.

3) Property transactions: None

4) Various expenses

Related Party Type	2023	2022	Nature of transaction
Other stakeholders	\$ 2	\$ 1	Operating expenses
Other stakeholders	1	317	Production overheads
TOTAL	\$ 3	\$ 318	

5) Various income

Related Party Type	2023	2022	Nature of transaction
Other stakeholders	\$ 1,641	\$ 1,641	Income from rent
Associated enterprise	135	100	Other income
TOTAL	\$ 1,776	\$ 1,741	

The rental price mentioned above is based on market conditions and negotiated by both parties, and rent is collected on a monthly basis. The contents of the lease are as follows:

Lease object	2023		2022	
	Lease term/ Monthly rent	Amount	Lease term/ Monthly rent8	Amount
Fuxing North Road, Taipei City, Taiwan No. 502 3F-1, and 3F-2, And parking spaces, And Lane 514 No.2 3F-2	January 1 2021 – December 31, 2023/ \$137	\$ 1, 641	January 1 2021 – December 31, 2023/ \$137	\$ 1, 641

The Company leased office space to its related party, Chun Yuan Steel Industries Co., Ltd., under an operating lease for a period of three years. As of December 31, 2023 and 2022, the total lease payments expected to be received in the future were NT\$4,923 thousand and NT\$1,641 thousand, respectively. The lease income recognized for the period from January to December 2023 and 2022 was NT\$1,641 thousand and NT\$1,641 thousand, respectively.

6) Ending balance of accounts receivable (payable) from related parties

Item	Related Party Type	2023	2022
Accounts receivable	Other stakeholders	\$ 122	\$ 127
Less: Allowance for loss		–	–
Net amount		\$ 122	\$ 127

In 2023 and 2022, no allowance for doubtful accounts was made for the aforementioned accounts receivable from related parties.

7) Financing: None

8) Endorsed guarantees: None

4. Executive compensation information

Related Party Type	2023	2022
Salary and other short-term employee benefits	\$ 7, 104	\$ 7, 326
Post-employment benefits	7	6
Other long-term employee benefits	–	–
Severance benefits	–	–
Stock-based compensation	–	–
TOTAL	\$ 7, 111	\$ 7, 332

VIII. Pledged Assets : None

IX. Significant contingent liabilities and unrecognized contractual commitments

1. As of December 31, 2023 and 2022, the Company had outstanding guarantees in the form of deposit guarantee notes, issued for loan facilities, in the amounts of NT\$1,692,000 thousand and NT\$1,767,220 thousand, respectively.
2. The Company has entered into a purchase agreement with Tang Rong Ironworks Co., Ltd. that requires the issuance of performance guarantee notes. As of December 31, 2023 and 2022, the amounts of the notes outstanding were NT\$2,400 thousand and NT\$3,000 thousand, respectively.
3. As of December 31, 2023 and 2022, the amounts of promissory notes received by the Company to secure accounts receivable were NT\$6,804 thousand and NT\$0, respectively, recorded under the accounts "Deposited Promissory Notes" and "Accounts Receivable - Promissory Notes".
4. As of December 31, 2023 and 2022, the Company had unused letters of credit, the details are as follows:

Item	December 31, 2023	December 31, 2022
Letter of credit amount	NTD 112,292	NTD 196,490
	USD 12	

X. Significant disasters: None

XI. Subsequent events: None

XII. Other

1. Capital risk management

The Company maintains a large amount of capital to support expansion and improvement of its facilities and equipment. Therefore, the Company's capital management aims to ensure that it has the necessary financial resources and operational plans to meet the needs of operating capital, capital expenditures, research and development expenses, debt repayment, and dividend payments in the next 12 months.

2. Financial instruments

1) Financial risks of financial instruments

Financial risk management policy

The Company's daily operations are affected by a variety of financial risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. In order to reduce these financial risks, the Company is committed to identifying, evaluating and avoiding uncertainties in the market in order to reduce the potential negative impact of market changes on the Company's financial performance. The Company's key financial activities are reviewed by the Board of Directors in accordance with relevant regulations and internal control systems. During the implementation of the financial plan, the Company must adhere to relevant financial operational procedures regarding overall financial risk management and responsibility allocation.

A. Significant financial risk characteristics and degree

A) Market risk

a. Foreign exchange risk

- a) The Company is exposed to foreign exchange risk arising from sales, purchases, and borrowings in currencies other than the functional currency of the Company and foreign operations net investments. The functional currency of the Company is the New Taiwan Dollar, and part of the Company's receivables and payables in foreign currencies are matched, resulting in a natural hedging effect. Since the foreign operations net investments are strategic investments, the company has not hedged against them.

b) Foreign exchange risk and sensitivity analysis

The amount of the Company's exposure to foreign exchange risk is as follows:

			December 31, 2023			
	Foreign Currency	Exchange Rate	Amount (NT\$)	Sensitivity analysis		
				Percentage Change	Impact on Profit/Loss	Impact on Equity
Financial assets						
Monetary items						
US\$: NT\$	\$ 1,338	30.66	\$ 41,087	1%	\$ 329	\$ -

			December 31, 2022			
	Foreign Currency	Exchange Rate	Amount (NT\$)	Sensitivity analysis		
				Percentage Change	Impact on Profit/Loss	Impact on Equity
Financial assets						
Monetary items						
US\$: NT\$	\$ 2,248	30.71	\$ 69,034	1%	\$ 552	\$ -

c) The fluctuation of exchange rates of the Company's monetary items has not resulted in significant impact on unrealized exchange gains and losses.

b. Price risk

Because the Company holds equity instrument investments, it is exposed to price risk for these equity instruments. The Company's equity instrument investments are classified in the balance sheet as financial assets at fair value through profit and loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI). The Company's main investments are in domestic listed equity instruments, which are subject to price fluctuations due to uncertainties about the future value of the investment targets. If the equity prices rise or fall by 1%, the post-tax profit or loss for the years ending December 31, 2023 and 2022 would increase or decrease by NT\$0 and NT\$0, respectively, due to the changes in fair value of financial assets at FVTPL. The post-tax other comprehensive income for the years ending December 31, 2023 and 2022 would increase or decrease by NT\$594 thousand and NT\$0, respectively, due to the changes in fair value of financial assets at FVTOCI.

