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HAI-KWANG ENTERPRISE CO., LTD

2022 Annual Report

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This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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◎ Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A

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I. Letter to Shareholders

Dear Shareholders,

In 2022, the Company sold 511,300 tons of rebar, a decrease of nearly 2% from the previous year. Our net operating revenue was NT\$10.959 billion, a 7% increase from last year. However, our net profit was NT\$210 million, a 54% decline from the NT\$460 million earned in 2021. While our revenue slightly grew, our profitability declined. The main reason was due to the continuation of the Russo-Ukrainian War and retaliatory consumption following the pandemic, which caused an economic recovery that led to inflation. The steel price rose with the increase in raw material prices, but several major countries raised interest rates several times in succession to combat inflation. Additionally, China's epidemic prevention and control policies have impacted the overall economic environment, leading to a real estate developer debt crisis and a sharp decline in the real estate market. As a result, steel demand shrank month by month, and the market expected the global economy to enter a recession. Thus, the global steel consumption and steel price began to decline gradually since the second quarter. The steel price hit the bottom in the fourth quarter when the market expected the FED to slow down the rate of interest hikes and China to lift the epidemic prevention and control policies. The global economic recovery was expected, and raw material prices rebounded at the end of the fourth quarter of 2022. Therefore, the trend of rising steel prices followed by falling steel prices affected the Company's profitability in the second half of the year, resulting in lower-than-expected profits for the year.

The trend of global economic slowdown or even contraction in 2022 due to tight monetary policy will continue into mid-2023. However, the global steel market should be a leading indicator of this economic rebound, as according to World Steel Dynamics (WSD), global crude steel production is expected to further decline to 1.822 billion tons in 2023, a year-on-year decrease of 1.5%. The World Steel Association (Worldsteel) predicts that global steel demand will reach 1.815 billion tons in 2023, a year-on-year increase of 1%, with India and Southeast Asia showing the most significant growth at 6.7%. Therefore, since the fourth quarter of 2022, international steel prices of major steel products, such as iron ore, scrap, rebar, and hot and cold-rolled steel coils, have rebounded one after another, indicating a significant recovery of the steel industry. The Taiwan steel market is a thin market closely linked to the international market. Taiwan steel prices will return to an upward trend with the rebound of international steel prices, but the unfavorable factor is that the domestic real estate market's decreasing housing transfer volume and construction start rate may affect it. The sales of rebar in Taiwan for the coming year should be viewed conservatively, and overall economic performance may be weaker than the international market.

The operating and production/sales status report for 2022 is presented below:

1.1 Operating Performance

1.1.1 Comparison of profitability for the Company is as follows:

Unit: NT\$ thousands

	2022	2021	Change Rate (%)
Net Operating Revenue	10,959,584	10,233,447	7.1%
Operating Costs	10,611,015	9,512,270	11.6%
Gross Profit (Loss)	348,172	721,177	-51.7%
Operating Expenses	154,104	151,634	1.6%
Operating Net Profit (Loss)	194,068	569,543	-65.9%
Non-operating Income (Expenses)	70,688	5,095	1287.4%
Profit (Loss) Before Income Tax	264,756	574,638	-53.9%
Profit (Loss) After Income Tax	210,830	459,712	-54.1%
Earnings (Losses) Per Share	1.16	2.54	-54.3%

Note: The above is the parent company only financial information.

1.1.2. Comparison of production for the Company is as follows:

Unit: 10 thousand tons

	Rebar Production		Small Billet Production	
	2022	2021	2022	2021
Taiwan	626.8	630.2	879.4	988.7
Hai Kwang	49.87	49.57	30.32	28.00
Ratio	7.96%	7.87%	3.45%	2.83%

Data source: Hai-Kwang Enterprise Co., Ltd, Taiwan Steel & Iron Industries Association

1.1.3Market share of the Company is as follows:

Unit: 10 thousand tons

	Rebar Sales Volume		Apparent Consumption (Note)		Export Volume	
	2022	2021	2022	2021	2022	2021
Taiwan	687.44	666.39	621.55	606.00	5.31	24.02
Hai Kwang	51.13	52.11	51.13	52.11	0	0
Ratio	7.4%	7.8%	8.2%	8.6%	0	0

Note: According to the statistics of the Taiwan Steel & Iron Industries Association, Apparent Consumption = Production + Imports – Exports.

Data source: Hai-Kwang Enterprise Co., Ltd, Taiwan Steel & Iron Industries Association

1.2 Financial Revenue and Profit Analysis

Financial Revenue and Profit Analysis			Year	
Ratio			2022	2021
Item				
Financial Structure	Debt to asset ratio (%)		57.76	56.34
	Long term capital to fixed asset ratio (%)		208.81	204.88
Profitability	Return on assets (%)		3.1	6.2
	Return on equity (%)		5.8	13.8
	Ratio to paid-in capital	Operating net profit (loss) (%)	10.7	31.4
		Pre-tax income (loss) (%)	14.6	31.7
	Net profit (loss) ratio (%)		1.9	4.5
	Basic earnings per share after tax (NT\$)		1.16	2.54

Note: The above is the individual financial information

1.3 Research and Development

The electric arc furnace (EAF) 2.0 transformation in steel mills can improve production efficiency and output while reducing material and electricity consumption. This is a way to achieve energy-saving and carbon reduction effects.

1.4 Overview of Business Plan

1.4.1 Operating principle

1. Continuously updating steelmaking and rolling equipment and improving processes to increase production efficiency and recovery rate, reduce material and power losses to lower costs and enhance profitability.
2. Increase the production capacity of small-sized rebar and the processing of cutting, bending, and shaping in the later stage to enhance efficiency.

1.4.2 Production and Marketing Policies

1. Monitor market fluctuations and adjust inventory and order quantities in a timely manner to avoid inventory loss on market price decline.
2. Adjust production capacity and specifications flexibly in response to market demand, and stabilize product quality to improve service levels and customer satisfaction.
3. Participate in domestic public projects through direct customer cooperation and maintain good relationships with dealers to consolidate existing market share.
4. Provide complete sets of products in large, medium, and small sizes, and expand the processing capacity and service of cutting, bending and forming.

1.4.3 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

Aspects of Domestic Macroeconomic Environment

Overall Economy:

The global economy did not perform well in 2022. Most countries implemented monetary tightening policies to control high inflation, and the negative impacts of rising inflation, policy tightening, and financial pressures led to a bleak global economic outlook. The slowdown is expected to continue into the first half of 2023, with the US and European economies at risk of low

growth. While the Chinese economy is expected to rebound due to the relaxation of control measures, the extent of the rebound remains to be seen and will depend on the impact of recent policy relaxations on the economy. Therefore, major international forecasting agencies believe that the global economic and trade growth rate in 2023 will be slower than that in 2022. The trend in 2022 is high in the beginning and low in the end, while in 2023 it is low in the beginning and high in the end.

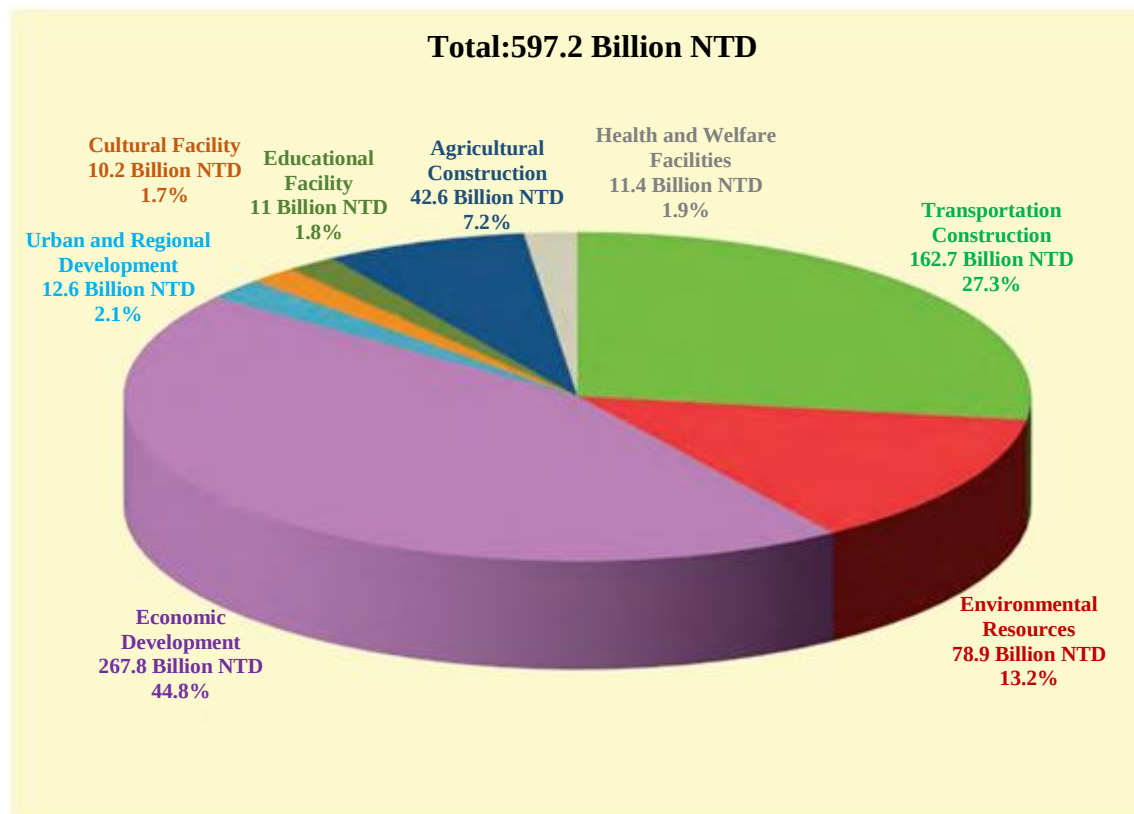
As for the domestic market, although the weakening of global economic demand has seriously affected our foreign trade performance and caused conservative capital investment by manufacturers due to global economic fatigue and rising borrowing rates, resulting in a significant slowdown in private investment growth, the government's public building budget has reached a new high. Moreover, private consumption is still strong and has benefited from the continuous relaxation of domestic epidemic control measures and border opening, which is expected to significantly increase domestic and foreign consumption. Both the government and private sectors are working together to support Taiwan's economic performance in 2023. The Taiwan Institute of Economic Research predicts that the domestic economic growth rate in 2023 will be 2.58%.

Analysis from the Perspective of Demand

Public Construction

The total budget allocated for public construction projects in 2023 is NT\$172.5 billion, an increase of NT\$34.5 billion, or about 25%, from the previous year. The main projects include the provincial highway improvement plan with an additional budget of NT\$3.4 billion, the 6th phase of the sewage piping system construction plan with an additional budget of NT\$1.8 billion, the development plan for Coast Guard patrol vessels with an additional budget of NT\$1.8 billion, the Da'an and Dajia River interconnection pipe project with an additional budget of NT\$1.6 billion, and the new capital increase of Taoyuan International Airport Company for the construction plan of the third terminal with an additional budget of NT\$12 billion. The total budget allocated for these projects is NT\$172.5 billion, plus the special budget of the 4th phase of the Forward-looking Infrastructure Development Program of NT\$83.2 billion, the total amount is NT\$255.7 billion, an increase of NT\$32 billion, or about 14.3%, compared to the previous year. Together with the operating and non-operating special funds of NT\$341.5 billion, the overall scale is NT\$597.2 billion, and the transportation construction budget is NT\$162.7 billion. The main projects include the construction of the third terminal by Taoyuan International Airport Company, the Ministry of Transportation and Communications, the Taiwan Railways Administration, and the Taiwan International Ports Corporation, the land acquisition for the Taoyuan Aerotropolis airport park, the provincial highway improvement plan, the overall purchase and replacement of Taiwan Railways' vehicles, and the substantial construction of operational facilities of the Taiwan International Commercial Port, etc., with a budget of NT\$134.6 billion. The Ministry of the Interior is responsible for the construction of the road traffic system in the living circle (urban roads) and the improvement of road quality, with a budget

of NT\$13.93 billion. The allocation of each construction project in the public construction plan is shown in the chart below.



Real Estate Market

Due to global inflationary pressures, monetary policies in various countries are generally tightening, particularly with the aggressive rate hikes by the US Federal Reserve, which has caused mortgage rates to soar. The 30-year fixed-rate mortgage rates have already reached their highest level in fifteen years, and other countries have also started to raise interest rates, resulting in a reversal of the previously flourishing global real estate market due to the pandemic-induced interest rate cuts. Whether it's in the US, the UK, Europe, Asia, or even Taiwan, the real estate market has all experienced a downturn due to rising interest rates, the increasing cost of paying off mortgages, shrinking disposable income, and economic uncertainty. This indicates the end of a bull market in the global real estate market. The performance of the domestic housing market in 2023 is expected to continue to show a correction period. Even though domestic pandemic-related restrictions are gradually loosening, there hasn't been a large-scale return of deferred buying, mainly due to the impact of the overall environment, and even future hidden supply is about to be unveiled. In particular, the number of completed presale houses in Taiwan is expected to increase from 27 thousand units in 2022 to about 51 thousand units in 2023, with 44 thousand units and 39 thousand units completed in 2024 and 2025, respectively. If the total number of completed presale houses from 2023 to 2025 is calculated, it will exceed 130 thousand units, which is expected to result in a large amount of selling pressure. Among them, the new housing supply in New Taipei City, Taichung City, Tainan City, and Kaohsiung City from 2023 to 2025 is 29 thousand units, 26 thousand units, 11 thousand units, and over 10 thousand units, respectively, while Taoyuan City will have 12 thousand units in 2023. As for the luxury housing market, both domestically and internationally, the economic growth rate will continue to show a slowing trend, and the US Federal Reserve will continue to raise interest rates in 2023, which will

also affect the actions of the Taiwan Central Bank. Additionally, the financial market is expected to have poor performance, and cross-strait political and economic tensions remain high, and geopolitical risks have not decreased, which will be unfavorable to future demand for luxury housing. As for commercial real estate, the market outlook for storefront leasing, commercial real estate transactions, and land transactions still lags behind the office leasing market, and the visibility of such products remains the best. It is worth mentioning the industrial real estate market. With the aviation and international logistics industries actively expanding their presence in the post-pandemic era, technology, biomedicine, and traditional industries are continuously acquiring land to expand their production capacity across Taiwan to seize the best strategic position in the global supply chain reshuffle. The life insurance industry has also seized on the stable lease and return on investment of industrial real estate and has continued to move aggressively. Therefore, the development of industrial real estate still holds promise.

Analysis from the Perspective of Supply

Domestic rebar market in Taiwan involves product certification, hence almost 100% of the domestic rebar is supplied by Taiwanese steel mills. The supply comes from integrated mills and single mills. Integrated mills have more stable production and quality due to their production processes, so some large government transportation construction projects require rebar from integrated mills. Single mills mainly source their primary material (small billets) from mainland China, domestic electric furnace plants, Russia, and Southeast Asia. The supply of billets mainly comes from foreign countries, and the domestic supply is very small, especially as emerging steel mills in countries such as Indonesia, Vietnam, Malaysia, and Thailand have gradually replaced mainland China and Russia's market share. Although there are more international suppliers in the market, the international small billet prices still closely follow the international coal and iron prices. Under the long-term trend of rising environmental costs affecting international steel prices, the supply from single mills is still limited by the price difference between international billet prices and domestic rebar prices. When the international market has an oversupply and the billet price is lower than the domestic price plus transportation costs, import substitution effects will occur. However, judging from the international supply and demand situation in the steel market in the next year, it is unlikely that there will be a significant decrease in international billet prices, so the supply of rebar from single mills will continue to shrink and be unstable.

External Competitive Environment

Facing the unfavorable factors of unstable supply and high prices of raw materials, the operation of single mills in the domestic rebar market depends on precise judgment of reasonable price differences between domestic and foreign billet prices. In the short term, they will buy a large amount of billets when there is a reasonable price difference, and their impact on the market supply and demand mostly plays the role of accelerating the pace of production when the market is bearish. The domestic rebar selling price is mainly determined by Feng Hsing Steel Co., Ltd. Based on the weekly pricing close to the international market price. Although other steel mills set prices based on their own conditions, they still closely follow the international market price and Feng Hsing pricing. The rebar market has regional characteristics, and although it can operate across regions, with the increase in transportation costs, only a small amount can be operated across regions. Therefore, the price competition between steel mills is not intense. In the past two years, the southern market where the Company is located has undergone a significant improvement in industry order due to a certain single-rolling mill's financial crisis, which led to its

transformation into Original Equipment Manufacturer and even shutdown. However, since its assets were acquired by a large steel mill at the end of 2022, it is unclear how to utilize or transform its existing production capacity. The future development of the industry order in the southern rebar market will depend on the planning of that mill.

Regulatory Environment

The Company is subject to the “Regulations for the Management of Setting up Renewable Energy Power Generation Equipment of Power Users above a Certain Contract Capacity,” which officially took effect in 2021 (commonly known as the “Heavy Industrial Consumers” clause). Within five years, the Company must install renewable energy equipment equivalent to 10% of our contract capacity. The Company plans to invest NT\$250 million to build solar power generation equipment. In the future, there will be measures such as carbon tariffs, carbon taxes, and carbon footprints in response to climate change, especially since European countries have already implemented carbon tariffs and carbon taxes. Taiwan will also implement a carbon tax. Although the Company does not export to Europe and will not be directly impacted, the imposition of carbon taxes and the mandatory increase in the proportion of solar energy, as well as investment in equipment to improve energy efficiency, will all lead to higher costs for downstream steel production to address carbon neutrality. The “green inflation” effect will also become increasingly apparent in the future. The prices of international metals such as coking coal, iron ore, aluminum, nickel, copper, tin, zinc, manganese, cobalt, lithium, etc., have only been continuously falling for about a quarter during this global economic recession. It is clear that the environmental and energy costs associated with the mining process are becoming increasingly high, and the prices of various black and non-ferrous metals will continue to rise. The CO₂ emissions from blast furnace steelmaking are four to five times higher than those from electric arc furnace steelmaking. In the trend of carbon reduction, major steel plants in Japan and South Korea have already announced that they will gradually replace existing blast furnaces with electric arc furnaces in the future. This trend may cause a tighter supply of scrap steel, electrodes, ferrosilicon, and vanadium iron alloys required for electric arc furnaces. Taiwan’s power usage structure is gradually transitioning, with the proportion of nuclear and thermal power generation decreasing and that of renewable energy increasing. Electricity prices will also continue to rise, creating greater cost pressures for electric arc steel mills. Fortunately, this trend is a necessary result of the global carbon reduction trend, and the transfer of power costs downstream is an industry consensus.