c. Interest rate risk

a) The interest rate risk of the Company mainly arises from its investment positions and financial liabilities. The carrying amounts of financial assets and financial liabilities subject to interest rate risk due to fluctuations in interest rates as of the reporting date are as follows:

Item	Carrying amount	
	December 31, 2023	December 31, 2022
Fair value interest rate risk:		
Financial assets	\$ 30,705	\$ 155,278
Financial liabilities	–	–
Net amount	\$ 30,705	\$ 155,278
Cash flow interest rate risk:		
Financial assets	\$ 115,865	\$ 23,972
Financial liabilities	(12,015)	–
Net amount	\$ 103,850	\$ 23,972

b) Sensitivity analysis of financial instruments with fair value interest rate risk:

The company holds fixed-rate financial assets that do not expose the company to fair value interest rate risk.

c) Sensitivity analysis of financial instruments with cash flow interest rate risk:

The Company's variable rate financial instruments are assets (liabilities) with floating interest rates. Therefore, changes in market interest rates will cause their effective interest rates to fluctuate, leading to volatility in future cash flows. An increase in market interest rates by 1% will result in an increase in net profit of NT\$831 thousand and NT\$192 thousand for the years 2023 and 2022, respectively.

B) Credit risk

Credit risk refers to the risk of financial loss to the Company due to the counterparty's breach of contract obligations. The Company's credit risk mainly comes from accounts receivable generated from operating activities. Operational credit risk and financial credit risk are managed separately.

a. Operational credit risk:

To maintain the quality of accounts receivable, the Company has established procedures for managing operational credit risk. The risk assessment of individual customers is based on factors that may affect the customer's payment ability, including the financial condition of the customer, the Company's internal credit rating, historical transaction records, and the current economic situation.

b. Financial credit risk:

Credit risk for bank deposits and other financial instruments is measured and monitored by the Company's financial departments. As the Company's trading counterparts and obligors are banks and financial institutions with investment-grade or higher, government agencies, and well-established corporate organizations with no significant performance doubts, there is no significant credit risk. In addition, the Company has no debt instruments classified as FVTPL or FVTOCI.

a) Concentration of credit risk

As of December 31, 2023 and 2022, the balances of accounts receivable from the top 10 customers represented 22.63% and 26.80% of the Company's total accounts receivable, respectively, and the concentration of credit risk for the remaining accounts receivable is relatively small.

b) Measurement of expected credit loss accounts receivable

Simplified approach is adopted, please refer to Note VI-4 for explanation.

Criteria for determining significant increase in credit risk: None.

- c) The financial assets held by the Company do not have any collateral or other credit enhancement to mitigate the credit risk of financial assets.

C) Liquidity risk

a. Liquidity risk management:

The objective of the Company's liquidity risk management is to maintain sufficient financial flexibility by holding cash and cash equivalents, highly liquid securities, and adequate bank credit lines to meet operational needs.

b. Maturity Analysis of Financial Liabilities

December 31, 2023							
Non-Derivative Financial Liabilities	Less than 6 months	6-12 Months	1-2 Years	2-5 Years	Over 5 years	Contractual Cash Flow	Carrying Amount
Short-term loans	\$ 12,017	\$ –	\$ –	\$ –	\$ –	\$ 12,017	\$ 12,015
Notes payable	7,256	–	–	–	–	7,256	7,256
Accounts payable	14,207	–	–	–	–	14,207	14,207
Others payable	37,583	–	–	–	–	37,583	37,583
TOTAL	\$ 71,063	\$ –	\$ –	\$ –	\$ –	\$ 71,063	\$ 71,061

Information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	Over 20 years	Total Lease Payments
Lease liability	\$ 3,482	\$ 9,685	\$ –	\$ –	\$ –	\$ –	\$ 13,167

December 31, 2022							
Non-Derivative Financial Liabilities	Less than 6 months	6-12 Months	1-2 Years	2-5 Years	Over 5 years	Contractual Cash Flow	Carrying Amount
Notes payable	9,811	–	–	–	–	9,811	9,811
Accounts payable	6,590	–	–	–	–	6,590	6,590
Others payable	34,897	–	–	–	–	34,897	34,897
TOTAL	\$ 51,298	\$ –	\$ –	\$ –	\$ –	\$ 51,298	\$ 51,298

Information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	Over 20 years	Total Lease Payments
Lease liability	\$ 3,473	\$ 11,826	\$ 1,340	\$ –	\$ –	\$ –	\$ 16,639

The Company does not anticipate that the timing of cash flows as analyzed by the maturity analysis will significantly accelerate or that the actual amounts will be significantly different.

2) Types of financial instruments

As of December 31, 2023 and December 31, 2022, the carrying amounts of the financial assets and financial liabilities of the Company are as follows:

	December 31, 2023	December 31, 2022
Financial Assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 203,800	\$ 196,403
Accounts receivable	603,706	666,406
Other receivables	800	2,687
Deposits paid	577	577
Financial assets measured at FVTOCI – non-current	59,417	–
Financial Liabilities		
Financial liabilities measured at amortized cost		
Short-term borrowings	12,015	–
Accounts payable and notes payable	21,463	16,401
Other payables	37,583	34,897

3. Fair Value Information

1) The fair value information of financial assets and financial liabilities that are not measured at fair value on the Company's balance sheet is described in Note XII-2.

2) Definition of the three levels of fair value:

Level 1:

The input values for this level refer to quoted prices in an active market for identical instruments. An active market is a market that meets all of the following criteria: the traded products are homogeneous, willing buyers and sellers can be found at any time in the market, and price information is available to the public. The fair values of the Company's investments in certificates of beneficial interest belong to this level.

Level 2:

The input values for this level, in addition to quoted prices in an active market, include observable prices obtained directly (such as prices) or indirectly (such as derived from prices) from an active market.

Level 3:

The input values for this level refer to the input parameters used to measure fair value, which are not observable inputs that can be obtained from the market.

3) Non-financial instruments measured at cost

Includes cash and cash equivalents, accounts receivable, notes receivable, other receivables, short-term borrowings, accounts payable, and other payables, whose carrying amounts approximate their fair values.

4) Fair value hierarchy information

The financial instruments measured at fair value by the Company are measured based on the repeatability of fair value measurements. The fair value hierarchy information of the Company's financial instruments measured at fair value is shown in the following table:

Item	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Recurring Fair Value				
Financial assets measured at FVTPL				
Investment fund units	\$ -	\$ -	\$ -	\$ -
Financial assets measured at FVTOCI				
Equity securities	-	-	59,417	59,417
TOTAL	\$ -	\$ -	\$ 59,417	\$ 59,417

項 目	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Recurring Fair Value				
Financial assets measured at FVTPL				
Investment fund units	\$ -	\$ -	\$ -	\$ -
Financial assets measured at FVTOCI				
Equity securities	-	-	-	-
TOTAL	-	-	-	-
Financial Assets	\$ -	\$ -	\$ -	\$ -

5) Valuation techniques for financial instruments measured at fair value

When financial instruments have an active market with publicly quoted prices, their fair value is measured using the publicly quoted prices in the active market. The market prices of listed equity instruments and debt instruments with publicly quoted prices are based on the prices announced on the major exchanges or the OTC markets judged as active by the Taiwan Depository & Clearing Corporation.

If financial instruments can be obtained from exchanges, brokers, underwriters, industry associations, pricing service agencies, or regulatory authorities in a timely and regular manner and the prices represent fair market transactions that occur frequently, then such financial instruments have active market prices. If the above conditions are not met, then the market is considered inactive. Generally, a large bid-ask spread, a significant increase in bid-ask spread, or a low trading volume are indicators of an inactive market.

The fair value of the investment fund units held by the Company which are instruments with active markets, is based on the closing price in the trading market.

In addition to the financial instruments with active markets described above, the fair value of other financial instruments is obtained through evaluation techniques or reference to quotations from trading counterparties. The fair value obtained through evaluation techniques is calculated by applying a model that uses market information available at the balance sheet date, such as the current fair value of other similar financial instruments with similar conditions and characteristics, discounted cash flow, or other evaluation techniques, including market information available on the balance sheet date.

The fair value of the Company's unlisted company stocks, which have no active markets, is mainly estimated using market approach. The determination is based on valuation of similar companies, third-party quotations, net asset value, and evaluation of operational status.

6) Transfer between level 1 and level 2: None

7) Details of changes in level 3

Financial Assets Measured at Fair Value	Equity Securities
Balance, January 1, 2023	\$ –
Recognized gains or losses in current period	–
Other gains or losses	–
Recognized gains or losses in other comprehensive income	–
Equity instruments measured at FVTOCI	–
Unrealized gains or losses	354
Reclassification	–
Acquisitions in the current period	59,063
Disposals in the current period	–
Transferred to Level 3	–
Transferred out of Level 3	–
Balance, December 31, 2023	\$ 59,417
Unrealized gains or losses on held assets recognized in income	\$ –

Financial Assets Measured at Fair Value	Equity Securities
Balance, January 1, 2022	\$ 718
Recognized gains or losses in current period	–
Other gains or losses	–
Recognized gains or losses in other comprehensive income	–
Equity instruments measured at FVTOCI	(103)
Unrealized gains or losses	–
Reclassification	–
Acquisitions in the current period	–
Disposals in the current period	(615)
Transferred to Level 3	–
Transferred out of Level 3	–
Balance, December 31, 2022	\$ –
Unrealized gains or losses on held assets recognized in income	\$ –

8) Quantitative information on fair value measurements using significant unobservable inputs (Level 3):

	Fair Value as of, December 31, 2023	Valuation Technique	Significant Unobservable Inputs	Relationship Between Inputs and Fair Value
Non-derivative financial assets:				
Unlisted company stocks	\$ 59,417	Market approach	Control discount, Liquidity discount	A higher control Discount results in A lower fair value; A higher liquidity Discount results in A lower fair value
	Fair Value as of, December 31, 2022	Valuation Technique	Significant Unobservable Inputs	Relationship Between Inputs and Fair Value
Non-derivative financial assets:				
Unlisted company stocks	\$ –	Market approach	Control discount, Liquidity discount	A higher control discount results in a lower fair value; A higher liquidity discount results in a lower fair value

9) Fair value classification under Level 3 valuation process:

The finance and accounting department of the Company is responsible for verifying the fair value of financial instruments classified under Level 3 valuation process. The department uses independent sources of data to ensure that the valuation results are close to market conditions, confirm that the data source is independent, reliable, consistent with other data sources, and represents executable prices. The department also regularly calibrates valuation models, conducts back testing, updates input values and data required for valuation models, and makes any necessary fair value adjustments to ensure that the valuation results are reasonable.

10) The company has carefully assessed the valuation models and parameters chosen, thus considering the fair value measurement reasonable. However, using different valuation models or parameters may result in different valuation outcomes. For financial assets and financial liabilities classified as Level 3, a 1% change in valuation parameters would impact the current period's profit or other comprehensive income as follows:

		December 31, 2023					
		Recognized in Profit or Loss		Recognized in Other Comprehensive Income			
Input Value	Change	Positive Change	Negative Change	Positive Change	Negative Change		
Financial assets							
Equity instruments							
Unlisted stocks							
Liquidity discount	±1%	\$ –	\$ –	\$ 877	\$ (877)		
Control discount							

			December 31, 2022					
			Recognized in Profit or Loss			Recognized in Other Comprehensive Income		
	Input Value	Change	Positive Change	Negative Change	Positive Change	Negative Change	Positive Change	Negative Change
Financial assets								
Equity instruments								
Unlisted stocks	Liquidity discount	±1%	\$	–	\$	–	\$	–
	Control discount							

XIII. Supplementary disclosure matters

1. Information related to significant transactions:

- 1) Lending funds to others: None
- 2) Endorsing guarantees for others: None
- 3) Securities held at end of period: see attached Table 1
- 4) Cumulative purchases or sales of the same securities amounting to NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of real estate amounting to NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of real estate amounting to NT\$300 million or 20% of the paid-in capital: None
- 7) Sales or purchases of goods or services with related parties amounting to NT\$100 million or 20% of the paid-in capital: None
- 8) Receivables from related parties amounting to NT\$100 million or 20% of the paid-in capital: None
- 9) Engaging in trading of derivative products: None.