The China Iron and Steel Association reported that crude steel production last year decreased by 2.1% to 1.013 billion tons. According to the World Steel Association (Worldsteel), global crude steel production decreased by 4.3% year-on-year to 1.8315 billion tons last year. Overall, steel prices were high at the beginning of 2022 and then decreased, and the global supply and demand for steel were both reduced throughout the year.

Looking ahead to 2023, World Steel Dynamics (WSD) predicts that global crude steel production will further decline to 1.822 billion tons, a year-on-year decrease of 1.5%. The main factors affecting the international supply and demand of steel can be summarized as follows:

1. As the ongoing Russo-Ukrainian War continues, the combined annual production of crude steel and export volume of both countries at 93 million tons and 38 million tons respectively still remain greatly restricted. Even in the future when the two countries cease fire and enter the reconstruction phase, the demand for steel will be enormous.
2. Turkey, with an annual production of 67 million tons of crude steel, is the main producer of electric furnace steel and construction steel in the world. Apart from the direct impact of earthquakes causing some steel plants to face production and transportation obstacles, the future production of steel or priority supply for post-disaster reconstruction needs will also be a major factor affecting the global supply and demand of steel.
3. The cost of environmental protection is increasingly high, which not only leads to the elimination of old and low-level steel plants and the restriction of crude steel production capacity growth but also causes the prices of coal, iron and other raw materials for steelmaking to remain high. Even during the significant steel price rollback period in 2022, the prices of major steelmaking raw materials such as coal and iron only slightly decreased, which also supports the global steel price to a certain extent.
4. China's full reopening, the injection of liquidity into the real estate industry by the People's Bank of China, the expansion of various financing channels under the 16 financial policies, and the promotion of large-scale economic revitalization policies will enable China's economic growth rate to recover from 3% in 2022. According to the "Economic Blue Book for 2023" published by the Chinese Academy of Social Sciences at the end of last year, it is expected that China's economic growth rate will be around 5.1% in 2023, and the economy will significantly recover from the second quarter.
5. The automotive industry is expected to overcome the shortage of chips and components in the previous two years, which will drive the demand for rigidity and inventory replenishment.

In summary, the Company holds an optimistic attitude towards the domestic rebar price this year, but the consumption volume will be viewed conservatively due to the impact of high interest rates on the real estate market, which will gradually shrink by season. However, the growth of factories, shopping malls, and public constructions will continue. It is estimated that the steel consumption in Taiwan in 2023 will slightly

decrease by about 5.8 to 6 million tons, and the sales volume in 2023 is estimated to be about 520,000 tons.

Business Development Strategies

The Company's operating development strategy for 2023 includes the following key points:

1. Automation of steelmaking equipment and transformation of the power system.
2. Improvement of rolling equipment and efficiency enhancement.
3. Increase in production and business expansion of subcontracted surface treatment processes by our subsidiaries.
4. Thank you for the support and care from all our shareholders. We wish you good health and all the best!

Chairman : Huang, Wei-Han

General Manager : Huang, Tsan-Ming

Accounting Officer : Yang, Chien-Chang

II. Company Profile

2.1 Date of Incorporation: February 24, 1969.

2.2 Company History

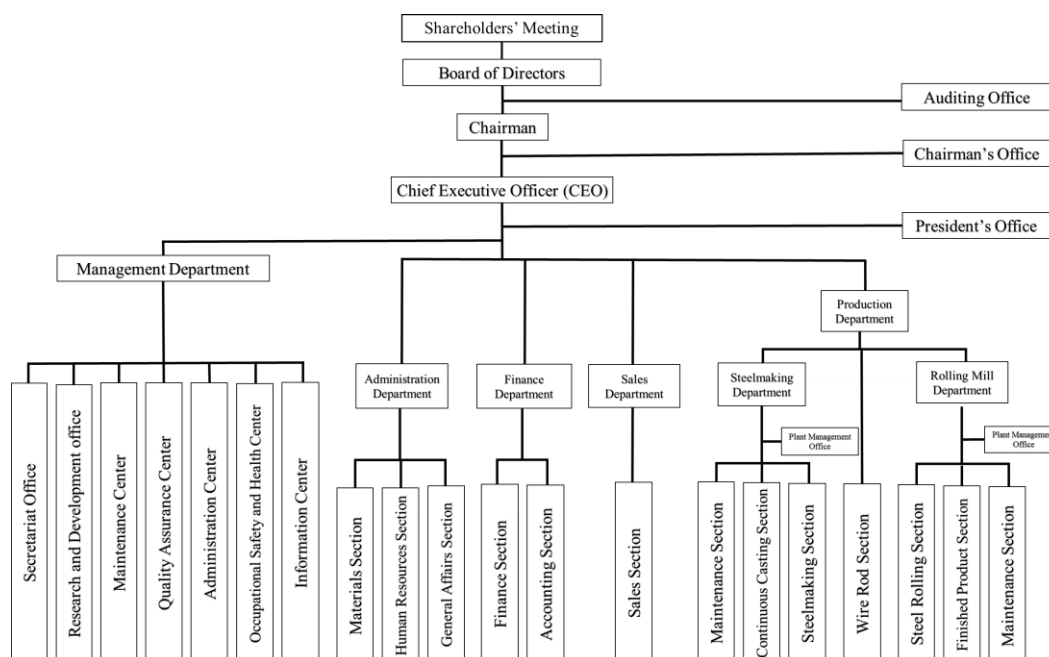
- Year 1969 -- Capitalized at NT\$5 million, the Company's main business is buying and selling various hardware products.
- Year 1972 -- The Company began engaging in shipbreaking by importing decommissioned ships and supplying all kinds of ship plates to various factories.
- Year 1973 -- The capital was increased to NT\$50 million, and the equipment was expanded.
- Year 1974 -- The capital was increased to NT\$100 million. The Company began the first phase of construction at the current site in Xiaogang Coastal Industrial Zone, setting up a full set of 30-ton steelmaking electric arc furnace equipment.
- Year 1979 -- The second phase of construction project began. The Company imported the Italian DANIELI automatic continuous casting machine to produce slabs.
- Year 1981 -- The continuous casting machine for steel production was completed, and the Company began test production and export of slabs. Within six months, the Company had earned US\$15 million in export revenue, and was awarded the Excellent Exporter Certificate by the Bureau of Foreign Trade.
- Year 1982 -- Awarded the Excellent Exporter Medal by the Bureau of Foreign Trade. It directly exported more than 70,000 tons of slabs, which received high praise for their quality from abroad. The rolling mill was completed, and the Company began to produce rebar and wire rods, with wire rods as the main product.
- Year 1983 -- Awarded the Excellent Exporter Medal by the Bureau of Foreign Trade.
- Year 1984 -- Awarded the Excellent Exporter Medal by the Bureau of Foreign Trade.
- Year 1985 -- Awarded the Excellent Exporter Medal by the Bureau of Foreign Trade.
- Year 1986 -- Awarded the Excellent Industrial Safety Maintenance Award. The capital was increased to NT\$150 million to improve the financial structure. The Company purchased 1,000HM3/HR oxygen plant equipment and installed electric furnace dust collection equipment in compliance with government environmental policies.
- Year 1987 -- Invested in and established a 40-ton refining furnace, purchased a 1,250-ton scrap iron processing machine, and installed a computer-controlled system for the reheating furnace.
- Year 1988 -- Awarded the Excellent Exporter Medal by the Bureau of Foreign Trade. The capital was increased to NT\$198 million and equipment was expanded.
- Year 1989 -- Awarded the Excellent Exporter Medal by the Bureau of Foreign Trade. The Company increased its capital by NT\$434,690,000 in cash, undistributed earnings of NT\$158,400,000, and capital surplus of NT\$8,910,000, making the total capitalization NT\$800 million, and registered for retroactive handling of public issuance procedures. Additionally, the Company expanded and added a set of steelmaking equipment, including 50-ton electric arc furnace, Mitsubishi automatic continuous casting machine, 2,500NM3/HR oxygen manufacturing equipment, and dust collection equipment. The roughing mill was transformed to improve production capacity, and a comprehensive Total Quality Assurance (TQA) guidance contract was signed.
- Year 1990 -- Increased its total paid-in capital to NT\$968,045,600 by capitalizing on undistributed earnings of NT\$160,736,400 and capital surplus of NT\$7,306,200.
- Year 1991 -- Received the Excellent Taxpayer Award for year 1988 of profit-seeking enterprise income tax from the National Taxation Bureau of Kaohsiung, Ministry of Finance.
- Year 1992 -- Expanded the Jiaxing factory, imported the fully automatic POMINI steel rolling machine from Italy, the DANIELI cooling bed from Italy, and the finishing equipment from Takigawa Kogyo Co., Ltd. Of Japan. In addition, the Company increased its total paid-in capital to NT\$1,065,000,000 by capitalizing on undistributed earnings of NT\$83,404,800 and capital surplus of NT\$13,552,600.
- Year 1993 -- The Jiaxing factory was completed and started production in December. In addition, the Company increased its total paid-in capital to NT\$1,171,500,000 by capitalizing on undistributed earnings of NT\$106,500,000.
- Year 1994 -- Upgraded the finishing shears and refurbished the cooling bed at the Xiaogang steel rolling plant.
- Year 1995 -- The Jiaxing factory passed the ISO9002 quality assurance certification from the Bureau of Commodity Inspection.
- Year 1996 -- Increased its capital by NT\$200 million in cash, making the total paid-in capital NT\$1,371,500,000.
- Year 1997 -- Refurbished the equipment and changed the billet diameter at the Xiaogang steel rolling plant to improve efficiency and reduce costs.

Year 1998 --	The Xiaogang factory passed the ISO9002 quality assurance certification from the Bureau of Commodity Inspection.
Year 1999 --	Purchased and installed a door-frame vehicle radiation detector to strengthen the radiation detection of raw materials and finished products.
Year 2001 --	Selected as a major supplier for Taiwan High Speed Rail and Kaohsiung Mass Rapid Transit.
Year 2003 --	Increased its capital by NT\$8.5 million in cash, making the total paid-in capital NT\$1.38 billion.
Year 2004 --	Upgraded 30-ton furnace to 50-ton furnace to increase slab production capacity.
Year 2006 --	Annual revenue exceeded NT\$ 11 billion.
Year 2007 --	Upgraded the 85-ton/hour heating furnace in the Jiaxing factory to 120-ton/hour to increase rebar production capacity. Installed equipment to reduce dioxin emissions to meet legal requirements for the steel plant's dust collection system. In September, the Company was listed on the Emerging Stock.
Year 2008 --	In December, the Company was listed on the Taiwan Stock Exchange and carried out a cash capital increase of NT\$160 million, with total paid-in capital increased to NT\$1.54 billion.
Year 2009 --	In September, the Company carried out a cash capital increase of NT\$200 million, with total paid-in capital increased to NT\$1.74 billion.
Year 2011 --	In March, the Company issued secured convertible corporate bonds of NT\$300 million and unsecured convertible corporate bonds of NT\$500 million.
Year 2012 --	In January, the convertible corporate bonds were converted to common stocks, and the total paid-in capital increased to NT\$1.82 billion.
Year 2012 --	In August, the Company acquired a shareholding of 63.05% in E Chang Iron Steel Works Co., Ltd.
Year 2012 --	In November, the Company raised NT\$1.3 billion syndicated loans to strengthen operating capital and improve financial structure.
Year 2013 --	In March, the Company cancelled 93 million treasury shares, and the total paid-in capital became NT\$1.726 billion.
Year 2013 --	In September, the Company established a 12-meter cooling bed at the steel mill and expanded sales of small billets.
Year 2014 --	In September, the Company reconstructed the 12-meter reheating furnace at Jiaxing rolling mill and installed high-frequency heating system and small-size rebar cutting equipment.
Year 2015 --	Established a reinforcing steel processing department at Jiaxing rolling mill to enhance service and product added value.
Year 2016 --	In February, former Chairman and founder Huang, Cang-Hai passed away, and Huang, Wei-Han was elected as chairman, while Huang, Tsa n -Ming became the President.
Year 2016 --	In September, the Company established a new subsidiary, Zheng Tung Environmental Protection Tech. Co., Ltd. primarily engaged in manufacturing and surface treatment of steel wires and metal wire products.
Year 2017 --	In February, the board of directors appointed Huang, Tsa n -Ming as the Chief Executive Manager and Liu, Ming-Tan as the President simultaneously
Year 2017 --	In September, the Company increased capital by NT\$86,316,440 from undistributed earnings, and the total paid-in capital after the capital increase was NT\$1.813 billion.
Year 2021 --	In February, the Company completed the transformation of the electric furnace and refining furnace of the B furnace at the steel mill.
Year 2021 --	In August, the trial production of two heat treatment lines at subsidiary Zheng Tung Environmental Protection Tech. Co., Ltd. began.
Year 2022 --	The formal production of four heat treatment lines at subsidiary Zheng Tung Environmental Protection Tech. Co., Ltd. began, and two lines of electroplating also started production.

III. Corporate Governance Report

3.1 Organization: Company structure and business of each major department

3.1.1 Organizational Chart



3.1.2 Functions of Major Departments

Department	Functions
Auditing Office	Responsible for planning, establishing, executing, and auditing all internal control operations.
President's Office	In charge of managing business operations, production management planning, and various project operations.
Chairman's Office	Adhering to board resolutions, leading managers responsible for defining major company decisions.
Steelmaking Department	Responsible for managing the production process of steelmaking equipment personnel and arranging the production process of steelmaking casting.
Rolling Mill Department	Responsible for managing the production process of rolling steel equipment personnel and arranging the production process of rebar production.
Finance Department	Responsible for financial control, budgeting, accounting cost accounting, and tax affairs.
Sales Department	Responsible for sales order shipment, raw material procurement, and finished product management.
Administration Department	Responsible for general affairs, personnel, materials, and weighbridge matters.
Quality Assurance Center	Responsible for controlling the quality assurance system of raw materials, finished products, and production processes.
Occupational Safety and Health Center	Responsible for environmental protection and occupational safety and health business correspondence, supervision, and inspection matters.
Research and Development Office	Responsible for process improvement, production technology improvement, and new product development.
Information Center	Responsible for planning and implementing the Company's information system.
Maintenance Center	Responsible for the maintenance of machinery and electrical equipment for the entire company.
Secretariat Office	Assists the Chairman in coordinating interdepartmental work and cross-departmental work promotion matters.

3.2 Information on Directors and Managerial Officers

3.2.1 Information on Directors (As of April 22, 2023)

Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Inauguration)	Tenure	Commencement Date of First Term	No. of Shares Held at Time of Election		No. of Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shares Held Through Nominees		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in the Company and/or in any Other Company	Other Officers or Directors with which the person has a relationship of Spouse or Relative Within the Second Degree			Remarks
							No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			Title	Name	Relationship	
Chairman	Taiwan R.O.C.	Huang, Wei-Han	Male / 36	2020.6	3 years	2011.6	1,425,879	0.79	1,896,315	1.05	0	0	0	0	Bachelor of Chemical and Materials Engineering, Tamkang University Executive Assistant to the Chairman and Director, Hai Kwang Enterprise Co., Ltd. Chairman, E Chang Iron Steel Works Co., Ltd. Chairman, Zheng Tung Environmental Protection Tech. Co., Ltd.	Chairman, Hai Ming Investment Co., Ltd. Director, Taiwan Steel Union Co., Ltd. Supervisor, Taiwan Steel Resources Co., Ltd. Chairman, E Chang Iron Steel Works Co., Ltd. Chairman, Zheng Tung Environmental Protection Tech. Co., Ltd.	Director and CEO	Huang, Tsan-Ming	Father-Son	Note 1
Vice Chairman	Kaohsiung City, Taiwan R.O.C.	Yu Zhan Investment Co., Ltd.	NA	2020.6	3 years	1995.6	3,596,726	1.98	2,004,726	1.11	0	0	0	0	Bachelor of Accounting, National Chung Hsing University					
	Taiwan R.O.C.	Representative: Wu, Yong-Ci	Male / 82	2020.6	3 years	1995.6	1,474,512	0.81	1,445,512	0.80	2,331,954	1.29			Executive Vice President, Finance Dept. of the Company President of the Company Executive Assistant to the Chairman of the Company	Supervisor, Yu-Zhan Investment Co., Ltd. Director, E Chang Iron Steel Works Co., Ltd.				