2. Information on investments in subsidiaries: see attached Table 2

3. Information on investments in China: None

4. Information on major shareholders (names, shareholding amounts, and percentages of shareholders holding more than 5% of the company's shares): Attached Table 3

Sinkang Industries Co., LTD.
Marketable Securities Held
(excluding investments in subsidiaries, affiliated enterprises, and joint venture control portions)
as of December 31, 2023

Table 1

Unit : Thousand NTD

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Reporting Date				Note
				Shares/Units	Book Value	Percentage of Ownership (%)	Fair Value	
Sinkang Industries Co., LTD.	Chun Yuan Construction Co., Ltd.- Special Shares	Associates	FVTOCI financial assets - noncurrent	5,906,234	\$ 59,417	16.875%	\$ 59,417	

Sinkang Industries Co., LTD.
Reinvestment related information
as of December 31, 2023

Table 2

Investment Company Name	Investee Company Name	Location	Main Business Activities	Original Investment Amount		End of period Holdings			Current period Profit or Loss of Investee Company	Investment gain or loss recognized in current period	Remarks
				End of current period	End of prior period	Number of Shares	Equity Ratio	Book Value			
Sinkang Industries CO., LTD.	Chun Yuan Construction CO., LTD.	3F-1, NO. 502, Fuxing North Road, Taipei, Taiwan	Design and Construction Services related to steel structures and bridge engineering	\$ 24,515	\$ 24,515	14,760,048	18.75%	\$211,816	\$ 143,337	\$ 26,876	Note

Note: The current period profit or loss of the investee company is based on the financial statements audited and certified by the accountant.

Sinkang Industries Co., LTD.
Major Shareholder Information
as of December 31, 2023

Table 3

Major Shareholder Name	Shares	
	Number of Shares	Shareholding Ratio
Lee, Wen Long	7,623,480	5.84%
Lee, Wen Fa	7,623,480	5.84%
Cosmos Co., LTD.	6,962,488	5.33%

- (1) The information on major shareholders in this table is calculated by the Taiwan Depository & Clearing Corporation based on the total number of common shares and preferred shares (excluding treasury shares) held by shareholders who have completed delivery without physical registration on the last business day of each quarter, and whose ownership amounts to five percent or more of the company's outstanding shares. The number of shares recorded in the company's financial reports may differ from the actual number of shares held by shareholders who have completed delivery without physical registration due to differences in calculation methods.
- (2) If the shares are held in trust by shareholders, they will be disclosed separately in the trust accounts opened by the trustee. As for the reporting of the shareholding of internal shareholders exceeding ten percent under securities trading laws and regulations, it includes the shares held by the individual plus the shares held in trust and the exercise of decision-making power over the trust property. For information on the reporting of internal shareholder rights, please refer to the Market Observation Post System.

XIV. Department information

1. The management of the Company has identified the reporting department based on the information used by decision makers in making operational decisions. The Company operates in a single industry of stainless steel processing and trading, and therefore has only one reporting department and no subsidiaries that require the preparation of consolidated financial statements. The departmental information to be disclosed in the financial statements is consistent with the Financial Statements of the Company.
2. Product information: The Company operates in a single product industry of stainless steel processing and trading.
3. Regional information: The Company does not have significant revenue from external customers from a single foreign country.
4. Important customer information: None

Important Accounting Statement
as of December 31, 2023

Financial Statements	Number/ Index
Statement of Assets, Liabilities, and Equity	
Cash and Cash Equivalents Detail Statement	Schedule1
Notes Receivable Detail Statement	Schedule 2
Accounts Receivable Detail Statement	Schedule 3
Inventory Detail Statement	Schedule 4
Non-current Financial Assets Measured at FVTOCI Detail Statement	Schedule 5
Equity Method Investment Detail statement	Schedule 6
Property, Plant, and Equipment Detail Statement	Note VI-7
Accumulated Depreciation and Amortization Detail Statement for Property, Plant, and Equipment	Note VI-7
Lease Agreement	Note VI-8
Intangible Asset Detail Statement	Schedule 7
Deferred Tax Asset Detail Statement	Note VI-23
Short-Term Borrowings Statement	Schedule 8
Notes Payable Detail Statement	Schedule 9
Accounts Payable Detail Statement	Schedule 10
Current Liabilities Detail Statement	Note VI-11
Income Statement:	
Sales Revenue Detail Statement	Schedule 11
Cost of Goods Sold Detail Statement	Schedule 12
Direct Labor and Manufacturing Expense Detail Statement	Schedule13
Operating Expense Detail Statement	Schedule 14
Summary of Function-wise Expenses for Employee for Employee Benefits, Depreciation, Amortization, and Impairment during the Period	Note VI-18
Other Income and Expenses Net Detail Statement	Note VI-21
Finance Cost Detail Statement	Note VI-22

Sinkang Industries Co., LTD.
Cash and Cash Equivalents Detail Statement
as of December 31, 2023

Schedule 1

Unit: NTD and USD thousand

Item	Amount		Notes
	Subtotal	Total	
Cash		\$ 590	
Bank deposits		203,210	
Check deposits	\$ 56,640		
Current deposits	105,483		
Time deposits	30,705		USD 1,800, ex-rate 30.66
Foreign currency deposits	10,382		USD 1,338, ex-rate 30.66
Total		\$ 203,800	

Sinkang Industries Co., LTD.
Notes Receivable Detail Statement
as of December 31, 2023

Schedule 2

Unit: NTD thousand

Item	Amount	Notes
Company A	\$ 42,543	Debt balance under 5%
Other	250,860	
Subtotal	293,403	
Less: Allowance for doubtful accounts	(6,352)	
Net Amount	\$ 287,051	

Sinkang Industries Co., LTD.
Accounts Receivable Detail Statement
as of December 31, 2023