Director	Taiwan R.O.C.	Liu, Ming-Tan	Male / 67	2020.6	3 years	2011.6	1,175,755	0.65	1,175,755	0.65	5,336,251	12.94	0	0	Master of Information Systems, University of San Francisco Executive Master of Business Administration, National Sun Yat-sen University Executive Vice President, Administration Dept. of the Company Executive Assistant to the Chairman of the Company President of the Company	Supervisor, Chao-An Investment Co., Ltd. Chairman, Shih-Pao Investment Co., Ltd. Director, E Chang Iron Steel Works Co., Ltd. Supervisor, Fuchuan Construction Co., Ltd. Executive Director, Taiwan Steel & Iron Industries Association				
Director	Kaohsiung City, Taiwan R.O.C.	You Ming Investment Co., Ltd.	NA	2020.6	3 years	2016.6	12,806,326	7.06	12,806,326	7.06	0	0	0	0	Bachelor of Statistics and Information Science, Fu Jen Catholic University Chief Executive Officer of the Company President of the Company	Director and President, E Chang Iron Steel Works Co., Ltd. Director and President, Zheng Tung Environmental Protection Tech. Co. Ltd. Director, Dongguan Ming Yao Hardware Products Co., Ltd.	Chairman	Huang, Wei-Han	Father -Son	
	Taiwan R.O.C.	Representative: Huang, Tsan-Ming	Male / 68	2020.6	3 years	2016.6	0	0	0	0	0	0	0	0						
Director	Kaohsiung City, Taiwan R.O.C.	Hai Ming Investment Co., Ltd.	NA	2020.6	3 years	2005.6	41,382,074	22.82	41,344,074	22.81	0	0	0	0	Bachelor of Accounting, Tamkang University Partner Accountant, Cheng Yang United Certified Public Accountants Firm	Director, Cheng Yang Management Consulting Company Partner Accountant, Cheng Yang United Certified Public Accountants Firm	None			
	Taiwan R.O.C.	Representative: Hong, Guo-Yu	Male / 56	2020.6	3 years	2018.6	0	0	0	0	0	0	0	0						
Director	Kaohsiung City, Taiwan R.O.C.	Hai Ming Investment Co., Ltd.	NA	2020.6	3 years	2005.6	41,382,074	22.82	41,344,074	22.81	0	0	0	0	Master of Business Administration, National ChengChi University Principal, Liansheng United Certified Public Accountants Firm	Partner Accountant, Georgia United Certified Public Accountants Firm Supervisor, E Chang Iron Steel Works Co., Ltd. Independent Director, Sunfar Computer Co., Ltd.	None			
	Taiwan R.O.C.	Representative: Chen, Shi-Cheng	Male / 69	2020.6	3 years	2005.6	0	0	0	0	0	0	0	0						

Independent Director	Taiwan R.O.C.	Yang, Chang-Xi	Male / 73	2020.6	3 years	2008.4	0	0	0	0	0	0	0	0	National Hualien University of Education Principal, Yang, Chang-Xi Law Firm	Principal, Yang, Chang-Xi Law Firm Director, CVC Technologies Inc. Director, Ting Sin Co., Ltd. National Compensation Review Committee Member, Third Maintenance Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications Legal Consultant, Tycoons Group Enterprise Co., Ltd.	None	
Independent Director	Taiwan R.O.C.	Guo, Shi-Xian	Male / 54	2021.7	2 years	2021.7	0	0	0	0	0	0	0	0	Bachelor of Accounting, Tamkang University Passing the CPA exam in 1997	Teaching Assistant, Department of Accounting, Tamkang University Auditor, RSM Taiwan Accountant, QunXian United Certified Public Accountants Firm	None	
Independent Director	Taiwan R.O.C.	Chen, Bo-Zhong	Male / 39	2020.6	3 years	2019.6	0	0	0	0	0	0	0	0	Bachelor of Laws, National Taipei University	Managing Director / Attorney, Berlin United Law Firm	None	

Note 1: The Chairman, Huang, Wei-Han and the Director-cum-CEO, Huang, Tsan-Ming, are of Son-Father relationship. They have extensive experience in the rebar and fastener industries. The Company has appointed three independent directors, and more than half of the directors do not concurrently serve as employees or managers.

1. Major Shareholders of Institutional Shareholders

Major Shareholders of Institutional Shareholders

As of April 22, 2023

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
You Ming Investment Co., Ltd	Passion Trading Co., Ltd. (96%), Huang, Xiao-Wen (2.5%), Huang, Wei-Han (0.5%), Huang, Zheng-Han (0.5%), Fu, Lin-Xi (0.5%)
Yu Zhan Investment Co., Ltd	Huang, Yu-Yan (32%), Wu, Cheng-Yu (18%), Wu, Wei-Qi (17%), Wu, Dai-Rong (17%), Wu, Yong-Ci (16%)
Hai Ming Investment Co., Ltd	Huang, Zheng-Han (21.1%), Huang, Wei-Han (21.1%), Huang, Yu-Jing (9.6%), Huang, Yu-Yan (8.9%), Huang, Yu-Xue (7.9%), Huang, Xiao-Wen (6.8%), Fu, Lin-Xi (6.0%), Huang, Yu-Ping (4.9%), Lin, Wen-Chang (4.9%), Wu, Yong-Ci (3.4%)
Jin Zhi Xing Asset Management Co., Ltd.	JHANG,FU-SING(50%), HUANG,ZIH-JIE(50%)

Major Shareholders of the Entities from Table 1 that are institutions

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Passion Trading Co., Ltd.	Huang, Xiao-Wen (1.4%), Huang, Wei-Han (0.4%), Huang, Zheng-Han (0.7%), You Ming Investment Co., Ltd (67.9%), Zong Li Investment Co., Ltd (29.6%)
Zong Li Investment Co., Ltd	Passion Trading Co., Ltd. (20%), Huang, Xiao-Wen (39%), Huang, Wei-Han (11%), Huang, Zheng-Han (20%), Fu, Lin-Xi (10%)

2. Disclosure of Information about Professional Qualifications of the Directors and Independence of Independent Directors

Name \ Condition		Professional Qualification and Experiences	Independence Information	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director or a Member of the Remuneration Committee
Chairman	Huang, Wei-Han	(1) Education: Bachelor of Chemical and Materials Engineering, Tamkang University (2) Main duties: The Chairman of the Company (3) Other major current Positions: Chairman of Hai Ming Investment Co., Ltd., Director of Taiwan Steel Union Co., Ltd., Supervisor of Taiwan Steel Resources Co., Ltd., Chairman of E Chang Iron Steel Works, Co., Ltd., Chairman of Zheng Tung Environmental Protection Tech. Co. Ltd. (4) Professional experiences: With years of extensive experience in the rebar and fastener industry, leading the Company towards positive development and achieving the goal of sustainable development.	1. Whether the person and the person's spouse as well as relatives within the second degree of relationship are not a director, supervisor, or employee of the Company or any of its affiliates: No 2. Whether the person is not a shareholder who holds shares, together with those held by the person's spouse as well as relatives within the second degree of relationship (or under others' names), in an aggregate amount of 1% or more of total shares issued by the Company or ranking as one of its top ten natural-person shareholders: No The person: 1,896,315 shares (1.05%) Spouse: 0 share Other relatives within the second degree of relationship: 1,816,331 shares (1.00%)	0

Director	Liu, Ming-Tan	(1) Education: Master of Information Systems, University of San Francisco, Executive Master of Business Administration, National Sun Yat-sen University (2) Main duties: President of the Company (3) Other major current Positions: Supervisor of Chao-An Investment Co., Ltd., Chairman of Shih-Pao Investment Co., Ltd., Director of E Chang Iron Steel Works Co., Ltd., Supervisor of Fuchuan Construction Co., Ltd., Executive Director of Taiwan Steel & Iron Industries Association (4) Professional experiences: With over 40 years of experience in the rebar production industry, holding a deep and professional understanding of the industry. Assisting the Company in making significant decisions, providing appropriate advice and analysis, and leading the Company to achieve the goal of sustainable development.	1. Whether the person is not a shareholder who holds shares, together with those held by the person's spouse as well as relatives within the second degree of relationship (or under others' names), in an aggregate amount of 1% or more of total shares issued by the Company or ranking as one of its top ten natural-person shareholders: No The person: 1,175,755 shares (0.65%) Spouse: 5,336,251 shares (2.94%) Other relatives within the second degree of relationship: 0 shares	0
Director	Yu Zhan Investment Co., Ltd Representative: Wu, Yong-Ci	(1) Education: Bachelor of Accounting, National Chung Hsing University (2) Main duties: Vice Chairman of the Company (3) Other major current Positions: Supervisor of Yu-Zhan Investment Co., Ltd., Director of E Chang Iron Steel Works Co., Ltd. (4) Professional experiences: With over 40 years of experience in the rebar production industry, holding a professional understanding of financial management. Assisting the Company in making significant decisions and leading the Company to achieve the goal of sustainable development.	1. Whether the person is not a shareholder who holds shares, together with those held by the person's spouse as well as relatives within the second degree of relationship (or under others' names), in an aggregate amount of 1% or more of total shares issued by the Company or ranking as one of its top ten natural-person shareholders: No The person: 1,445,512 shares (0.80%) Spouse: 2,331,954 shares (1.29%) Other relatives within the second degree of relationship: 0 shares	0
Director	You Ming Investment Co., Ltd Representative: Huang, Tsan-Ming	(1) Education: Bachelor of Statistics and Information Science, Fu Jen Catholic University (2) Main duties: CEO and President of the Company (3) Other major current Positions: Director and President of E Chang Iron Steel Works Co., Ltd., Director and President of Zheng Tung Environmental Protection Tech. Co. Ltd., Director of Dongguan Ming Yao Hardware Products Co., Ltd. (4) Professional experiences: With years of extensive experience in the rebar and fastener industry and execution of management decision, leading the Company towards positive development and achieving the goal of sustainable development.	1. Whether the person and the person's spouse as well as relatives within the second degree of relationship are not a director, supervisor, or employee of the Company or any of its affiliates: No 2. Whether the person is not a shareholder who holds shares, together with those held by the person's spouse as well as relatives within the second degree of relationship (or under others' names), in an aggregate amount of 1% or more of total shares issued by the Company or ranking as one of its top ten natural-person shareholders: No The person: 0 shares Spouse: 0 shares Other relatives within the second degree of relationship: 3,712,646 shares (2.05%)	0
Director	Hai Ming Investment Co., Ltd. Representative: Hong, Guo-Yu	(1) Education: Bachelor of Accounting, Tamkang University (2) Main duties: Director of the Company, Director of Cheng Yang Management Consulting Company, Partner Accountant of Cheng Yang United Certified Public Accountants Firm (3) Professional experiences: With experience as a professional accountant, continuously collaborating with other directors on the board in making major decisions that lead the Company towards positive development and achieving the goal of sustainable development.	The 5 directors listed on the left: 1. All meet the independence requirements of independent directors. 2. All meet the independence criteria: (1) The person or his spouse or any relative within the second degree does not serve as a director, supervisor, or employee of the Company or any of its affiliates. (2) The person or his spouse or any relative within the second degree does not hold the shares of the Company. (3) The person does not serve as a	0

Director	Hai Ming Investment Co., Ltd. Representative: Chen, Shi-Cheng	(1) Education: Master of Business Administration, National ChengChi University (2) Main duties: Director of the Company, Partner Accountant of Georgia United Certified Public Accountants Firm, Supervisor of E Chang Iron Steel Works Co., Ltd., Independent Director of Sunfar Computer Co., Ltd. (3) Professional experiences: With experience as a professional accountant, continuously collaborating with other directors on the board in making major decisions and providing advice that lead the Company towards positive development and achieving the goal of sustainable development.	director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) (4) The person did not receive any remuneration for providing commercial, legal, financial, accounting or related services from the Company or any of its affiliates in the recent 2 years.	1
Independent Director	Yang, Chang-Xi	(1) Education: National Hualien University of Education (2) Main duties: Independent director of the Company, Principal of Yang, Chang-Xi Law Firm, Director of CVC Technologies Inc., Director of Ting Sin Co., Ltd., National Compensation Review Committee Member of Third Maintenance Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications, Legal Consultant of Tycoons Group Enterprise Co., Ltd. (3) Professional experiences: Possessing a lawyer's license and various professional skills in legal affairs, continuously supervising the Company's major decision-making and analysis, leading the Company towards positive development, and achieving the goal of sustainable development.		0
Independent Director	Chen, Bo-Zhong	(1) Education: Bachelor of Laws, National Taipei University (2) Main duties: Independent director of the Company, Managing Director / Attorney of Berlin United Law Firm (3) Professional experiences: Possessing a lawyer's license and various professional skills in legal affairs, continuously supervising the Company's major decision-making, leading the Company towards positive development, and achieving the goal of sustainable development.		0
Independent Director	Guo, Shi-Xian	(1) Education: Bachelor of Accounting, Tamkang University, Passing the CPA exam in 1997 (2) Main duties: Independent Director of the Company, Accountant of QunXian United Certified Public Accountants Firm (3) Professional experiences: With experience as a professional accountant, continuously collaborating with other directors on the board in making major decisions and providing advice that lead the Company towards positive development and achieving the goal of sustainable development.		0

All directors of the Company (including independent directors) have not been involved in any of the circumstances listed in Article 30 of the Company Act.

3. Diversity and Independence of the Board of Directors:

Based on the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" published by the Taiwan Stock Exchange, the Company incorporates the concept of diversity into its director election rules. The selection of directors should consider two general standards, namely basic requirements and values, and professional knowledge and skills in areas such as law, accounting, industry, finance, and marketing. Directors should also possess the knowledge, skills, and qualities necessary for executing their duties.

The Company's "Corporate Governance Best Practice Principles" also stipulate that directors who concurrently serve as the Company's officers should not exceed one-third of the total number of directors. Considering the overall composition of the board of directors, their professional knowledge and backgrounds, there should be at least one director with financial accounting expertise and one with relevant management experience in the steel industry. Currently, the Company has a total of 9 directors (including 3 independent directors), and their professional knowledge and skills cover different fields such as steel, business administration, industrial management, law, and accounting. Among the current directors, 3 of them have financial accounting expertise and 4 have practical management experience in the steel industry, fully implementing the goal of diversified board members. Their rich knowledge, personal insights, and business operation judgment, as well as their leadership and decision-making abilities, are highly valued by the Company for achieving future development goals such as human resource succession, equipment renewal, research and development of advanced products, building a high-value industry chain, developing smart production and sales, and dedicating to a circular economy.

Implementation of diversity policy for members of the Board of Directors:

Name of Director	Core Diversity Element	Composition							Business Management	Decision-Making	Industry Knowledge	Steel Industry Management Experience	Finance and Accounting	Marketing	Law	
		Gender	Employed by the Company	Ages			Tenure of Independent Directors									
				31-50	51-70	>71	< 3yrs	4-8 yrs								>9 yrs
Huang, Wei-Han	Male		V						V	V	V	V		V		
Liu, Ming-Tan	Male	V		V					V	V	V	V		V		
Yu Zhan Investment Co., Ltd Representative: Wu, Yong-Ci	Male	V			V				V	V	V	V		V		
You Ming Investment Co., Ltd Representative: Huang, Tsan-Ming	Male	V		V					V	V	V	V		V		
Hai Ming Investment Co., Ltd. Representative: Hong, Guo-Yu	Male			V					V		V		V			
Hai Ming Investment Co., Ltd. Representative: Chen, Shi-Cheng	Male			V					V		V		V			
Yang, Chang-Xi	Male				V			V	V		V				V	
Chen, Bo-Zhong	Male		V				V		V		V				V	
Guo, Shi-Xian	Male			V		V			V		V		V			

4. The Board of Directors of the Company is composed of 9 directors, 3 of which are independent directors (accounting for 33%). Among all the directors (including independent directors), except for Huang, Wei-Han, Huang, Tsan-Ming, Wu, Yong-Ci and Liu, Ming-Tan, none of the other directors has a marital relationship or falls within the second degree of relationship with each other, thus demonstrating considerable independence. Please refer to page 16 of this Annual Report for “Disclosure of Information about Professional Qualifications of the Directors and Independence of Independent Directors.”

3.2.2 Information on President, Executive Vice Presidents, Vice Presidents, and the Chiefs of All the Divisions and Branch Units As of April 22, 2023

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					No. of shares	%	No. of shares	%	No. of shares	%			Title	Name	Relation-sh ip	
CEO	Taiwan R.O.C	Huang, Tsan-Ming	Male	2016.03	0	0	0	0	0	0	Bachelor of Statistics and Information Science, Fu Jen Catholic University Chief Executive Officer of the Company President of the Company	Director and President, E Chang Iron Steel Works Co., Ltd. Director and President, Zheng Tung Environmental Protection Tech. Co. Ltd. Director, Dongguan Ming Yao Hardware Products Co., Ltd.	Chairman	Huang, Wei-Han	Note 1	Note 2
												Executive Assistant to the Chairman	Qi, Mei-Song			
President	Taiwan R.O.C	Liu, Ming-Tan	Male	2017.02	1,175,755	0.65	5,336,251	2.94	0	0	Master of Information Systems, University of San Francisco Executive Master of Business Administration, National Sun Yat-sen University Executive Vice President, Administration Dept. of the Company Executive Assistant to the Chairman of the Company President of the Company	Supervisor, Chao-An Investment Co., Ltd. Chairman, Shih-Pao Investment Co., Ltd. Director, E Chang Iron Steel Works Co., Ltd. Supervisor, Fuchuan Construction Co., Ltd. Executive Director, Taiwan Steel & Iron Industries Association	None			
Executive Assistant to the Chairman	Taiwan R.O.C	Qi, Mei-Song	Female	2016.03	0	0	0	0	0	0	Master of Food Science and Technology, University of California Executive Vice President, Passion Trading Co., Ltd. Finance Manager of the Company	Supervisor, Zheng Tung Environmental Protection Tech. Co. Ltd. Director and Executive Vice President, Passion Trading Co., Ltd.	CEO	Huang, Tsan-Ming	Spouse	Note 2
Vice President of Production Dept.	Taiwan R.O.C	Lin, Fu-Gui	Male	2010.05	0	0	0	0	0	0	Master of Mechatronics Engineering, National Kaohsiung University of Science and Technology Factory Director of Jiaxing Factory of the Company	None	None			
Manager of Steelmaking Dept.	Taiwan R.O.C	Luo, Yi-Yuan	Male	1998.05	8,834	0.00	0	0	0	0	Department of Marine Engineering, National Taiwan Ocean University Manager of Steelmaking Dept. of the Company	None	None			
Manager of Sales Dept.	Taiwan R.O.C	Wang, Zhen-Fu	Male	2005.12	0	0	0	0	0	0	Bachelor of Information Engineering and Computer Science, Feng Chia University Manager of Sales Dept. of the Company	None	None			
Executive Vice President of Finance Dept.	Taiwan R.O.C	Yang, Chien-Chang	Male	2014.02	0	0	0	0	0	0	Bachelor of Public Finance, National Taipei University Master of Business Administration, National Sun Yat-sen University Executive Vice President of Finance Dept. of the Company	Finance Manager and Director, E Chang Iron Steel Works Co., Ltd., Finance Manager, Zheng Tung Environmental Protection Tech. Co. Ltd.	None			

Executive Assistant to the CEO and Manager of Administration Dept.	Taiwan R.O.C	Huang, Fu-Li	Male	2022.01	0	0	0	0	0	0	Bachelor of Materials Science and Engineering, National Cheng Kung University President, Yuan Long Stainless Steel Corp.	None	None	
Manager of Auditing Office	Taiwan R.O.C	Zhu, Ya-Zhi	Female	2020.09	0	0	0	0	0	0	Department of Business Administration, Yung Ta Institute of Technology & Commerce Manager of Auditing Office of the Company	None	None	

Note 1: Huang, Tsan-Ming and Qi, Mei-Song have a marital relationship and they are in a relationship of parent-child with the Chairman, Huang, Wei-Han.

Note 2: Huang, Tsan-Ming and Qi, Mei-Song both possess many years of experience in the rebar and fastener industry. The Company has appointed three independent directors, and more than half of the directors do not concurrently serve as employees or managers.

3.3 Remuneration of Directors, Supervisors, President, and Executive Vice Presidents in the Most Recent Year

3.3.1. Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Directors Remuneration								Sum of (A+B+C+D) and Ratio to Net Income (%)		Remuneration received by directors for concurrent service as an employee								Sum of (A+B+C+D+E+F+G) and Ratio to Net Income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base Compensation (A)		Retirement Pay and Pension (B)		Director Profit-sharing Compensation I		Expenses and Perquisites (D)				Salary, Rewards, and Special Disbursements I		Retirement Pay and Pension (F)		Employee Profit-sharing Compensation (G)						
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities			The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company				
										Cash	Stock							Cash	Stock			
Chairman	Huang, Wei-Han	0	1,452	0	0	3,754	3,754	35	56	3,789 1.80%	5,262 2.50%	2,657	2,657	0	0	0	0	0	0	6,446 3.06%	7,919 3.76%	25
Vice Chairman	Yu Zhan Investment Co., Ltd.	0	0	0	0	939	939	0	0	939 0.45%	939 0.45%	0	0	0	0	0	0	0	0	939 0.45%	939 0.45%	None
	Representative: Wu, Yong-Ci	0	252	0	0	0	0	35	35	35 0.02%	287 0.14%	2,537	2,537	108	108	0	0	0	0	2,680 1.27%	2,932 1.39%	None
Director	Liu, Ming-Tan	0	252	0	0	939	939	35	35	974 0.46%	1,226 0.58%	2,417	2,417	108	108	0	0	0	0	3,499 1.66%	3,751 1.78%	None
Director	You Ming Investment Co., Ltd	0	0	0	0	939	939	0	0	939 0.45%	939 0.45%	0	0	0	0	0	0	0	0	939 0.45%	939 0.45%	None
	Representative: Huang, Tsan-Ming	0	252	0	0	0	0	35	56	35 0.02%	308 0.15%	2,417	2,417	108	108	0	0	0	0	2,560 1.21%	2,833 1.34%	None
Director	Hai Ming Investment Co., Ltd. Representative: Hong, Guo-Yu	0	0	0	0	939	939	28	28	967 0.46%	967 0.46%	0	0	0	0	0	0	0	0	967 0.46%	967 0.46%	None

Director	Hai Ming Investment Co., Ltd. Representative: Chen, Shi-Cheng	0	252	0	0	939	939	28	28	967 0.46%	1,219 0.58%	0	0	0	0	0	0	0	0	967 0.46%	1,219 0.58%	None
Independent Director	Yang, Chang-Xi	600	600	0	0	0	0	0	0	600 0.28%	600 0.28%	0	0	0	0	0	0	0	0	600 0.28%	600 0.28%	None
Independent Director	Guo, Shi-Xian	600	600	0	0	0	0	0	0	600 0.28%	600 0.28%	0	0	0	0	0	0	0	0	600 0.28%	600 0.28%	None
Independent Director	Chen, Bo-Zhong	600	600	0	0	0	0	0	0	600 0.28%	600 0.28%	0	0	0	0	0	0	0	0	600 0.28%	600 0.28%	None
1. The remuneration of independent directors is based on the "Rules for Setting Director's Remuneration" of the Company. A fixed remuneration will be paid to the independent directors regardless of whether the Company makes a profit or incurs a loss. 2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None																						

3.3.2. Remuneration of Supervisors: Not applicable.

3.3.3. Remuneration of President and Executive Vice Presiden

Unit: NT\$ thousands

Title	Name	Salary(A)		Retirement Pay and Pension (B)		Rewards, and Special Disbursements I		Employee Profit-sharing Compensation (D)				Sum of (A+B+C+D) and Ratio to Net Income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Huang, Tsan-Ming	2,417	2,417	108	108	0	0	0	0	0	0	2,525 1.20%	2,525 1.20%	None
President	Liu, Ming-Tan	2,417	2,417	108	108	0	0	0	0	0	0	2,525 1.20%	2,525 1.20%	None
Executive Assistant to the Chairman	Qi, Mei-Song	2,417	2,417	108	108	0	0	0	0	0	0	2,525 1.20%	2,525 1.20%	None

3.3.4. Remuneration to the Five Highest Remunerated Management Personnel

Unit: NT\$ thousands

Title	Name	Salary(A)		Retirement Pay and Pension (B)		Rewards, and Special Disbursements I		Employee Profit-sharing Compensation (D)				Sum of (A+B+C+D) and Ratio to Net Income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Huang, Tsan-Ming	2,417	2,417	108	108	0	0	0	0	0	0	2,525 1.20%	2,525 1.20%	None
President	Liu, Ming-Tan	2,417	2,414	108	108	0	0	0	0	0	0	2,525 1.20%	2,525 1.20%	None
Executive Assistant to the Chairman	Qi, Mei-Song	2,417	2,417	108	108	0	0	0	0	0	0	2,525 1.20%	2,525 1.20%	None

Executive Vice President of Finance Dept.	Yang, Chien-Chang	1,206	1,818	52	52	720	720	447	0	447	0	2,425 1.15%	3,037 1.44%	None
Senior Manager of Production Dept.	Lin, Fu-Gui	1,216	1,216	57	57	651	651	394	0	394	0	2,318 1.10%	2,318 1.10%	None

3.3.5. Name and Distributions of Employee Profit-Sharing Compensation to the Management Team:

As of April 22, 2023 Unit: NT\$ thousands

	Title	Name	Amount in Stock	Amount in Cash (Note)	Total	Ratio of Total Amount to Net Income (%)
Managerial Officer	CEO	Huang, Tsan-Ming	0	0	0	0
	President	Liu, Ming-Tan	0	0	0	0
	Executive Assistant to the Chairman	Qi, Mei-Song	0	0	0	0
	Manager of Steelmaking Dept.	Luo, Yi-Yuan	0	223	223	0.11
	Vice President of Production Dept. and Factory Director of Jiaying Factory	Lin, Fu-Gui	0	394	394	0.19
	Manager of Administration Dept.	Huang, Fu-Li	0	196	196	0.10
	Manager of Sales Dept.	Wang, Zhen-Fu	0	261	261	0.12
	Executive Vice President of Finance Dept.	Yang, Chien-Chang	0	447	447	0.21

Note: The amount is estimated in accordance with the actual distribution ratio for last year.

3.3.6. Separately compare and describe total remuneration, as a percentage of net income stated in the individual financial statements, as paid by the Company and by all companies included in the consolidated financial statements during the past 2 years to directors, president and executive vice presidents, and analyze and describe remuneration policies, standards, and combinations, the procedure for determining remuneration, and its correlation to operating performance and future risk exposure

(1)The percentages of total remuneration paid by the Company and by all companies included in the consolidated financial statements during the past 2 years to the Company's Directors, President and Executive Vice Presidents in operating income after tax of the individual financial statements

Year	Ratio of Total Amount to Net Income	The Company		All Consolidated Entities	
		Total Amount paid to Directors, President and Vice Presidents	Ratio of Total Amount to Net Income (%)	Total Amount paid to Directors, President and Vice Presidents	Ratio of Total Amount to Net Income (%)
2021		33,298	7.24	36,004	7.83
2022		24,491	11.62	30,772	14.60

Explanation of difference: The difference in the ratio of total remuneration to net income after tax in the past two years is mainly due to the fact that in 2022, the individual financial statements showed a net profit after tax of NT\$210,830 thousand, while in 2021, the individual net profit after tax was NT\$459,712 thousand. The above-mentioned remuneration includes not only the director profit-sharing compensation of 3% allocated according to the Company's Articles of Incorporation but also the salaries received by the director and president, vice presidents who also serve as employees, which led to a higher ratio in 2022 compared to 2021.

(2) Remuneration policies, standards and combinations, the procedure for determining remuneration, and its correlation to operating performance and future risk exposure:

- A. Remuneration policies: The directors' remuneration of the Company is based on the annual after-tax profit allocated according to the Company's Articles of Incorporation, and is distributed to each director based on their contribution to the Company in accordance with "Rules for Setting Director's Remuneration" of the Company. Attendance fees are paid per attendance. Managerial salaries and bonuses are handled according to the Company's salary regulations and the year-end bonus (dividend) distribution measure, and the remuneration of directors and managerial salaries are subject to approval by the Remuneration Committee.
- B. Standards and combinations: Actual payment standards and combinations follow the "Rules for Setting Director's Remuneration" and the Company's salary policy, and are approved by the Remuneration Committee.
- C. The procedure for determining remuneration, and its correlation to operating performance and future risk exposure:
In addition to following the Company's Articles of Incorporation, the Company's managerial salaries and directors' remuneration are also reviewed based on the Company's overall operating performance for the year and approved by the Remuneration Committee.

3.4 Implementation of Corporate Governance

3.4.1 Operation of the Board of Directors

A total of 4 board meetings were held in 2022. The attendance of directors is listed as follows:

Title	Name	Attendance in person	Attendance by proxy	In-person attendance rate (%)	Remarks
Chairman	Huang, Wei-Han	4	0	100.00	
Vice Chairman	Yu Zhan Investment Co., Ltd Representative: Wu, Yong-Ci	4	0	100.00	
Director	Liu, Ming-Tan	4	0	100.00	
Director	You Ming Investment Co., Ltd Representative: Huang, Tsan-Ming	4	0	100.00	
Director	Hai Ming Investment Co., Ltd. Representative: Hong, Guo-Yu	4	0	100.00	
Director	Hai Ming Investment Co., Ltd. Representative: Chen, Shi-Cheng	4	0	100.00	
Independent Director	Yang, Chang-Xi	4	0	100.00	
Independent Director	Chen, Bo-Zhong	3	0	75.00	
Independent Director	Guo, Shi-Xian	4	0	100.00	

Other information required to be disclosed:

- If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:
 - Any matter under Article 14-3 of the Securities and Exchange Act: The company has established an audit committee and is therefore not subject to the provisions of Article 14-3 of the Securities and Exchange Act, in accordance with Article 14-5 of the Securities and Exchange Act.
 - In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None.
- The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of proposals, the cause for recusal, and whether and how the director voted: Please refer to Note 1 for details.
- TWSE Listed companies and TPEX companies shall disclose the information regarding the frequency, scope, methods and indexes of self-evaluations (or peer evaluations) of the board members. Please refer to Note 2 for details.
- Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof.
 - The directors and independent directors of the Company are nominated by a candidate nomination system. The director election was held on June 17, 2020, with a term of office from June 17, 2020, to June 16, 2023.
 - The Audit Committee of the Company was established on June 17, 2020.
 - Every year, the board of directors conducts a self-evaluation based on factors such as their participation, understanding of the company's goals and mission, and knowledge of internal control procedures. In order to protect the directors of the Company from personal legal liability arising from acts such as errors, negligence, violations of duty, breach of trust, false or misleading statements, etc., the Company has purchased directors' liability insurance for all directors.
 - For information on the Company's "Corporate Governance", please visit the Company's website (<https://www.haikwang.com.tw>) under "Investor Relations", "Shareholders' Column" and "Corporate Governance".

(5) The Company established a Corporate Governance Officer on May 9, 2022, after being approved by the Board of Directors.

Note 1: Recusal of Directors due to conflict of interests (the name of the Directors, the content of proposals, reasons for recusal, and participation in voting shall be stated):

Date of Board Meeting	Session	Name of Director	Proposal	Reason for Recusal	The Company's action in response to Independent Director's' opinions
2022.03.22	The 11 th meeting of the 18 th Board of Directors	Huang, Wei-Han Wu, Yong-Ci Huang, Tsan-Ming Liu, Ming-Tan	Proposal to amend the Chairman's and President's remuneration	The directors are the interested party of the proposal	Except for the directors who recused themselves from the discussion and resolution, the rest of the directors agreed and approved the proposal.

Note 2: Implementation of Evaluations of the Board of Directors

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Evaluation Content
Once per year	2022.01.01 ~ 2022.12.31	Individual directors	Self-evaluations by individual board members	1. Familiarity with the goals and missions of the Company 2. Awareness of the duties of a director; 3. Participation in the operation of the Company. 4. Management of internal relationships and communication. 5. The director's professionalism and continuing education. 6. Internal control.

3.4.2.Operation of the Audit Committee:

A total of 4 (A) audit committee meetings were held in 2022. The attendance of independent directors is listed as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	In-person attendance rate (%) (B/A) (Note)	Remarks
Independent Director	Yang, Chang-Xi	4	0	100.00	None
Independent Director	Chen, Bo-Zhong	3	0	75.00	None
Independent Director	Guo, Shi-Xian (Convenor)	4	0	100.00	None

Other information required to be disclosed:

- If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the proposal(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
 - Any matter under Article 14-5 of the Securities and Exchange Act.

Date and Session of Audit Committee Meeting	Proposal	Independent Directors' Opinions or Major Suggestions
2022/03/22 (The 8 th meeting of the 1 st Audit Committee)	1. The Company's 2021 Financial Statements. 2. Amendments to the Company's "Articles of Incorporation" 3. The Company's "Assessment of the Effectiveness of the Internal Control System" and "Statement on Internal Control System" of 2022.	None
2022/05/09 (The 9 th meeting of the 1 st Audit Committee)	1. The Company's 2022 1 st quarter Consolidated Financial Statements. 2. Proposal to provide endorsements/guarantees for the subsidiary "Zheng Tung Environmental Protection Tech. Co., Ltd." for its	None

		renewal of loan agreements with O-Bank and Union Bank of Taiwan. 3. Proposal to add new types of derivative tradings to “Procedures for Acquiring and Disposing of Assets” of the Company. 4. Proposal to establish a corporate governance officer in accordance with legal regulations.	
2022/08/09 (The 10 th meeting of the 1 st Audit Committee)	1.	The Company’s 2022 2 nd quarter Consolidated Financial Statements.	None
2022/11/08 (The 11 th meeting of the 1 st Audit Committee)	1. 2. 3. 4.	The Company’s 2022 3 rd quarter Consolidated Financial Statements. Proposal to provide endorsements/guarantees for the subsidiary “Zheng Tung Environmental Protection Tech. Co., Ltd.” for its loan agreement of NT\$ 93 million with Union Bank of Taiwan. Proposal to provide a loan limit of NT\$ 150 million to subsidiary “Zheng Tung Environmental Protection Tech. Co., Ltd.” for it to meet the operational capital requirements for the initial stage of plant construction and production. Amendments to the Company’s “Internal Control System Provisions”	None

(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.

2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director’s name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.

3. Communication between the independent directors and the internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company’s finances and business and the method(s) and outcomes of the communication):

The internal audit officer regularly communicates with the accountants, and the audit committee holds at least one meeting per year with the accountants to communicate and understand financial statements, accounting and auditing standards, internal control processes, tax and regulatory updates. After the end of each fiscal year, the audit committee reviews the audited financial statements and the annual report prepared by the accountants and issues an audit report.

In addition, the audit committee communicates with the internal audit officer on the execution of the annual audit plan, self-inspection, internal control system statement of internal control deficiencies and abnormal matters listed in the monthly audit report, quarterly follow-up report, and self-inspection report, including the improvement measures taken by the responsible units for the internal control deficiencies and abnormal matters and the actual improvement progress. This has been operating smoothly over the years and effectively helps the audit committee to exercise its supervisory function.