Schedule 3

Unit: NTD thousand

Item	Amount	Notes
Related parties		Debt balance under 5%
Chun Yuan Steek Industries Co. Ltd	\$ 122	
Subtotal	122	
Unrelated parties		
Company A	\$ 19,376	
Other	305,723	
Less: Allowance for doubtful accounts	(8,566)	
Subtotal	316,533	
Net Amount	\$ 316,655	

Sinkang Industries Co., LTD.
Inventory Detail Statement
as of December 31, 2023

Schedule 4

Unit: NTD thousand

Item	Summary	Amount		Notes
		Cost	Net Realizable Value	
Raw materials	Steel plate	\$ 91,748	\$ 226,097	Valued at net realizable value
	Steel coil	136,431		
	Other	5,056		
	Subtotal	233,235		
Finished goods	Steel plate	24,971	24,889	Valued at net realizable value
Defective products	Steel plate	186	448	Valued at net realizable value
In-transit materials	Steel coil	1,471	1,471	Valued at net realizable value
Less: Allowance for Inventory write-downs		(10,277)		
Total		\$ 249,586	\$ 252,905	

Sinkang Industries Co., LTD.
Financial Assets Measured at FVTOCI - Non-current Detail Statement
as of December 31, 2023

Schedule 5

Unit: NTD thousand

Name of Invested Company	Beginning Balance		Increase in the Period		Decrease in the Period		Ending Balance		Guarantees or Collateral Provided	Notes
	Number of Shares	Far Value	Number of Shares	Far Value	Number of Shares	Far Value	Number of Shares	Far Value		
Chun Yuan Construction Co., LTD- preferred stock	-	\$ -	5,906,234	\$ 59,417	-	\$ -	5,906,234	\$ 59,417	無	
Total		\$ -		\$ 59,417		\$ -		\$ 59,417		

Sinkang Industries Co., LTD.
Equity Method Investment Detail Statement
as of December 31, 2023

Schedule 6

Unit: NTD thousand

Name of Invested Company	Beginning Balance		Increase in the Period		Decrease in the Period		Ending Balance			Net Equity Value		Guarantees or Collateral Provided	Notes
	Number of Shares	Fair Value	Number of Shares	Fair Value	Number of Shares	Fair Value	Number of Shares	Equity Ratio	Fair Value	Unit Price	Total Price		
Chun Yuan Construction Co. Ltd	14,760,048	\$ 199,706	-	\$ 26,886	-	\$ 14,776	14,760,048	18.75%	\$ 211,816	14.35	\$ 211,816	None	

Sinkang Industries Co., LTD.
Intangible Asset Detail Statement
as of December 31, 2023

Schedule 7

Unit: NTD thousand

Item	Beginning Balance	Increase in the Period	Decrease in the Period	Ending Balance	Notes
Computer software	\$ 1,350	\$ -	\$ -	\$ 1,350	
Less: Accumulated amortization	(1,148)	(135)	-	(1,283)	
Total	\$ 202	\$ (135)	\$ -	\$ 67	

Sinkang Industries Co., LTD.
Short-Term Borrowings Detail Statement
as of December 31, 2023

Schedule 8

Unit: NTD thousand

Types of Loans	Ending Balance	Contract Term	Interest Rate Range	Financing Limit	Provide Collateral or Mortgage
Material Purchase Loan	\$ 12,015	112.12.27-113.01.04	1.85%	\$ 100,000	Unsecured

Sinkang Industries Co., LTD.
Notes Payable Detail Statement
as of December 31, 2023

Schedule 9

Unit: NTD thousand

Customer Name	Summary	Amount	Notes
Unrelated Parties:			
Company B		\$ 3,908	
Company C		622	
Personal D		603	
Company E		436	
Company F		367	
Other		1,320	Debt balance under 5%
Total		\$ 7,256	

Sinkang Industries Co., LTD.
Accounts Payable Detail Statement
as of December 31, 2023

Schedule 10

Unit: NTD thousand

Customer Name	Summary	Amount	Notes
Company G		\$ 8,590	
Company H		3,306	
Company B		1,103	
Company I		875	
Other		333	Debt balance under 5%
Total		\$ 14,207	

Sinkang Industries Co., LTD.
Sales Revenue Detail Statement
as of December 31, 2023

Schedule 11

Unit: NTD thousand

Item	Qunatity	Amount	Notes
Stainless steel plate	38,080	\$ 2,890,308	
Total sales revenue		2,890,308	
Processing revenue		1,390	
Total operating revenue		2,891,698	
Less: Sales returens		(27,825)	
Sales allowances		(1,597)	
Net operating revenue		\$ 2,862,276	

Sinkang Industries Co., LTD.
Cost of Goods Sold Detail Statement
as of December 31, 2023

Schedule 12

Unit: NTD thousand

Item	Amount	Notes
Raw material usage		Refer to Schedule 13
Beginning raw materials	\$ 255,015	
Plus: materials purchased in period	2,669,523	
Transfers from work-in-progress and scrap	22,970	
Minus: Ending raw materials	(233,235)	
Raw materials used this period	2,714,273	
Direct labor	33,190	
Manufacturing overhead	65,148	
Manufacturing cost	2,812,611	
Cost of goods manufactured	2,812,611	
Plus: Beginning finished goods	33,567	
Minus: Ending finished goods	(24,971)	
Transfers to raw materials	(22,942)	
Cost of goods sold	2,798,265	
Other operating expenses		
Plus: Scrap costs	(3,779)	
Unallocated fixed manufacturing overhead	20,715	
Inventory write-down (reversal)	3,657	
Operating expenses	\$ 2,818,858	

Sinkang Industries Co., LTD.
Direct Labor and Manufacturing Expense Detail Statement
as of December 31, 2023

Schedule 13

Unit: NTD thousand

Summary	Amount	Notes
Direct labor	\$ 33,190	
Salary expenses	33,190	
Manufacturing expenses	65,148	
Indirect labor	10,514	
Rent expenses	45	
Stationery and printing expenses	72	
Travel expenses	48	
Freight expenses	135	
Postage expenses	199	
Repair expenses	3,227	
Advertising expenses	13	
Utility expenses	4,569	
Insurance expenses	5,569	
Processing expenses	-	
Taxes and fees	1,744	
Consumables	1,394	
Depreciation expenses	13,628	
Amortization expenses	-	
Retirement benefits	1,770	
Meal expenses	1,655	
Employee benefits	2,030	
Transportation expenses	153	
Packaging expenses	29,349	
Fuel expenses	1,995	
Outsourcing expenses	5,093	
Occupational training expenses	110	
Books and magazines	5	
Miscellaneous purchases	194	
Other manufacturing expenses	2,352	
Unallocated expenses	(20,715)	
Total	\$ 98,338	