3.4.3 Corporate Governance – Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has already established and disclosed its Corporate Governance Best-Practice Principles on the Company website.	No significant difference
2. Shareholding Structure and Shareholders’ Rights (1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and	V		(1) The Company has a spokesperson and a deputy spokesperson who represent the Company to handle related matters when shareholders have suggestions, doubts,	No significant difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
litigation matters. If yes, have these procedures been implemented accordingly? (2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders? (3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?			disputes, or lawsuits. (2) Share-related affairs are handled by the stock transfer agent, Mega Securities, in accordance with the law. The company also discloses any changes in ownership of shareholders with a stake of 10% or more. (3) The company has established supervision procedures for its subsidiaries and a related-party transaction management system to control risks between affiliated companies. The management of the subsidiaries also regularly reports on their operational results to the parent company. (4) The Company has established a management system to prevent insider trading, and the handling of important information follows the internal procedures for handling significant information, which include disclosure, confidentiality, recording, or response.	
3. Composition and responsibilities of the board of directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(1) The Company has established procedures for the appointment of directors and independent directors, clearly defining the necessary knowledge, skills, and qualities that directors and independent directors should possess in performing their functions. There are also 3 independent directors to ensure diversity and professionalism.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee? (3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms? (4) Does the Company regularly evaluate its external auditors' independence?			(2) In addition to the legally established remuneration committee and audit committee, the Company has also set up a decision-making committee to provide advice on derivative products and exchange rate fluctuations, as well as a derivative product risk control committee to control and warn against derivative product losses. (3) The Company has established a method for evaluating the performance of the board of directors, which is evaluated by the board secretary at the end of each year and is regularly audited by the auditing office. The board of directors operates in accordance with the "Rules of Procedure for Board of Directors Meetings", and independent directors perform their duties in accordance with "Rules Governing the Scope of Powers of Independent Directors". The results of the board of directors' performance evaluation are also used as a reference for reappointment nominations. (4) Every two years, before signing the appointment contract, the Company's finance department evaluates the independence of the accountant, and the results are reported to and approved by the board of directors on March 23, 2021. The accountants Wang, Zhao-Qun and Wu, Qiu-Yan of Accounting Firm Deloitte & Touche Taiwan were	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			evaluated by the Company. They both meet the independence evaluation criteria (see Note 1) and are capable of serving as the Company's financial report auditors. At the same time, they also comply with relevant regulations on the rotation of accountants. (5) On November 15, 2022, the Company received a notice from the accounting firm Deloitte & Touche Taiwan that, due to internal job adjustments, the financial report auditors will be changed to Wang, Zhao-Qun and Wu, Chang-Jun starting from the 4th quarter of 2022.	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		The Company established the "Standard Operating Procedures for Handling Director Requests" after it was approved by the board of directors in May 2019. In May 2022, the Company appointed a corporate governance officer who, together with the board secretary and a dedicated shareholder services representative, is responsible for providing information necessary for the board of directors to carry out its duties, conducting meetings of the board of directors and shareholders in compliance with applicable laws, handling company registrations and changes, and preparing minutes of meetings. The board secretary is responsible for coordinating with various departments and responding to directors' inquiries related to corporate governance.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholder's section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		The Company's administration dept. and occupational safety and health center are responsible for responding to vendors, neighbors, customers, and employees on social responsibility issues. The Company also has an investor relations section on its website, providing shareholders with contact phone numbers, email addresses, and other channels for communication.	No significant difference
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company's stock-related affairs are handled by the stock transfer agency – Mega Securities.	No significant difference
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(1) The Company has established a website to disclose information on financial operations, operational performance, financial reports, board resolutions, annual reports for shareholder meetings, and institutional policies, and provides links to the Market Observation Post System. The information disclosed by the Company is complete, and the data is updated regularly to facilitate inquiries from relevant stakeholders. (2) The Company has designated personnel to regularly and irregularly report financial and business information on the Market Observation Post System voluntarily. At the same time, the spokesperson system is actively implemented, and related regulations are included in the "Procedures	No significant difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?			for Handling Material Inside Information”. (3) The Company announces and reports annual financial reports within three months after the end of the accounting year, and announces and reports first, second, and third quarter financial reports and monthly operating conditions before the deadline.	
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 wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(1) The Company arranges for directors and audit committee members to receive relevant training courses, and provides written information on regulations or amendments related to regulatory agencies, laws, and directors and audit committee members. The training and education of directors and audit committee members are reported periodically as required. (2) The Company has purchased liability insurance for all directors and audit committee members. (3) The Company has established the principle of avoiding conflicts of interest in its “Rules of Procedure for Board of Directors Meetings” and all directors have faithfully executed this principle in regard to matters involving stakeholders. (4) Implementation of policies to protect consumers or customers: the Company has equipped radiation detection equipment and engaged personnel with professional	No significant difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			licenses to ensure that all raw materials and semi-finished products entering the factory are free of radiation. All products are subject to strict quality control. (5) Employee rights and care: the Company ensures all employee rights in accordance with the Labor Standards Act, and has established a welfare committee for employees, with guidelines for employee handbooks, domestic and international education and training management, and employee proposal systems. The Company proactively protects employee welfare.	
9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement: The Company did not rank in the top 50% in the Corporate Governance Evaluation for both the 9th and 8th terms in 2022 and 2021, respectively. In order to enhance information transparency, the Company provides complete information on the annual shareholders' meeting and a list of major shareholders on the Company website. The Company is committed to uploading our annual report 18 days prior to the annual general shareholders' meeting and actively arranging for directors and independent directors to participate in relevant training courses. In the future, the Company will continue to improve on evaluation aspects where we have not yet received full points, such as the English annual report (financial report), equal treatment to shareholders, and fulfilling corporate social responsibility.				

Note 1: CPA Independence Evaluation:

Evaluation Item	Assessment of the Company	Do the CPAs meet regulatory requirement for their independence?
Do the CPA and the family members not hold a direct financial interest or a material indirect financial interest of the Company?	Yes	Yes
Do the CPA and the family members not have business relations with any directors, supervisors or managerial officers that affect his/her independence?	Yes	Yes
Has the CPA not served as a director, supervisor or managerial office, or other position with material influence on audit matters in the Company or committed to serving in any of the aforementioned positions in the Company within the last two years?	Yes	Yes
Do the CPA's family members not serve as a director, supervisor or managerial officer of the Company or assume any position that has direct, material influence to the audit work during the audit period?	Yes	Yes
Is the CPA not a lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of a director, supervisor or managerial officer of the Company during the audit period (does a close relative of the CPA serve as a director, supervisor or managerial officer of the Company or assume any position that has direct, material influence to the audit work during the audit period? If so, is the effect on the CPA's independence reduced to an acceptable level) ?	Yes	Yes
Has the CPA not accepted any gifts or endowments of material value from the Company or a director, supervisor, or managerial officer of the Company (the value of the gift or endowment is of disproportionate value in terms of social protocol)?	Yes	Yes
Has the CPA not violated any other independence matters, and is there no unresolved conflict of interest?	Yes	Yes

3.4.4 Remuneration Committee

The Company approved the formulation of the “Organization Regulations for Remuneration Committee” in the 8th meeting of the 14th Board of Directors held on August 23, 2011, in accordance with Paragraph 1, Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

The Remuneration Committee is mainly responsible for formulating performance evaluation policies for Directors and Management Team, reviewing the performance of each personnel, as well as formulating and regularly assessing the remuneration of Directors and Management Team and the structure and system of remuneration.

1. Information of Remuneration Committee Members

Capacity (Note 1)	Qualifications	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name			

Independent Director	Yang, Chang-Xi (Convenor)	(1) Education: National Hualien University of Education (2) Main duties: Independent director of the Company, Principal of Yang, Chang-Xi Law Firm, Director of CVC Technologies Inc., Director of Ting Sin Co., Ltd., National Compensation Review Committee Member of Third Maintenance Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications, Legal Consultant of Tycoons Group Enterprise Co., Ltd. (3) Professional experiences: Possessing a lawyer's license and various professional skills in legal affairs, continuously supervising the Company's major decision-making and analysis, leading the Company towards positive development, and achieving the goal of sustainable development.	1. All meet the independence requirements of independent directors. 2. All meet the independence criteria: (1) The person or his spouse or any relative within the second degree does not serve as a director, supervisor, or employee of the Company or any of its affiliates. (2) The person or his spouse or any relative within the second degree does not hold the shares of the Company. (3) The person does not serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) (4) The person did not receive any remuneration for providing commercial, legal, financial, accounting or related services from the Company or any of its affiliates in the recent 2 years.	0
Independent Director	Chen, Bo-Zhong	(1) Education: Bachelor of Laws, National Taipei University (2) Main duties: Independent director of the Company, Managing Director / Attorney of Berlin United Law Firm (3) Professional experiences: Possessing a lawyer's license and various professional skills in legal affairs, continuously supervising the Company's major decision-making, leading the Company towards positive development, and achieving the goal of sustainable development.	1. All meet the independence requirements of independent directors. 2. All meet the independence criteria: (1) The person or his spouse or any relative within the second degree does not serve as a director, supervisor, or employee of the Company or any of its affiliates. (2) The person or his spouse or any relative within the second degree does not hold the shares of the Company. (3) The person does not serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) (4) The person did not receive any remuneration for providing commercial, legal, financial, accounting or related services from the Company or any of its affiliates in the recent 2 years.	0
Independent Director	Guo, Shi-Xian	(1) Education: Bachelor of Accounting, Tamkang University, Passing the CPA exam in 1997 (2) Main duties: Independent Director of the Company, Accountant of QunXian United Certified Public Accountants Firm (3) Professional experiences: With experience as a professional accountant, continuously collaborating with other directors on the board in making major decisions and providing advice that lead the Company towards positive development and achieving the goal of sustainable development.	1. All meet the independence requirements of independent directors. 2. All meet the independence criteria: (1) The person or his spouse or any relative within the second degree does not serve as a director, supervisor, or employee of the Company or any of its affiliates. (2) The person or his spouse or any relative within the second degree does not hold the shares of the Company. (3) The person does not serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) (4) The person did not receive any remuneration for providing commercial, legal, financial, accounting or related services from the Company or any of its affiliates in the recent 2 years.	0
For the experience and other current positions of Independent Directors, please refer to page 18 of this annual report.				

2. Operation of Remuneration Committee

(1) The Remuneration Committee of the Company is composed of 3 members.

(2) Tenure of the current committee members: June 17, 2020 to June 16, 2023. A total of 3

(A) remuneration committee meetings were held in 2022.

The qualification and attendance of members are listed as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	In-person attendance rate (%) (B/A) (Note)	Remarks
Convenor	Yang, Chang-Xi	3	0	100	
Member	Chen, Bo-Zhong	2	0	67	
Member	Guo, Shi-Xian	3	0	100	

Note: Their in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number they attended in person during the period they were on the committee.

Other information required to be disclosed:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

3.4.5 Promotion of Sustainable Development - the Company and its subsidiaries (regarding environmental protection, community involvement, social contributions, social services, public welfare, consumer rights, human rights, safety and health, and other social responsibility activities) have implemented policies, measures, and fulfilled their obligations in the following ways:

1. The Company recruits and employs personnel without discrimination based on gender, race, nationality, etc. We spare no effort in maintaining the rights and benefits of our employees. Every employee is legally enrolled in labor insurance, health insurance, and group insurance, and we also make legal contributions to retirement funds. The Company has established a workers' welfare committee, and employees get birthday cash gifts, travel allowances, holiday bonuses, and free health check-ups. The Company encourages and subsidizes employees' participation in social activities and provide assistance for their children's education to protect their rights and benefits to fulfill our social responsibility.
2. Regarding environmental protection, the Company complies with relevant environmental laws and regulations and obtains necessary operating permits. The Company has set up equipment such as sound barriers, dust collectors, car wash stands, wastewater treatment facilities, and radiation detectors.
The Company holds energy-saving meetings regularly and obtains third-party greenhouse gas verification reports. From 2016 to 2017, the verification was completed by the British Standards Institution (BSI) according to ISO 14064-1 greenhouse gas verification. The results showed that the emissions of Scope 1 were about 95,525.9601 tons of CO₂ equivalent, and Scope 2 was about 134,254.6984 tons of CO₂ equivalent in 2016. In 2017, the emissions of Scope 1 were about 115,255.4963 tons of CO₂ equivalent, and Scope 2 was about 174,830.1549 tons of CO₂ equivalent.
In 2018, the Company commissioned Bureau Veritas (Taiwan) to conduct ISO 14064-1 greenhouse gas verification. The verification results showed that the emissions of Scope 1 were about 117,870.7145 tons of CO₂ equivalent, and Scope 2 was about 168,631.3928 tons of CO₂ equivalent.
In 2019, the Company entrusted SGS Taiwan Limited to conduct ISO 14064-1 greenhouse gas verification through self-inspection. The verification results showed that the emissions of Scope 1 were about 54,066.5486 tons of CO₂ equivalent, and Scope 2 was about 141,436.0336 tons of CO₂ equivalent.
In 2020, the Company's inspection results showed that Scope 1 emissions were approximately 59,746.7352 tons of CO₂ equivalent and Scope 2 emissions were approximately 143,713.3632 tons of CO₂ equivalent. We have commissioned SGS Taiwan Limited to complete third-party greenhouse gas verification according to ISO 14064-1.

In 2021, the Company's inspection results showed that Scope 1 emissions were approximately 30,456.2503 tons of CO2 equivalent and Scope 2 emissions were approximately 101,998.7136 tons of CO2 equivalent. The Company has commissioned DNV Business Assurance Co., Ltd. (DNV) to complete third-party greenhouse gas verification according to ISO 14064-1.

In 2022, the Company's inspection results showed that Scope 1 emissions were approximately 29,958.7420 tons of CO2 equivalent and Scope 2 emissions were approximately 111,304.7973 tons of CO2 equivalent. The Company has commissioned DNV Business Assurance Co., Ltd. (DNV) to complete third-party greenhouse gas verification according to ISO 14064-1.

3. Regarding supplier relationships, the Company has established procedures for vendor evaluation and management, as well as related guidelines for managing partners. In addition to requiring close cooperation from suppliers, we also conduct regular evaluations to ensure stable delivery schedules and quality, while maintaining good interaction with them.
4. With regards to social welfare activities in the communities near our factories, such as community organizations, temples, volunteer groups, volunteer police, fire departments, and police, our company actively participates and sponsors these activities to maintain good neighborhood relationships.
5. Regarding the rights of the Company's investors and stakeholders, we have established an investor section on our website to provide the latest financial and operational information, and to maintain open channels of communication. We uphold the principle of honesty and timely disclosure of public information on the Market Observation Post System and the Company's website to protect the interests of investors and all stakeholders.
6. Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		V	None	The Company will plan and handle it timely according to the operational needs and the regulations of the competent authority.
2. Does the Company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		V	None	
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics? (2) Does the Company endeavor to use energy more efficiently and	V		(1) The Occupational Safety and Health Center of the Company has established management systems for water usage, power consumption, exhaust and waste emissions in line with government and industry policies for the electric arc furnace steelmaking industry to ensure compliance. (2) The Company has obtained the necessary operation and operating permits in accordance with environmental laws and	No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
to use renewable materials with low environmental impact? (3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them? (4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?			regulations, and all waste generated during operations is entrusted to qualified contractors for recycling and reuse. At the same time, the Company has implemented resource utilization projects for waste materials such as silicon carbide, incineration ash, textile/pulp and paper sludge, and zinc-manganese waste, as well as the reuse of surface treatment sludge to fulfill our social responsibility to sustainable environmental protection using electric arc furnace as the platform. (3) The board of directors of the Company has approved to allocate NT\$ 250 million to build a 7KWT solar power generation facility in the board meeting of November 2020 to respond to climate change caused by greenhouse gases. (4) The Company has a sound monitoring and treatment process for furnace dust, slag, dust, and wastewater generated in electric furnace industry, and has established safety, health, and environmental protection management systems and waste disposal operation processes. 1)Our Xiaogang and Jiaying factories have carried out greenhouse gas inspections, including the Company's energy-saving and carbon reduction strategies, and have both obtained BSI organization-type greenhouse gas emission verification reports. 2)The Company pays attention to the impact of climate change on its operations, actively cooperates in setting water conservation targets, reduces energy consumption and pollution gas emissions by improving equipment, promotes paperless documentation, and encourages employees to practice a carbon-free and green lifestyle.	
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? (2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee	V		(1) The Company formulates "Work Rules" in accordance with the Labor Standards Act and related regulations, and implements them accordingly. (2) The Company has a Retirement Pension Supervisory Committee and an Employee Welfare Committee, which hold regular meetings. Additionally, the Company holds an annual labor-management meeting to communicate and coordinate the rights and obligations of both labor and management.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
salary/compensation? (3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees? (4) Has the Company established effective career development training programs for employees? (5) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies? (6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?			(3) To prevent workplace sexual harassment and provide a safe and healthy working environment, the Company clearly stipulates measures for preventing and dealing with sexual harassment in the "Work Rules". The Company also has a set of safety and health work regulations and regularly conducts safety and health education and training through its Occupational Safety and Health Center. The Company conducts annual health check-ups for employees engaged in special operations and general health check-ups for all employees. The Company has on-site nurses who can provide appropriate care in emergency situations, and also arranges for specialist doctors to provide consultation services on a monthly basis. (4) The Company has established a domestic and international education and training management policy and develops annual education and training plans for each department, including digital learning courses. In addition, the financial officer, audit officer, and corporate governance officer also continue their education in compliance with legal requirements. (5) To protect consumer rights, the Company has radiation detectors and strictly inspects raw materials and finished products during the storage process to ensure consumer health. The Company also has established standards and policies for other quality assurance items, and has a quality assurance channel for customers to file complaints. (6) The Company strictly inspects the physical and chemical properties of finished products and labels them accordingly, in compliance with legal requirements and customer demands. The Company has also obtained multiple certifications for its products. Finished products are properly labelled with the product name and specifications. The Company has a supplier management policy that evaluates the credit status and company reputation of new suppliers, and only collaborates with stable long-term suppliers. Contracts have appropriate termination or termination clauses based on transaction nature and conditions, and when there is significant impact on the environment and society without explicit restrictions, the Company considers public opinion and	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			perception and returns to a communication and negotiation system between both parties.	
5. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above?		V	None	The Company will plan and handle it timely according to the operational needs and the regulations of the competent authority.
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has not yet adopted its own sustainable development best practice principles.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: (1)The Company is equipped with radiation detection equipment and employs professionals with relevant licenses to ensure that all incoming raw materials and semi-finished products are free of radiation sources. Each product undergoes strict quality control to ensure that its quality meets seismic standards and to safeguard the safety of consumers' lives and properties. (2)The Company complies with the Radiation Detection Operations of the Atomic Energy Council, ISO9001 Quality Management System, and the Registration Certificate for Domestic Inspection by the Bureau of Standards, Metrology and Inspection. (3)The Company cooperates with different local groups such as councilors, village chiefs' offices, fire departments, civic groups, police and local temples to offer donations, residential fire alarms, and other related charitable acts.				

3.4.6 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs (1) Does the Company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE	V		(1) The Company has established "Ethical Corporate Management Best Practice Principles" and disclosed them on the Company website. The Work Rules stipulate that employees should abide by various integrity principles during their service period, and there are "Codes of Ethical Conduct" for directors and managers. (2) The Company has established operating procedures, behavioral guidelines, disciplinary measures for violations, and complaint systems in the Work Rules. The Company also provides education and training to employees to let them fully understand the Company's determination, policies, and punishment provisions for unethical behavior.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
Listed Companies? (3) Does the Company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?			(3) The Company handles donations and political contributions in accordance with the “Articles of Incorporation” and relevant laws and regulations. The Company requires employees in high-risk positions to sign relevant commitments and compensation agreements. The Company has never engaged in any unethical behavior specified in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies”.	
2. Ethical Management Practice (1) Does the Company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts? (2) Has the Company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation? (3) Has the Company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies? (4) Does the Company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits? (5) Does the Company provide internal and external ethical corporate management training programs on a regular basis?	V		(1) The Company conducts relevant credit checks on new customers and suppliers and sets appropriate termination or cancellation clauses in contracts based on the nature of the transaction and business conditions. If a significant breach of ethics occurs without explicit limitations, the Company will return to the communication and negotiation system between both parties. (2) The Company currently does not have any dedicated units directly reporting to the Board of Directors. However, when the Company receives allegations or reports of violations of ethical operations, it takes the initiative to investigate and handle them and report them to the responsible supervisor. (3) The Company requires employees in high-risk positions such as managers to sign relevant commitment agreements and compensation agreements. The Company also requires directors to sign a declaration of independence and actively recuse themselves from significant board decisions involving conflicts of interest. Policies on conflict of interest and complaint channels have been explicitly stated in the Company’s Work Rules for ordinary employees. (4) The Company has a complete accounting system and internal control system, with an annual internal audit plan. (5) The Company regularly strengthens the promotion of employees’ ethical concepts through education and training, and directors, supervisors, and managers also enhance the company’s governance capabilities on ethics through external training.	No significant difference
3. Implementation of Complaint Procedures (1) Has the Company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers? (2) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are	V		(1) To ensure that suppliers and employees can exercise their rights to report and complain in accordance with the law, internal employees, external suppliers, and customers can all report through relevant channels. The Company website also provides contact information for stakeholders. (2) The Company has established a suggestion box and an employee complaint handling system, and the methods for employees to file complaints and provide suggestions are clearly stated in the Work Rules.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
handled in a confidential manner? (3) Has the Company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?			(3) Employees can make complaints and reports verbally or in writing, and a confidentiality and whistle-blower protection mechanism is also in place to prevent and address sexual harassment.	
4. Strengthening Information Disclosure Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The Company has established “Ethical Corporate Management Best Practice Principles” and disclosed them on the Company website.	No significant difference
5. If the Company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The Company has established “Ethical Corporate Management Best Practice Principles” that complies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles): The amendments of “Ethical Corporate Management Best Practice Principles”, “Corporate Governance Best Practice Principles” and “Codes of Ethical Conduct for Directors and Managers” have been approved by the Board of Directors in November 2019, the 11th board meeting of the 17th session of the Board.				

3.4.7 Access and Search Method of the Corporate Governance Best-Practice Principles and Related Regulations:

1. The Company has established “Codes of Ethical Conduct for Directors and Managers”, “Risk Management Policies and Procedures”, “Rules Governing Procedures for Shareholders’ Meeting”, “Rules of Procedure for Board of Directors Meetings”, “Rules Governing the Scope of Powers of Independent Directors”, “Regulations for Internal Control and Internal Audit of Subsidiaries”, “Ethical Corporate Management Best Practice Principles” and “Corporate Governance Best-Practice Principles”. All relevant regulations are announced on the Company website to implement and promote corporate governance.
2. The Company has established the “Procedures for Handling Material Internal Information” with the approval of the board of directors. These procedures outline the mechanisms for handling and disclosing material internal information to prevent improper disclosure and ensure the consistency and accuracy of information released by the Company to the public.

3.4.8 Other Important Information to Facilitate a Better Understanding of the Implementation of Corporate Governance at the Company:

1. Professional institutional training courses taken by/certification obtained by the Company’s internal auditors, finance and accounting personnel:

Name	Training Course and Hours	Completion Certificate No.	Remarks
Yang, Chien-Chang	12 hours of continuous education program for principal accounting officers of issuers, securities firms, and securities exchanges	N/a (attached passed exam stamp)	Meets the statutory training hours
Zhu, Ya-Zhi	1. Self-assessment of Practical Skills, 6 hours 2. Practical training on information security protection and cloud security audit, 6 hours	1. Issued by The Institute of Internal Auditors-Chinese Taiwan, Certificate No. 1117192 2. Issued by The Institute of Internal Auditors-Chinese Taiwan, Certificate No. 1118555	Meets the statutory training hours
Zheng, Yi-Ru	1. Practical discussion and handling of Inside trading and financial reporting misconduct, 6 hours 2. Policy analysis of self-compiled financial reports and sustainability reports, and key discussion on internal auditing and control practices, 6 hours	1. Issued by The Institute of Internal Auditors-Chinese Taiwan, Certificate No. 1118766 2. Issued by The Institute of Internal Auditors-Chinese Taiwan, Certificate No. 1118990	Meets the statutory training hours

2. Professional institutional training courses taken by/certification obtained by the Company's information security personnel:
 - a. International Certified Internal Auditor: Finance Dept.: 1 person
 - b. Domestic Certified Internal Auditor: Finance Dept.: 1 person
3. Courses and training taken by managerial officers of the Company:

Title	Name	Training Course	Hours
Executive Vice President of Finance Dept.	Yang, Chien-Chang	Continuous Education Program for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Manager of Finance Dept.	Wu, Yu-Hui	Industry Theme Promotion Conference on Sustainable Development Roadmap	2
		Continuous Education Program for Principal Accounting Officers of Issuers, Securities Firms, And Securities Exchanges	12
		Exploring Corporate Governance Through Real Case Studies of Management Rights Disputes	3
		Trends and Regulations of ESG Information Disclosure	3

4. Continuing Education for Directors:

Title	Name	Organizer	Course Title	Hours
Director	Huang, Wei-Han	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
		Taiwan Stock Exchange Corporation and Taipei Exchange	Industry Theme Promotion Conference on Sustainable Development Roadmap	2
Director	Wu, Yong-Ci	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
Director	Huang, Tsan-Ming	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
Director	Liu, Ming-Tan	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal	3.0

			Liabilities	
			Strategies for Business Operations and News Crisis Management	3.0
Director	Hong, Guo-Yu	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
Independent Director	Chen, Bo-Zhong	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
Independent Director	Yang, Chang-Xi	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
Independent Director	Guo, Shi-Xian	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0
Director	Chen, Shi-Cheng	Taiwan Corporate Governance Association	Concepts, Practices, and Tools of Group Tax Governance	3.0
			Legal Issues that Boards Should Know: Beware of the Red Line of Joint Action	3.0
			Major Information Disclosure and Duties of Directors and Supervisors	3.0
			Directors' Understanding of Tax Laws and Legal Liabilities	3.0
			Strategies for Business Operations and News Crisis Management	3.0

3.4.9 Internal Control System Execution Status:

1. Internal Control Statement

Hai-Kwang Enterprise Co., Ltd
Statement on Internal Control

Date: March 24, 2023

The Company states the following with regard to its internal control system during fiscal year 2022, based on the findings of its self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
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 the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges 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 (hereinbelow, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment (2) risk assessment (3) control activities (4) information and communications (5) monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2022 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content 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. This Statement has been passed by the Board of Directors Meeting of the Company held on March 24, 2023, where none of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Hai-Kwang Enterprise Co., Ltd

Chairman: Huang, Wei-Han

President: Huang, Tsan-Ming

2.If a CPA was engaged to conduct a special audit of the internal control system, its audit report shall be disclosed: None.

3.4.10 If there has been any legal penalty against the Company and its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

3.4.11 Major Resolutions of Shareholders' and Board of Directors Meetings in the Most Recent Year and as of the Date of Publication of this Annual Report:

1. Important Resolutions of the Shareholders' Meeting

Item	Date	Proposals	Resolutions
2022 Shareholder s' Meeting	2022.06.21	1. Approval of the 2021 business report and financial statements. 2. Approval of the distribution of 2021 retained earnings. 3. Amendments of "Articles of Incorporation". 4. Amendments of "Procedures for Acquiring and Disposing of Assets"	1. Approved unanimously. 2. Approved unanimously. 3. Approved unanimously. 4. Approved unanimously.

2. Important Resolutions of the Board Meetings

Item	Date	Proposals	Resolutions
11 th Meeting of the 18 th term	2022.03.22	1. Approval of the 2021 business report and financial statements. 2. Approval of the distribution of 2021 retained earnings. 3. Approval of the distribution of 2021 employees' remuneration and directors' and supervisors' remuneration. 4. Amendments of "Articles of Incorporation". 5. Proposal to hold the 2022 Annual General Shareholders' Meeting on June 21, 2022. 6. Approval of 2021 "Internal Control System Statement". 7. Evaluation of the performance of directors, independent directors, and managers for the year 2021. 8. Amendments of the salary grade and job grade tables for the year 2022. 9. Proposal for the promotion of Mr. Huang, Fu-Li, Director of Management, and Mr. Song, Zi-Hao, Acting Deputy General Manager of the Steel Plant. 10. Resolution of 2021 year-end bonuses for managers and employees. 11. Establishment of the Management Office. 12. Renaming of the General Affairs Department to the Administration Department. 13. Proposal to revise the remuneration of the Chairman and President.	1. Approved unanimously. 2. Approved unanimously. 3. Approved unanimously. 4. Approved unanimously. 5. Approved unanimously. 6. Approved unanimously. 7. Approved unanimously. 8. Approved unanimously. 9. Approved unanimously. 10. Approved unanimously. 11. Approved unanimously. 12. Approved unanimously. 13. Approved unanimously.
12 th Meeting of the 18 th term	2022.05.09	1. Approval of the Consolidated Financial Statements for the 1 st Quarter of 2022. 2. Proposal to amend the borrowing limits for certain bank loans in 2022. 3. Proposal to provide endorsements/guarantees for the subsidiary "Zheng Tung Environmental Protection Tech. Co., Ltd." for its renewal of loan agreements with O-Bank and Union Bank of Taiwan. 4. Proposal to add new types of derivative tradings to "Procedures for Acquiring and Disposing of Assets" of the Company. 5. Amendments of the Company's "Authorization Matrix for Operations". 6. Proposal to establish a corporate governance officer in compliance with legal requirements. 7. Implementation of the "Sustainable Development Roadmap for Listed Companies" as mandated by the Financial Supervisory Commission's letter dated March 9, 2022, with reference number 1110381030.	1. Approved unanimously. 2. Approved unanimously. 3. Approved unanimously. 4. Approved unanimously. 5. Approved unanimously. 6. Approved unanimously. 7. Approved unanimously.

13 th Meeting of the 18 th term	2022.08.09	1. Approval of the Consolidated Financial Statements for the 2nd Quarter of 2022. 2. Proposal to modify the mortgage loans and credit lines from Union Bank of Taiwan for Jiaxing Factory. 3. Proposal to amend the credit line application to Mega International Commercial Bank Kaohsiung Branch and Hua Nan Commercial Bank Kaohsiung Branch. 4. Proposal to renew the derivative product credit line with Yuanta Bank Kaohsiung Branch and increase the credit limit. 5. Proposal to apply for a new mortgage loan credit line of NT\$ 200 million for a 5-year period for solar energy installation from O-Bank Kaohsiung Branch. 6. Proposal to promote certain managerial employees of the Company. 7. Proposal for 2022 salary adjustment.	1. Approved unanimously. 2. Approved unanimously. 3. Approved unanimously. 4. Approved unanimously. 5. Approved unanimously. 6. Approved unanimously. 7. Approved unanimously.
14 th Meeting of the 18 th term	2022.11.08	1. Approval of 2023 Budget for subsidiaries “Zheng Tung Environmental Protection Tech. Co., Ltd.” and “E Chang Iron Steel Works Co., Ltd.”. 2. Approval of 2023 Budget for the Company. 3. Approval of the Consolidated Financial Statements for the 3rd Quarter of 2022. 4. Proposal to provide endorsements/guarantees for the subsidiary “Zheng Tung Environmental Protection Tech. Co., Ltd.” for its loan agreement of NT\$ 93 million with Union Bank of Taiwan. 5. Proposal to provide a loan limit of NT\$ 150 million to subsidiary “Zheng Tung Environmental Protection Tech. Co., Ltd.” for it to meet the operational capital requirements for the initial stage of plant construction and production. 6. Proposal to increase the commercial paper guarantee limit of Dah Chung Bills Finance Corp. by NT\$80 million. 7. Proposal to authorize the Chairman to handle related loan operations for financing, guarantee, acceptance, and credit limit applications from various financial institutions. 8. Amendments of “Rules of Procedure for Board of Directors Meetings” to comply with laws and regulations. 9. Establishment of “Risk Management Policies and Procedures” to comply with laws and regulations. 10. Introduction of 2023 “Internal Audit Plan”. 11. Amendments to the Company’s “Internal Control System Provisions” 12. Approval of the distribution amount for 2021 managers and employees compensation.	1. Approved unanimously. 2. Approved unanimously. 3. Approved unanimously. 4. Approved unanimously. 5. Approved unanimously. 6. Approved unanimously. 7. Approved unanimously. 8. Approved unanimously. 9. Approved unanimously. 10. Approved unanimously. 11. Approved unanimously. 12. Approved unanimously.

3. Implementation of Resolutions in the 2022 Annual General Meeting of Shareholders:

Resolutions in the 2022 Annual General Meeting of Shareholders (2022.06.21)	Implementation Result
Approval of the distribution of 2021 retained earnings.	This has been processed in accordance with the resolution of the shareholders’ meeting.
Amendments of “Articles of Incorporation”.	This has been processed in accordance with the resolution of the shareholders’ meeting.
Amendments of “Procedures for Acquiring and Disposing of Assets”	This has been processed in accordance with the resolution of the shareholders’ meeting.

3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Date of Publication of this Annual Report: None

3.4.13 Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, President, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D in the Most Recent Year and as of the Date of Publication of this Annual Report: None

3.5 Information on the Company's Audit Fee

Unit: NT\$ thousands

Name of Accounting Firm	Names of CPAs		Period Covered by the CPA Audit	Audit Fees	Non-Audit Fees	Total	Remarks
Deloitte & Touche Taiwan	Wang, Zhao-Qun	Wu, Chang-Jun	2022.01~2022.12	2,200	403	2,603	None

Non-Audit Service Items:

1. Tax attestation	300
2. Advance payment for audit fees and tax attestation	73
3. Others	30
Total	403

Note: This year, there were no circumstances listed in Subparagraph 1, Paragraph 5, Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

3.6 Replacement of Certified Public Accountant:

3.6.1. Information regarding the former CPAs

Date of Replacement	November 15, 2022 (Note)			
Reason for Replacement and Explanation	Change of the CPA’s Position in the accounting Firm			
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties Circumstances		CPAs	The Company
	Terminated the engagement		Not Applicable	Not Applicable
	No longer accepted (discontinued) the engagement		Not Applicable	Not Applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	Not Applicable			
Disagreement with the Company?	Yes		Accounting principles or practices	
			Disclosure of financial reports	
			Audit scope or steps	
			Other	
	No	V		
	Specify details			
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	Not Applicable			

3.6.2. Information Regarding the Successor CPAs

Name of Accounting Firm	Deloitte & Touche Taiwan
Name of CPAs	Wang, Zhao-Qun Wu, Chang-Jun
Date of Engagement	November 15, 2022 (Note)
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	Not Applicable
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	Not Applicable

Note: The date of the formal appointment approved by the Board of Directors of the Company.

3.6.3. The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B© of the Regulations: Not Applicable.

3.7 Information on the Company's Chairman, President, and the Managements in Charge of Its Finance and Accounting Operations Having Served in the Company's Auditing Firm or Its Affiliates in the Most Recent Year: None.

3.8 Stock Transfer or Changes to Stock Pledge of Directors, Supervisors, Managements, or Shareholders Holding More Than 10% of Company Shares in the Most Recent Year and as of the Date of Publication of this Annual Report

3.8.1. Changes in Shareholding of Directors, Supervisors, Managements, and Major Shareholders

Title	Name	Current Fiscal Year as of April 22, 2023		Fiscal Year 2022	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Huang, Wei-Han	0	0	0	0
Vice Chairman/Representative of Juristic-person Director, Yu Zhan Investment Co., Ltd.	Wu, Yong-Ci	0	0	0	0
Director	Yu Zhan Investment Co., Ltd	0	0	0	0
Director	You Ming Investment Co., Ltd	0	0	0	0
CEO/Representative or Juristic-person Director, You Ming Investment Co., Ltd	Huang, Tsan-Ming	0	0	0	0
President/Director	Liu, Ming-Tan	0	0	0	0
Representative or Juristic-person Director, Hai Ming Investment Co., Ltd.	Chen, Shi-Cheng	0	0	0	0
Representative or Juristic-person Director, Hai Ming Investment Co., Ltd.	Hong, Guo-Yu	0	0	0	0
Independent Director	Yang, Chang-Xi	0	0	0	0
Independent Director	Guo, Shi-Xian	0	0	0	0
Independent Director	Chen, Bo-Zhong	0	0	0	0
Shareholder Holding More Than 10% of Company Shares	Hai Ming Investment Co., Ltd.	0	0	423,000	0
Manager of Sales Dept.	Wang, Zhen-Fu	0	0	0	0
Manager of Steelmaking Dept.	Luo, Yi-Yuan	0	0	0	0
Executive Assistant to the Chairman	Qi, Mei-Song	0	0	0	0
Senior Manager of Production Dept.	Lin, Fu-Gui	0	0	0	0
Executive Vice President of Finance Dept.	Yang, Chien-Chang	0	0	0	0
Manager of Auditing Office	Zhu, Ya-Zhi	0	0	0	0
Executive Assistant to the CEO/ Manager of Administration Dept.	Huang, Fu-Li	0	0	0	0

3.8.2. Information on Transfers of Shareholding

Name	Reason for Transfer	Date of Transaction	Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	No. of Shares	Transaction Price
Hai Ming Investment Co., Ltd.	Buy-in	2022.03	Open-market Transaction	None	278,000	33.97

Hai Ming Investment Co., Ltd.	Buy-in	2022.04	Open-market Transaction	None	145,000	33.88
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3. Information on Pledges of Shareholding: None.