Sinkang Industries Co., LTD.
Operating Expense Detail Statement
as of December 31, 2023

Schedule 14

Unit: NTD thousand

Summary	Sales Expenses	Administrative Expenses	Total
Salary expenses	\$ 29,868	\$ 19,335	\$ 49,203
Rent expenses	150	96	246
Stationery and printing expenses	154	352	506
Travel expenses	35	233	268
Freight expenses	8,878	2	8,880
Postage expenses	647	658	1,305
Repair expenses	666	305	971
Advertising expenses	134	4	138
Utility expenses	507	362	869
Insurance expenses	3,801	1,794	5,595
Entertainment expenses	86	1,734	1,820
Taxes and fees	173	143	316
Depreciation expenses	3,258	1,556	4,814
Amortization expenses	-	240	240
Meal expenses	1,304	452	1,756
Employee benefits	1,598	607	2,205
Training expenses	49	43	92
Retirement benefits	1,485	608	2,093
Miscellaneous	42	132	174
Transportation expenses	1,740	168	1,908
Import and export expenses	-	-	-
Labor expenses	3	3,624	3,627
Other expenses	1,887	2,468	4,355
Total	\$ 56,465	\$ 34,916	\$ 91,381

V. Individual Financial Statements of the most recent Fiscal Year, Audited by an Independent Accountant

Please refer to pages 72-150.

VI. Financial Difficulty and Impact Experienced by the Company and its Affiliates

In the recent fiscal year and up to the publication date of this annual report the Company has not experienced any financial difficulty that impacted the financial condition of the Company or its Affiliates.

VII. Analysis of Financial Condition and Financial Performance and Risk Factors

I. Financial Condition

(1) Financial condition analysis comparison table

Item	2023	2022	Change	
			amount	%
Current assets	\$ 1,065,802	\$ 1,161,605	\$ (95,803)	(8.25)
Property, plant and equipment	526,385	540,486	(14,101)	(2.61)
Intangible assets	67	202	(135)	(66.83)
Other assets	295,290	221,643	73,647	33.23
Total assets	1,887,544	1,923,936	(36,392)	(1.89)
Current liabilities	80,178	66,244	13,934	21.03
Non-current liabilities	151,117	153,525	(2,408)	(1.57)
Total liabilities	231,295	219,769	11,526	5.24
Capital shares	1,305,215	1,305,215	-	0.00
Capital surplus	107,011	107,011	-	0.00
Retained earnings	243,638	291,895	(48,257)	(16.53)
Other equity	385	46	339	736.96
Total equity	1,656,249	1,704,167	(47,918)	(2.81)

(2) Explanation of changes in excess of 20% from analysis

1. Intangible assets: mainly due to amortization during the current year, resulting in a decrease in intangible assets.
2. Other assets: mainly due to a increase in financial assets measured at fair value through other comprehensive income, resulting in a increase in other assets.
3. Current liabilities: mainly due to a increase in short-term borrowings, resulting in a increase in current liabilities.
4. Other equity: mainly due to a increase in unrealized gains or losses on financial assets measured at fair value through other comprehensive income, resulting in a decrease in other equity.

II. Financial Performance

(1) Financial performance analysis comparison table

Item	2023	2022	Change	
			amount	%
Gross sales revenue	2,862,276	3,361,067	(498,791)	(14.84)
Operating cost	2,818,858	3,252,957	(434,099)	(13.34)
Gross profit	43,418	108,110	(64,692)	(59.84)
Operating expenses	102,212	91,065	11,147	12.24
Net profit from operations	(58,794)	17,045	(75,839)	(444.93)
Non-operating income and expenses	32,598	28,875	3,723	12.89
Pre-tax profit	(26,196)	45,920	(72,116)	(157.05)
Tax expense	(5,386)	7,704	(13,090)	(169.91)
Net profit after tax	(20,810)	38,216	(59,026)	(154.45)
Other comprehensive income	(1,004)	7,788	(8,792)	(112.89)
Total comprehensive income	(21,814)	46,004	(67,818)	(147.42)

(2) Explanation of changes in excess of 20% from analysis

1. Decrease in gross profit by NT\$64,692 thousand, mainly due to the impact of the decline in international nickel prices on sales prices and costs, resulting in a decrease in gross profit from product sales.
2. Decrease in operating net profit by NT\$75,839 thousand, resulting from the decrease in gross profit, leading to a decrease in operating net profit.
3. Decrease in current-year pre-tax net profit by NT\$72,116 thousand, as a result of the decrease in operating net profit, leading to a decrease in current-year pre-tax net profit.
4. Decrease in income tax expenses by NT\$13,090 thousand, due to the decrease in pre-tax net profit.
5. Decrease in current-year after-tax net profit by NT\$59,026 thousand, resulting from the aforementioned decrease in after-tax net profit.
6. Decrease in other comprehensive income for the current period by NT\$8,792 thousand, primarily due to an decrease in the remeasurement of defined benefit plans.

(3) Reasons for the significant changes in the company's main business activities or if there have been or are expected to be significant changes in operating policies, market conditions, economic environment, or other internal and external factors, including the facts, the impact of the changes, and the possible effects on the company's future financial and business operations, as well as the corresponding plans:

Due to the fluctuation in nickel prices and the uncertainties related to political and economic factors in various countries, the Company has adopted a cautious business strategy. By carefully selecting orders and controlling inventory levels, the Company is able to achieve some profits even in the challenging business environment. These measures are taken to adapt to the changing macroeconomic conditions and navigate through the difficult times.

(4) The expected sales volume for the next fiscal year and the main factors that will impact the Company's ability to continue to grow or decline in expected sales volume: Nickel price instability, impact of the US-China trade war, government promotion of major public works projects, and the expectation that stainless steel prices will gradually increase. The Company's sales target for the fiscal year 2024 is 42,000 tons, which is expected to be achieved smoothly.

III. Cash flow

(1) Analysis of cash flow changes in the most recent year

unit: NTD thousands

Cash Balance, January 1, 2023	Net Cash Inflow from Operations for the Year	Total Cash Outflow for the Year	Cash Surplus (Deficit)	Remedies for Cash Deficit	
				Investment Plan	Financial Plan
\$ 196,403	\$ 84,860	\$ (77,463)	\$ 203,800		

1. Net cash inflow from operating activities: mainly due to the decrease in accounts receivable and inventory.

2. Cash outflow from investing activities: mainly due to decrease in financial assets.

3. Net cash outflow from financing activities: due to the decrease in distribution of cash dividends.

(2) Improvement plan for insufficient liquidity: Not applicable.

(3) Analysis of future cash liquidity over the next year.

unit: NTD thousands

Cash Balance, January 1, 2024	Estimated Net Cash Inflow from Operations for the Year	Estimated Total Cash Outflow for the Year	Estimated Cash Surplus (Deficit)	Remedies for Estimated Cash Deficit	
				Investment Plan	Financial Plan
\$ 203,800	\$ 85,000	\$ (25,000)	\$ 263,800		

1. Operating activities: It is expected that the net cash inflow from operating activities will increase, primarily due to the assessment of future changes in revenue, inventory adjustments, and accounts receivable collections.

2. Investing activities: The net cash outflow from investing activities is expected, mainly due to future cash outflows for capital expenditures on production equipment.

3. Financing activities: The net cash outflow from financing activities is expected, primarily due to the estimation of future cash outflows for accounts payable.

4. Remedial measures for cash shortage and liquidity analysis: None

IV. Impact of Significant Capital Expenditures on Financial Operations

(1) Use and source of funds for significant capital expenditures:

unit: NTD thousands

Planned Project	Actual or expected source of funding	Actual or expected completion date	Total amount of funding needed	Actual or planned use of funding		
				2022	2023	2024
No significant capital expenditure this year						

(2) Expected impact on the financial operations

1. Expected increase in production and sales volume, value, and gross profit

unit: NTD thousands

Year	Item	Production (tons)	Sales volume (tons)	Sales value	Gross profit
2022	None				
2023					
2024					

2. Other benefits explanation (such as product quality, pollution prevention, cost reduction... etc):
None

V. Investment Policy, Its Main Reasons for Profit or Loss, Improvement Plans, and Future Investment Plans

None

VI. Analysis and Evaluation of Risk Factors

(1) Impact of recent changes in interest rates, exchange rates, and inflation on the income and expenses of the Company, and future coping measures

1. Interest income and expenditure and foreign exchange gain and loss

unit: NTD thousands

Item	2023	2022
A: Interest income (expenses)	2,433	576
B: Exchange (loss) gain	699	7,629
C: Operating revenue	2,862,276	3,361,067
D: Operating profit	(58,794)	17,045
A / C	0.09%	0.02%
B / C	0.02%	0.23%
A / D	-4.14%	3.38%
B / D	-1.19%	44.75%

(Source of data: Financial reports audited and certified by accountants for the years 2022 and 2021)

- 1) The Company has a sound financial structure with low debt and good credit, so the proportion of interest expenses to revenue is very low.
- 2) The Company's purchases and sales mainly come from domestic sources, with less than 1% of all purchases and sales coming from overseas. Therefore, our foreign exchange exposure is low, and even if there is a currency fluctuation, the impact is within control.
- 3) Overall, the impact of interest rate and exchange rate changes on the Company's profits is limited.
- 4) The impact of inflation on the Company's profits: In order to improve the deficit, the government has announced increases in prices for oil, electricity, labor insurance, and health insurance, which will inevitably increase future operating costs.

2. Measures:

- 1) Keep close contact with financial units and financial institutions to collect relevant information on changes in interest rates and exchange rates at all times, fully grasp the trend, and reduce the negative impact of changes in interest rates and exchange rates.
 - 2) When quoting prices to overseas customers, consider the trend of exchange rates to reduce the impact of exchange rate fluctuations on order profits.
 - 3) Open foreign currency deposit accounts with banks to retain foreign currency positions in response to foreign currency funding needs and continue to monitor market exchange rate changes and adjust foreign exchange holdings as appropriate based on the changes.
 - 4) The Company has the "Procedures for Dealing in Derivative Products" as a basis for engaging in derivative product transactions to avoid risks such as exchange rates and interest rates arising from business and investment needs, and to minimize the impact of changes in interest rates and exchange rates on the Company's profits.
 - 5) Review cost reduction plans, such as energy conservation, rationalization of work, improvement of productivity, and control of cost ratios, to minimize the impact of inflation.
- (2) Policies, main reasons for profit or loss, and future response measures for engaging in high-risk, high-leverage investments, lending funds to others, endorsement guarantees, and trading derivatives
1. In the recent year, the Company has not engaged in high-risk, high-leverage investment, lending funds to others, endorsement guarantee and trading derivatives.
 2. The Company has established the "Procedures for Lending Funds to Others", "Procedures for Endorsement Guarantees" and "Procedures for Trading Derivatives" to ensure compliance.
- (3) Future research and development plans and estimated investment expenses

The Company adheres to the concept of independent research and development (R&D), focusing on the R&D of process and manufacturing technologies. The main source of our technology comes from our long-term and highly trained R&D personnel, who conduct project-based R&D and improvements.

In the coming year, the Company will continue to research and develop, with a focus on improving process capabilities and operation quality, strengthening and improving the safety of equipment operations, and replacing old equipment. Planned improvements include Improvement of the 2-foot leveling and roughing machine in Xinzhuang; Improvement of scratch resistance for the tabletop of the 3-meter cutting bed in Xinzhuang; Improvement of the monitoring system for the 5-foot chasing and cutting machine in Xinzhuang; The conversion to electronic weighing system for the 5-foot steel coil slitting machine in Dayuan; Improvement of the front conveyor and edge guiding mechanism for the 5-foot flat sanding machine in Dayuan, and so on. The Company hopes to continuously improve its operations by conducting R&D and achieving labor-saving, automation, rationalization, and safe operation. In response to operational demands, the Company will continue to introduce newer operational equipment and processes, and the estimated R&D expenses for the year are about NT\$7,596 thousand. The key success factors for the Company's future R&D efforts lie in its high-quality R&D team, mastery of industrial design technology, and customer-oriented approach. In the future, the Company will continue to improve product quality through long-term accumulation of R&D results and technology, enhance product diversification and added value, and gain a competitive advantage in the market.