3.9 Relationship Information, if among the Company's 10 Largest Shareholders Any One is a Related Party or a Relative Within the Second Degree of Kinship of Another

Name		Shareholding		Shareholding of Spouse and Minor Children		Total Shareholding by Nominee Arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2 nd degree		Remarks
		Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
1	Hai Ming Investment Co., Ltd	41,344,074	22.81%	0	0	0	0	None	None	
	Representative: Huang, Wei-Han	1,896,315	1.05%	0	0	0	0	Relatives within the 2 nd degree (Note)		
2	You Ming Investment Co., Ltd	12,806,326	7.06%	0	0	0	0	None	None	
	Representative: Huang, Xiao-Wen	1,035,742	0.57%	0	0	0	0	Relatives within the 2 nd degree (Note)		
3	Zong Li Investment Co., Ltd	10,742,376	5.93%	0	0	0	0	None	None	
	Representative: Huang, Xiao-Wen	1,035,742	0.57%	0	0	0	0	Relatives within the 2 nd degree (Note)		
4	Huang, Yu-Jing	5,336,251	2.94%	1,175,755	0.65%	0	0	Relatives within the 2 nd degree (Note)		
5	Passion Trading Co., Ltd.	3,922,276	2.16%	0	0	0	0	None	None	
	Representative: Huang, Xiao-Wen	1,035,742	0.57%	0	0	0	0	Relatives within the 2 nd degree (Note)		
6	Huang, Yu-Xue	2,856,045	1.58%	0	0	0	0	Relatives within the 2 nd degree (Note)		
7	Huang, Yu-Yan	2,331,954	1.29%	1,445,512	0.8%	0	0	Relatives within the 2 nd degree (Note)		
8	Yu Zhan Investment Co., Ltd	2,004,726	1.11%	0	0	0	0	None	None	
	Representative: Huang, Yu-Yan	2,331,954	1.29%	1,445,512	0.8%	0	0	Relatives within the 2 nd degree (Note)		
9	Huang, Wei-Han	1,896,315	1.05%	0	0	0	0	Relatives within the 2 nd degree (Note)		
10	Jin Zhi Xing Asset Management Co., Ltd.	1,819,000	1.00%	0	0	0	0	None	None	

Note: Huang, Yu-Xue, Huang, Yu-Yan and Huang, Yu-Jing have a relationship of siblings. Huang, Xiao-Wen and Huang, Wei-Han have a relationship of siblings.

3.10 The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors and Supervisors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

As of March 31, 2023, Unit: Shares; %

Investee Enterprise (Note)	Investment by the Company		Investment by the Directors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
E Chang Iron Steel Works Co., Ltd.	18,502,495	84.10	0	-	18,502,495	84.10
Zheng Tung Environmental Protection Tech. Co., Ltd.	7,650,000	34.77	14,350,000	65.23	22,000,000	100.00

Note: This refers to investee enterprises in which the Company makes long-term investment calculated according to the equity method.

IV. Capital Overview

4.1 Sources of Share Capital

4.1.1. Sources of Share Capital

Month/Year	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Paid in by Assets Other Than Cash	Other
Note	10	350,000,000	3,500,000	172,632,878	1,726,329	-	-	-
106.9	10	350,000,000	3,500,000	181,264,522	1,812,645	Capital increase of NT\$ 86,316,440 by retained earnings	-	The Financial Supervisory Commission announced the effective declaration On July 25, 2017, and the Ministry of Economic Affairs approved the registration under the letter No. 10601133140 on September 20, 2017.

Note: The authorized and paid-in capital remained unchanged from March 2013 to December 2022.

4.1.2. Issued Shares:

As of April 22, 2023; Unit: shares

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	181,264,522	168,735,478	350,000,000	Shares of a Listed Company

4.1.3. Information Relating to the Shelf Registration System: Not Applicable

4.2 Structure of Shareholders

As of April 22, 2023

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions and Foreign Individuals	Total
No. of Shareholders	0	4	19	20,112	36	20,171
No. of Shares Held	0	177,969	74,027,133	104,762,668	2,296,752	181,264,522
Shareholding Ratio (%)	0	0.1	40.84	57.79	1.27	100

Note: The Company doesn't have Mainland China investors.

4.3 Shareholding Distribution Status

4.3.1. The par value per share of common stock is NT\$10.

As of April 22, 2023

Range of No. of Shares Held	No. of Shareholders	Shareholding (shares)	Shareholding (%)
1 ~ 999	2,101	357,415	0.20
1,000 ~ 5,000	14,591	30,191,606	16.66
5,001 ~ 10,000	2,043	16,528,767	9.12
10,001 ~ 15,000	504	6,446,367	3.56
15,001 ~ 20,000	360	6,768,405	3.73
20,001 ~ 30,000	246	6,391,664	3.53
30,001 ~ 40,000	104	3,760,786	2.07
40,001 ~ 50,000	58	2,660,498	1.47
50,001 ~ 100,000	99	6,921,390	3.82
100,001 ~ 200,000	36	5,224,163	2.88
200,001 ~ 400,000	12	3,666,940	2.02
400,001 ~ 600,000	2	1,094,026	0.60
600,001 ~ 800,000	1	719,812	0.40
800,001 ~ 1,000,000	0	0	0.00
Above 1,000,001	14	90,532,683	49.94
Total	20,171	181,264,522	100.00%

4.3.2. Preferred Shares: None.

4.4 Major Shareholders

As of April 22, 2023

Shares Names of Major Shareholders	Shareholding (shares)	Shareholding (%)
Hai Ming Investment Co., Ltd	41,344,074	22.81%
You Ming Investment Co., Ltd	12,806,326	7.06%
Zong Li Investment Co., Ltd	10,742,376	5.93%
Huang, Yu-Jing	5,336,251	2.94%
Passion Trading Co., Ltd.	3,922,276	2.16%
Huang, Yu-Xue	2,856,045	1.58%
Huang, Yu-Yan	2,331,954	1.29%
Yu Zhan Investment Co., Ltd	2,004,726	1.11%
Huang, Wei-Han	1,896,315	1.05%
Jin Zhi Xing Asset Management Co., Ltd.	1,819,000	1.00%

4.5 The Share's Market Price, Net Value, Earnings and Dividend Policy for the Past Two Years

Unit for Earnings (Losses) Per Share: NT\$

Fiscal Year		2021	2022	Current Year to March 31
Item				
Market Price Per Share	Highest	69.3	36.5	24.28
	Lowest	14.85	17.10	21.67
	Average	34.04	24.94	22.93
Net Value Per Share	Before Distribution	19.87	20.16	20.56
	After Distribution (Note 1)	19.87	(Note 1)	(Note 1)
Earnings (Losses) Per Share	Weighted Average Shares (thousand shares)		181,265	181,265
	Earnings (Losses) Per Share (Note 2)	Before Retrospective Adjustments	2.54	1.16
		After Retrospective Adjustments	2.54	(Note 1)
Dividends Per Share	Cash Dividends		1.5	0
	Stock Dividends	Dividends from Retained Earnings	0	0
		Dividends from Capital Reserve	0	0
	Accumulated Undistributed Dividends		0	0
Return on Investment Analysis	Price/Earnings Ratio		13.4	21.5
	Price/Dividend Ratio		22.69	0
	Cash Dividend Yield		0.04	0

Note 1: It is proposed to distribute a stock dividend of NT\$0.5 per share to the shareholders for the fiscal year 2022. The profit distribution proposal has been approved by the Board of Directors and is pending approval by the 2023 Annual Shareholders' Meeting.

Note 2: Retrospective adjustments are required because of issuance of stock dividends, new share issue through employee bonus and conversion of convertible corporate bonds into common shares.

Note 3: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 4: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

4.6 Dividend Policy and Implementation Status

4.6.1. Dividend Policy: In compliance with the amendments to the Company Law, the dividend policy for this year is based on Article 23-1 and Article 23-2 of the amended "Articles of Incorporation" proposed by the Board of Directors. Please refer to the following Earnings Distribution Table for the relevant articles.

4.6.2. Attached herewith is the Earnings Distribution Table proposed by the Board of Directors on March 24, 2023, as follows:

Unit: NTD

Item	Amount
Unappropriated earnings, beginning balance	<u>\$ 170,229,078</u>
Add: Net income of 2022	210,830,149
Add: Actuarial Benefit for 2022 included in the retained earnings	1,871,123
Add: Disposal of financial assets at fair value through other comprehensive income and losses, directly transferred to retained earnings	329,609
Less: Appropriation for legal capital reserve 10%	<u>(21,303,088)</u>
Distributable earnings for the current period	<u>191,727,793</u>
Distribution Items	<u>361,956,871</u>
Stock Dividends (NT\$0.5/per share)	<u>(90,632,260)</u>
Unappropriated earnings, ending balance	<u>\$ 271,324,611</u>
Article 23-1: If the company has recorded earnings in the final reports, it shall be handled in according to the preceding article. After paying taxes as well as making up for accumulated losses according to the law, 10% shall be raised as appropriation for legal capital reserves, and the remaining shall be set aside in compliance with the relevant laws and regulations or appropriated as special reserves. If there is still remaining balance after the aforementioned allocations, it will be combined with the unappropriated earnings, and the board of directors will prepare a profit distribution proposal for distribution of shareholder dividends and submit to the shareholders' meeting for approval. The company's industrial development has matured, and the company's dividend distribution prioritizes the improvement of the financial structure and the fulfillment of major capital expenditures, while ensuring that no less than 50% of the total dividends distributed in the current year are paid in cash.	

Note: When adopting IFRS for the first time, unrealized revaluation increments and cumulative translation adjustments (profit) were not transferred to the special reserve for revaluation surplus and were used to offset losses in subsequent years. In the year(s) following the elimination of the reasons for the original provision of the special reserve for revaluation surplus, any shortfall should be made up before distributing profits.

4.7 Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: Not Applicable.

4.8 Remunerations of Employees, Directors and Supervisors

4.8.1. Information Relating to Remuneration of Employees and Directors in the Company's Articles of Incorporation:

The Article 23 of the Company's Articles of Incorporation is as follows: If the Company makes profits in a year, it shall allocate 2% to 3% for employee remuneration, which shall be distributed by the Board of Directors in the form of stocks or cash. The recipients include employees of subsidiary companies who meet certain conditions, and up to 3% shall be set aside for directors' remuneration, which shall be distributed in cash by the Board of Directors. The distribution of employee and director remuneration shall be reported to the shareholders' meeting. However, if the Company still has accumulated losses, the amount necessary for offsetting such losses shall be reserved in advance, and employee and director remuneration shall be allocated in accordance with the above ratio.

4.8.2. Basis for estimating the amount of employees' and directors' remuneration, and accounting treatment for discrepancies between the actual and estimated distributed amount for the period:

As there was a profit for the fiscal year 2022, according to the Company's Articles of Incorporation and the Board of Directors' resolution, employee and director remuneration were distributed. If there were significant changes to the amounts distributed due to a resolution passed by the Board of Directors prior to the publication of the annual financial statements, the adjustments to the expenses of the year in which the original provision was

made would be made. If there were still changes in the amounts after the publication date of the annual financial statements, the changes would be handled according to accounting estimates and adjusted in the following year's accounts.

The earnings distribution plan for the year 2022 is still pending approval at the Annual General Shareholders' Meeting. The meeting is scheduled to be held on June 20, 2023.

4.8.3. Information on proposal of remunerations distribution of employees and directors:

Distribution of Remuneration of Employees and Directors for 2022 Approved in the Board Meeting on March 24, 2023:

	Employees' Remuneration	Unit: NT\$ thousands Directors' Remuneration
Amounts approved by the Board of Directors (All Distributed in Cash)	\$ 8,450	\$8,450
Amounts recognized in the Annual Consolidated Financial Statements	\$ 8,450	\$8,450

If there are still changes in the amount after the release of the 2022 Annual Consolidated Financial Statements, the difference will be processed according to accounting estimates and included in the profit and loss adjustment of the 2023 fiscal year.

4.8.4. Information of 2021 Distribution of Remuneration of Employees and Directors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated:

	Actual Distribution in 2022	Amount Recognized in 2021	Difference
Remuneration for Employees	15,118	12,097	3,021
Remuneration for Directors	18,048	18,048.	0

(Note) The actual distribution amount for 2021 differs from the recognized amount in the annual consolidated financial statements. The difference was included in the income statement adjustments from January 1 to September 30, 2022.

4.9 Buyback of Treasury Stock: In the most recent year and up until the date of publication of this annual report, the Company has not repurchased any of its own shares.

4.10 Corporate Bonds: None.

4.11 Preferred Shares: None.

4.12 Global Depository Receipts: None.

4.13 Employee Stock Options and Employee Restricted Stock: None.

4.14 Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares: None.

4.15 Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Business Scope

CA01010 Iron and Steel Refining

CA01020 Iron and Steel Rolls over Extends and Crowding

CA01030 Steel Casting

CA01070 Scrapped Car and Boat Dismantling and Scrap Iron and Steel Metal Processing

C901990 Other Non-Metallic Mineral Products Manufacturing

CA02990 Other Metal Products Manufacturing

CA01990 Other Non-ferrous Metal Basic Industries

F401010 International Trade

ZZ99999 Any other businesses that are not prohibited or restricted by law, except for businesses requiring special approvals

2. Revenue Breakdown

Individual

Unit: NT\$ thousands

Main Item	Revenue	Ratio (%)
Steel billet and rebar manufacturing and sales	10,865,500	99.14
Manufacturing and sales of wire rods such as coil, black iron wire, etc.	3,984	0.04
Rebar cutting, bending, shaping, and wire processing	90,100	0.82

Consolidated

Unit: NT\$ thousands

Main Item	Revenue	Ratio (%)
Steel billet and rebar manufacturing and sales	10,863,574	98.36
Manufacturing and sales of wire rods such as coil, black iron wire, etc.	3,984	0.04
Rebar cutting, bending, shaping, and wire processing	177,420	1.60

3. The current product (service) offerings of the company include: steel billets, steel bars, iron wires, annealed wires manufacturing and trading, and processing services.

4. The newly planned product (service) to be developed is the outsourcing of surface treatment processes for fasteners.

5.1.2 Industry Overview

1. Current situation and development of the industry:

In 2022, the global raw material market (such as iron ore and coal) saw a significant increase in the first half of the year due to the impact of the Russo-Ukrainian War. However, in the second half of the year, the prices of raw materials began to decline due to factors such as the

US Federal Reserve (FED) raising interest rates to curb inflation, global central banks following suit, and China's dynamic "zero-tolerance" policy. This caused the prices of steel products to also decrease. The current state of the industry has the following characteristics:

(1) The impact of COVID-19 on the major steel supply and demand markets worldwide:

As the coverage rate of vaccines increases and the disease becomes less severe, countries such as the United States, United Kingdom, South Korea, and Japan have decided to coexist with the virus. In March 2022, the Taiwan government lifted its alert level, and in April of the same year, COVID-19 began to spread rapidly in Taiwan, with daily confirmed cases exceeding 10,000. In October, Taiwan's borders were reopened, and entry restrictions for quarantine were relaxed. As a result, there was an increase in outbound travel, and in February 2023, residents of Hong Kong and Macau were allowed to travel to Taiwan without quarantine. With the increase in the vaccination rate and the number of confirmed cases, Taiwan is gradually moving towards coexisting with the virus.

①Perspective of demand:

According to the steel demand forecast report (2022-2023) released by the World Steel Association (Worldsteel) in October 2022, global steel demand is expected to decline by 2.3% to 1.797 billion tons in 2022 due to factors such as inflation, monetary tightening, market confidence decline, slowdown in steel industry operations, and China's economic growth slowdown, following a growth of 2.8% in 2021. However, in 2023, steel demand is expected to recover by 1% to 1.815 billion tons, supported by infrastructure demand in the United States and China.

In 2021, as the pandemic gradually stabilized, various countries implemented a range of loose policies and expanded infrastructure demand to revive the global economy. The steel industry is a national infrastructure industry that drives the overall industry chain development of upstream, middle and downstream, and is closely related to global economic and trade exchanges. Under the continuous expansion and promotion of infrastructure policies in various countries around the world, it has driven a wave of steel demand.

In the second half of 2022, the main challenge is that the US Federal Reserve (Fed) raised interest rates a total of seven times to curb inflation, and central banks around the world followed suit, resulting in higher loan interest rates, lower housing demand, higher holding costs for construction funds, lower motivation for developers to increase building cases, and lower raw material prices, leading to a decline in steel-related product prices. The overall economic environment is not conducive to the growth of steel demand.

Among all the challenges, China's dynamic "zero-tolerance" policy in 2022 suppressed economic activity, delayed construction projects, led to steel inventory oversupply, and many steel companies in China suffered from serious losses. In December of the same year, China announced the loosening of the dynamic "zero-tolerance" policy without warning, and decided to follow the global trend of peaceful coexistence with the virus. Although the number of confirmed cases is expected to rise in the short term, it will be beneficial for economic activities in the

long run. The direction of China's economy in 2023 will be a key factor affecting the global economy.

②Perspective of Supply:

According to the statistics of the World Steel Association (Worldsteel), the total crude steel production of major steel-producing countries in the world in 2022 was 1.87 billion tons, a decrease of 4.17% from 1.96 billion tons in 2021. The production and annual growth rate of the top five crude steel-producing countries in 2022 were: China (1.013 billion tons, down 2.10%), India (124 million tons, up 5.52%), Japan (89 million tons, down 7.37%), the United States (81 million tons, down 5.92%), and Russia (72 million tons, down 7.17%). In addition, Taiwan (20 million tons, down 11.25%), Ukraine (6 million tons, down 70.69%), and South Korea (66 million tons, down 6.47%).

Among the top five crude steel-producing countries in 2022, only India's crude steel production increased by 5.52%. India has abundant iron ore reserves but lacks coking coal for steelmaking. Therefore, India recently signed a free trade agreement with Australia, which helps India import coking coal and promote the development of the steel industry. Since the outbreak of the Russo-Ukrainian War, the Black Sea has been blocked, the Azovstal Iron and Steel Works in Ukraine has been destroyed (Ukraine's crude steel production has declined by 70.69%), the EU has boycotted Russian steel (Russia's crude steel production has declined by 7.17%), and India has announced the cancellation of export tariffs. This may give India the opportunity to transform from a net steel importer to a net steel exporter.

Mainland China, in order to achieve net zero carbon emissions, has maintained its "flat control policy" in 2022, and regulated crude steel production to not exceed previous year's level. In addition, to curb the spread of the epidemic, Mainland China has implemented strict city lockdown measures. Steel-producing area such as Shandong and Hebei have been affected by internal traffic restrictions, causing raw material supply disruptions, and forcing dozens of blast furnaces to undergo maintenance. Therefore, China's crude steel production decreased by 2.10% compared to 2021.

Japan's crude steel production declined by 7.37%. Nippon Steel Corp. announced in 2021 that it would close one of Japan's largest blast furnaces and production lines and shift to green energy development. This is part of a five-year plan to reduce production capacity by 20% in the face of continuous oversupply and environmental pressures. They are considering using a 300-ton electric arc furnace (EAF) to achieve carbon reduction goals. In addition, in 2022, there was a leakage of molten iron at the Oita Works in Kyushu, and No. 1 blast furnace was shut down, leading to continued regional supply shortages in the short term.