- (4) Impact of important domestic and foreign policy and legal changes on the financial operations of the Company, and response measures

In the past fiscal year, the Company did not experience any significant impact on its financial and business operations due to important domestic or foreign policy and legal changes. As the primary sales markets of the Company are dispersed throughout various regions in Taiwan, accounting for 100% of sales, while exports only account for 0% of sales. It is expected that the Company will not be significantly affected by important domestic or foreign policy and legal changes in the future.

- (5) Impact to technological changes (including information security risks) and industry transformations on the Company's financial and business operations, and response measures

In the past year, the Company has not been impacted by technological changes (including information security risks) that have affected its financial and business operations. As for facing the uncertain situation of industry transformation, the Company adopts a cautious approach to its business strategy and avoids making blind judgments. The Company will continue to develop new products, maintain existing customers, and expand into new markets to ensure sustainable business operations and become a market leader.

- (6) Impact of changes in corporate image on crisis management and response measures

The Company has a good corporate image and complies with legal regulations. In the event that there is any situation that affects the corporate image or violates the law, a special task force will be established to formulate response measures. Since the establishment of the Company, there have been no significant changes that have led to a crisis or a change in the corporate image.

- (7) Expected benefits and possible risks of mergers and acquisitions and response measures

The Company currently has no plans for mergers and acquisitions.

- (8) Expected benefits and possible risks of factory expansion and response measures

There are currently no plans for factory expansion.

- (9) Risks faced in concentrated purchasing or sales and response measures

The Company's sales customers are dispersed throughout various regions, industries, and businesses in the province to increase market share and reduce bad debt risks. Therefore, there are no customers accounting for more than 10% of the total sales. In addition, the Company maintains purchasing flexibility with suppliers, and there is no risk of overly concentrated sources of goods. The supply situation in the past has been good, and there have been no incidents of material shortages. Therefore, the Company does not face any risks in concentrated purchasing or sales.

- (10) Impact, risks, and response measures for a significant transfer or replacement of shares owned by Directors, Supervisors, or major shareholders holding more than 10% of the Company's shares: None

- (11) Impact, risks, and response measures to changes in management control

The operators of the Company are dedicated to the management of the business, with a focus on discipline, efficiency, and honest operation. We have strengthened our internal and external monitoring systems to ensure sustainable growth and stability, and the stability of our Board and supervisory team. Therefore, there is no risk of a change in management control for the Company.

- (12) Significant litigious or administrative cases, either already adjudicated or currently pending, involving the Company, its Directors, Supervisors, General Manager, substantial shareholders holding over 10% of total shares, or subsidiary companies, the results of which may have a significant impact on Shareholders' equity or the stock price, should be disclosed with details on the nature of the dispute, amount in question, date of commencement, main parties involved, and status of the case as of the publication date of this annual report:

The Chairman, Directors, General Manager of the Company have always upheld the principles of sincerity, confidence, diligence, responsibility, law-abidingness, and trustworthiness in their business practices, actively creating growth and fulfilling the responsibilities of the enterprise. There are no such litigious or administrative events to report as described above.

(13) Other significant risks and response measures

Potential information security risks and response measures that the Company may face in its operations:

1. Interruption of operations

The Company regularly backs up and conducts disaster recovery drills for important operational services and data. In addition, internal power supply systems and generators are installed to ensure that services are not interrupted.

2. Network and virus attacks

The Company has established firewalls to protect internal networks and installed necessary security protection devices and measures, such as antivirus software, on all terminals.

To avoid the leakage of confidential information in the operational system and prevent attacks from viruses, worms, trojans, etc., the following measures have been taken.

1. Insufficient awareness of information security among Employees

To prevent Employees from inadvertently downloading or infecting malicious programs that may affect the Company's internal operations, the Company regularly provides information security education and collects relevant reports on information security. High-risk information security attack methods and security protection are provided to Employees to enhance their awareness of information security.

2. Leakage of personal data

To protect and manage personal data in a practical manner and comply with the requirements of the Personal Data Protection Act, the Company formulated the Personal Data Management Measures in 2013 and requires all units to comply with the regulations and implement protection measures in all aspects to ensure compliance with relevant laws and regulations.

In the past year and as of the publication date of this annual report, there were no significant information security incidents that affected the operations of the Company.

VII. Other Important Matters

None

VIII. Special Disclosures

I. Related party information

None

II. Disclosure of Private Placement of Securities

During the recent fiscal year and up to the publication date of this annual report, there were no cases of private placement of securities that should be disclosed, including the date and amount approved by the board of directors, the basis and reasonableness of the price setting, the method of selecting specific individuals, the necessary reasons for private placement, the objects of private placement, the qualifications, the purchasing amount, the relationship with the company, the participation in the company's business, the actual acquisition (or conversion) price, the difference between the actual acquisition (or conversion) price and the reference price, the impact of private placement on Shareholders' rights and interests, and the use of funds and the realization of plan benefits from the receipt of stock or price funds until the completion of the fund use plan.

III. Holding or Disposal of Company Stocks by Subsidiaries

During the recent fiscal year and up until the date of printing the annual report, there have been no instances of subsidiary companies holding or disposing of the Company's stocks.

IV. Other Necessary Supplemental Explanations

None

IX. Material Events Affecting Shareholder Rights or Securities Prices

During the recent fiscal year and up to the publication date of this annual report, there were no material events as specified in Article 36, paragraph 3, sub-paragraph 2 of the Securities and Exchange Act that had a significant impact on Shareholder rights or securities prices

新鋼工業股份有限公司

Sinkang Industries Co. Ltd



Chairman: 富巨春股份有限公司

Cosmos Co. LTD



represented by: 鄭毅宏

Cheng, I Hung