The crude steel production in South Korea has declined by 6.47%. In order to strengthen the implementation of carbon reduction policies, POSCO Pohang Steelworks in South Korea decided to permanently close Pohang No.1 blast furnace by the end of December 2021, reducing the annual supply of crude steel by approximately 1 million metric tons. Gwangyang No.4 blast furnace will undergo a four-month overhaul in the first half of 2022, which was expected to reduce crude steel production

by approximately 1 million metric tons and hot-rolled steel by approximately 800,000 metric tons. In September of the same year, Typhoon Hinnamnor struck South Korea, causing a large fire at POSCO Pohang Steelworks and flooding of some of its facilities and power equipment, which was estimated to take at least one month for internal maintenance and equipment recovery.

Therefore, with the supply side being suppressed and the demand side being cautious, the price fluctuations of the entire steel market may be relatively stable.

(2) Impact of the US-China trade dispute on the global economy:

The US-China trade war, which has caused global attention and economic turmoil for two years, finally came to a temporary truce with the signing of the Phase One trade agreement in January 2020. The Phase One agreement has five major points, including intellectual property, Chinese purchases of American products, technology transfer, exchange rates, and financial services. However, the outbreak of the COVID-19 pandemic and the US election have caused doubts about whether the agreement has been effectively implemented by both sides. On March 1, 2021, the US announced its latest trade policy agenda, which is the first trade policy agenda since President Biden took office. In this policy agenda, the US has expressed its position that China's coercive and unfair trade practices harm US interests, including labor rights, technological advantages, and supply chain flexibility, which is consistent with the position during the Trump era. The report also expresses concern about China's forced labor practices of ethnic minorities such as Uyghurs in Xinjiang Uyghur Autonomous Region, stating that American and global consumers do not want to see products made by forced labor, and workers should not be oppressed by state-supported systems.

According to the US Department of Commerce statistics in 2022, the US trade deficit with China expanded by \$29.4 billion, an increase of 8.32%, to \$382.9 billion, the largest deficit since 2018. The latest assessment report by the US Trade Representative's Office (USTR) states that the US needs to seek new strategies and update its domestic trade tools to address "China's government-led non-market policies and practices." This includes addressing issues such as subsidies, overcapacity, intellectual property theft, standards, cybersecurity, data localization requirements, restrictions on cross-border data transfers, competition policy regulations and regulatory transparency, and intellectual property, technology transfer, and service market access. It can be expected that the US-China trade dispute will continue to affect global economic development.

In addition, it is worth noting that according to the US Department of Commerce's statistical report, 2022 was also the first year since 2019 that the US imported more goods from the European Union (EU) than from China. The main reasons for China's loss of its position as the largest trading partner of the US are attributed to China's dynamic zero-tolerance policy and the diversification of US supply sources, particularly the increase in supply from other Asian countries.

(3) Impact of the Russo-Ukrainian War:

On February 24, 2022, Russia officially declared war on Ukraine. Both Russia and Ukraine are major producers of steel, with an annual crude steel production of about 100 million tons according to the World Steel Association (Worldsteel). They export over 40 million tons of steel annually, mainly to Europe and Asia. Russia's major export items include scrap steel, hot-rolled steel, and steel billets, while Ukraine exports flat steel billets and hot-rolled steel. The international steel balance was disrupted due to the conflict, forcing Europe to seek alternative sources from Asia, where steel prices were already high and became even more scarce. However, Europe's import limits on Asian steel due to tariff protection, together with the boost in American steel sales to Europe, meant that the Asian and American steel markets were both affected and quickly pushed up prices. On the other hand, Russia is the second-largest natural gas producer, the third-largest oil producer, and the sixth-largest coal producer in the world. The global imbalance between supply and demand of energy and commodities has caused a surge in prices due to the war, leading to a significant increase in European steel production costs. While short-term steel prices were affected by the cost, in the long run, companies from all countries need to invest more resources in research and development to achieve carbon neutrality, supporting long-term steel prices, and making it difficult for low steel prices to reappear.

The prolonged conflict in Russia and Ukraine has led to an expansion of inflationary pressure in the first half of 2022. In response to the unexpected persistence of inflationary pressure, the US Federal Reserve (Fed) began raising interest rates in the second half of 2022, and central banks of various countries followed suit, tightening global monetary and financial conditions that affected economic recovery and suppressed demand to curb inflation. It is estimated that it will not be until the end of 2023 that it is hoped to be under control.

2. Relationship with Upstream, Midstream and Downstream Companies:

- (1) Upstream: The Company's products, rebars, belong to the category of long steel products in the steel industry. The main semi-finished product is square billets. However, regardless of whether it is a long steel or a flat steel manufacturer, the production of billets requires the steelmaking process to produce square billets or square billets. Steelmaking can be divided into blast furnace steelmaking and electric furnace steelmaking. The main raw material for blast furnace steelmaking is iron ore, and the main raw material for electric furnace steelmaking is scrap steel. However, the self-sufficiency rate of raw materials required for steelmaking in Taiwan is insufficient, and scrap steel and iron ore often need to rely on imports. Once there are fluctuations in upstream raw materials, it will inevitably affect the cost of the midstream and downstream of the Taiwan steel industry. The proportion of raw material costs has a significant impact on the gross profit of steel industry companies, thus limiting the development of midstream and downstream industries in Taiwan.
- (2) Midstream: The products in the midstream of the steel industry belong to the category of carbon steel, including cold and hot-rolled steel coils, rebars, wire rod coils, and bar-in-coil. As for stainless steel, it includes cold and hot-rolled stainless-steel coils, stainless steel wire rods, stainless steel sections, and subsequent cutting and processing

as well as pipe making. Using general steel billets as raw materials, after rolling, they are made into coils that can be further processed to produce downstream products such as screws, nuts, and steel wires.

- (3) Downstream: It includes various metal products, machinery and equipment, transportation tools, molds, screws and nuts, steel wires and cables, industrial facilities, and various steel materials required for construction projects.

The upstream, midstream, and downstream of the steel industry are inseparable, and the prices are interdependent.

3.Product Development Trends and Competition:

The steel industry is known as the mother of industries. As mentioned earlier, the downstream products are diverse, and the biggest threat to Taiwan has always been the low-priced steel from mainland China. Therefore, the industry trend must move towards developing high-value-added products and actively participating in the development of multiple fields such as infrastructure, engineering export, new material development, automobiles, aerospace, cloud computing, medical care, and electric vehicles to promote the transformation and upgrading of the steel industry. On the other hand, with the rise of environmental awareness, domestic steel producers should accelerate their energy-saving and carbon-reducing efforts, focus on corporate social responsibility and the interests of stakeholders, and respond to the threat of foreign competition.

5.1.3 Technology and Research & Development Overview:

1. R&D expenses incurred and technology or products successfully developed during the most recent year and up to the date of publication of the annual report:

Research and development plan	Current progress	Investment amount	Main benefits
Electric arc furnace power consumption	Continuous improvement in power consumption	80 million	After improvement, power consumption has been reduced by 70 kWh/ton of steel billet, and will continue to strive towards the target of reducing it by 100 kWh/ton of steel billet.

2. Future R&D and transformation plans:

R&D plan	Expected benefits	Future budget allocation
Improvement of efficiency and energy	Increase in rebar production by 10%, energy consumption reduced by 10%	50 million

consumption in steel rolling mills		
Improvement of electric arc furnace power system	Increase in steel billet production by 3% and reduce power consumption by 5% per ton of steel billet	60 million
Automation of electric arc furnace operations	Increase in steel billet production by 2.5%	25 million

5.1.4 Short-Term and Long-Term Business Development Plans

1. In the short term, the Company will adjust the production capacity and specifications flexibly according to market demand, stabilize product quality, improve service levels, and increase customer satisfaction.
2. Improve warehouse space and shipping methods to increase shipping efficiency and reduce finished product inventory for each size.
3. Through the subsidiaries, the Company will enter the fastener production process, including wire drawing, cleaning, heat treatment, electroplating, phosphating, and paint baking, providing outsourcing services and increasing revenue from waste disposal.

5.2 Market and Sales Overview

5.2.1 Overall Economic Environment and Market Overview

1. International Economic Environment

The “World Economic Outlook” report by the International Monetary Fund (IMF) pointed out that in 2020, the global economy declined by 3.1% due to the threat of COVID-19. In 2021, although vaccine research has progressed smoothly, the limited initial vaccine supply and unequal distribution, as well as the continuous mutation of the virus, have hindered the world from getting rid of the epidemic. Fortunately, with the continuous improvement of COVID-19 testing capacity and the gradual increase of vaccine coverage, the number of severe cases and deaths from the disease has significantly decreased. Therefore, major countries are moving towards coexisting peacefully with the virus, and people’s lives are gradually returning to normal. The global economy has shown a clear recovery trend in 2021, with a growth rate of 6.2%.

In 2022, in addition to the impact of the Russo-Ukrainian War, the tightening of US monetary policy may have some negative effects on emerging economies through the financial market. In addition, mainland China, which accounts for about half of the world’s steel consumption, has been hit hard by the epidemic as the lockdowns affect the

demand for steel in the real estate and manufacturing industries, making the economic situation even more difficult. In December 2022, mainland China unexpectedly announced the relaxation of the “dynamic zero-tolerance policy”, which led to a rapid increase in the number of infected people. Therefore, when the epidemic in mainland China can be stabilized and whether it will further promote infrastructure construction and stimulate domestic consumption will be an important indicator to alleviate the sluggish global steel demand.

The global economy still faces many risks, including the changes of global COVID-19 epidemic, the follow-up development of US-China trade and technology disputes, the Russo-Ukrainian War causing European energy crisis that may drag down the global economy, the uncertainty of the global impact after mainland China loosens its “dynamic zero-tolerance policy”, the simultaneous increase of interest rates by global central banks may expand the degree of global economic slowdown and affect financial stability, geopolitical risks affecting supply chain layout, extreme weather, and energy transformation may all contribute to inflation and affect the global economy.

2. Domestic Economic Environment and Market Overview

In 2018, the domestic tourism and transportation industry suffered a decline in tourism revenue due to the tightening of restrictions on mainland Chinese tourists visiting Taiwan, followed by the impact of the US-China trade war in 2019. Fortunately, Taiwan’s electronics industry benefited from the transfer of orders from mainland China, which became the locomotive driving Taiwan’s economic growth. However, while these negative impacts have yet to dissipate, the global economic recession caused by COVID-19 emerged in early 2020. Taiwan’s effective epidemic prevention measures, coupled with the development of opportunities for remote and digital transformation, as well as the accelerated shift in global supply chains, have all created favorable conditions for Taiwan’s exports and production. As a result, Taiwan’s economy has not only avoided the impact of the epidemic but has also become one of the few countries experiencing growth globally. However, in 2021, the COVID-19 variant with increased transmissibility led the Taiwan government to declare level three alert in May, impacting the domestic tourism, transportation, catering, and hotel industries. Subsequently, in July 2021, as the epidemic came under control again, the government announced a partial relaxation (micro unblocking) plan, and domestic tourism gradually recovered. In addition, many

Taiwanese entrepreneurs returned to Taiwan to invest, driving the recovery of various industries across the country.

In March 2022, the government lifted the alert levels, but in April, COVID-19 broke out on a large scale in Taiwan, with daily confirmed cases exceeding 10,000. In October of the same year, Taiwan's borders were reopened, and the quarantine-free entry for incoming travellers was relaxed, leading to a surge in outbound travel. In February 2023, residents of Hong Kong and Macau were allowed to travel freely to Taiwan. With the increasing popularity of vaccination and the rising number of confirmed cases, Taiwan is gradually entering a coexisting state with the virus. The return of consumer traffic for shopping, travel, dining, and outbound tourism is strengthening, stimulating the recovery of tourism-related industries both domestically and internationally. The Central Bank pointed out that there are still many uncertainties affecting Taiwan's economic growth, including the ongoing Russo-Ukrainian War, rising global inflation pressures, the tightening of the US major economy's monetary policies, the easing of mainland China's epidemic control, and geopolitical risks. These five factors will all impact Taiwan's domestic prices, economy, and financial situation.

Looking ahead to 2023, the World Bank predicts global economic growth of 1.7%, lower than the 2.9% growth in 2022. In January 2023, the International Monetary Fund (IMF) released the "World Economic Outlook" report, which indicated that the economic losses resulting from the Russo-Ukrainian conflict would significantly slow global economic growth in 2022 and intensify inflation, with a predicted global economic growth rate of 2.9% in 2023, lower than the 3.4% in 2022. The Central Bank predicts Taiwan's economic growth rate to be 2.53% in 2023, while the Directorate-General of Budget, Accounting and Statistics (DGBAS) predicts 2.12%, and the Taiwan Institute of Economic Research (TIER) predicts 2.58%. However, uncertainties such as the development of the COVID-19 pandemic and national policies, as well as the increase in international raw material prices caused by the Russo-Ukrainian war, bring greater inflationary pressures and uncertainty to economic growth.

Table 1 Predictions of World Economic Growth Rate by Major Institutions

		World Bank			IMF		
		2022I	2023(f)	2024(f)	2022I	2023(f)	2024(f)
Global	GDP	2.9	1.7	2.7	3.4	2.9	3.1
Advanced Economies	GDP	2.5	0.5	1.6	2.7	1.2	1.4
US	GDP	1.9	0.5	1.6	2.0	1.4	1.0
EU	GDP	3.3	0.0	1.6	3.5	0.7	1.6
Japan	GDP	1.2	1.0	0.7	1.4	1.8	0.9
Emerging and Developing Economies	GDP	3.4	3.4	4.1	3.9	4.0	4.2
China	GDP	2.7	4.3	5.0	3.0	5.2	4.5

Note: (e) denotes estimated values; (f) denotes forecasted values.

Sources: 1. World Bank, *Global Economic Prospects*, January 2023.

Table 2. Predictions of Taiwan Economic Growth Rate by Major Institutions

Unit: %

		Directorate-General of Budget, Accounting and Statistics (DGBAS)		Central Bank		Taiwan Institute of Economic Research (TIER)	
		2022	2023(f)	2022(f)	2023(f)	2022(f)	2023(f)
Taiwan	GDP	2.45	2.12	2.91	2.53	3.45	2.58

Note: (e) denotes estimated values; (f) denotes forecasted values.

Sources: 1. Directorate-General of Budget, Accounting and Statistics (DGBAS) press release, February 22, 2023.

2. Summary of Monetary Policy Meeting of the 20th Board of Directors and Supervisors Joint Meeting of the Central Bank, December 15, 2022.

3. Taiwan Institute of Economic Research (TIER) press releases, November 11, 2022, and January 31, 2023.

According to the latest statistics from the Ministry of the Interior, the number of building transactions in Taiwan in 2022 was 318,000 units, the first decline in nearly six years, and a new low in nearly three years, with an 8.6% year-on-year decrease. The housing market in 2022 became more conservative due to various factors, and it is expected to continue to shrink in 2023, with self-use buyers being the main market. The Forward-looking Infrastructure Development Program is a Taiwan government initiative passed in 2017, which includes green energy construction, digital infrastructure, water environment construction, rail construction, and urban and rural development, with a total budget of about NT\$840 billion over eight years. After more than three years of correction and continuous clearance of excess inventory, the Taiwan real estate market has seen a steady return of owner-occupier buyers. Benefitting from the US-China trade war and the continuously rising production costs in mainland China, Taiwanese businesses have returned to set up factories, reversing the trend of industrial relocation. In addition, the implementation of the CRS by China in 2017 and the passage of the Overseas Remittance Act in 2019 have accelerated the inflow of funds from Taiwanese businesses in 2020 and 2021 due to the COVID-19 pandemic. However, due to uncertain economic conditions and the passing of The Equalization of Land Rights Act amendment in 2022, the market has adopted a wait-and-see attitude, and the number of national transactions is expected to continue to shrink in 2023.

The budget allocation for the First Stage of the Forward-looking Infrastructure Development Program (2017-2018) was mostly based on preliminary assessments and studies, and the Second Stage (2019-2020) will gradually enter the construction phase. Major public construction projects include the railway underground or elevated projects in Taoyuan, Chiayi, and Tainan, and the metro, light rail construction or extension projects in Taoyuan, Taichung, Tainan, and Kaohsiung. The peak of the construction period will fall in the Third Stage (2021-2022), including tourism railway projects in central and southern regions, road quality improvement projects, comprehensive flood control projects for rivers, drainage, and coastal protection, rainwater drainage projects, agricultural drainage, pond, canal improvement projects, and provincial highway bridge reconstruction projects, which will significantly boost the demand for steel in public construction projects in 2021-2022.

The National Development Council (NDC) stated that in reviewing the year 2021, the budget allocation for the Forward-looking Infrastructure Development Program (2017-2022) in the Third Stage (2021-2022) had an execution rate of 92.27% as of December 2021, which was 0.16% higher than that of the same period in the Second Stage (2019). This represents significant progress and achievements in the program, and there

was indeed a significant increase in the demand for steel in public projects in 2021. The budget allocation for the Forward-looking Infrastructure Development Program in 2022 is around NT\$105.7 billion. According to the “Review Report on the Execution Progress of the Forward-looking Infrastructure Development Program”, as of the third quarter of 2022 (January 2021 to September 2022), the cumulative allocation of the special budget was NT\$180.954 billion, and the execution amount was NT\$181.5707 billion, with an execution rate of 100.34%. The Forward-looking Infrastructure Development Program will enter its Fourth Stage (2023-2024) in 2023 and a special budget of NT\$209.8 billion was approved in December 2022. The government will actively meet the key demands of new industries, new technologies, and new lifestyle trends both domestically and internationally, and continue to invest in the five plus two innovative industries of green energy, next-generation semiconductors, IoT, AI, 5G, and cybersecurity, as well as the six core strategic industries, to enhance the country’s competitiveness and move towards becoming a smart nation. At the same time, funds will be injected into various urban and rural construction projects to promote balanced regional development and create a happy home for the people. Appropriate guidance and assistance will also be provided to improve the execution of the program budget, drive economic growth, and create more favorable conditions for the development of the steel reinforcement industry. The surface consumption statistics are shown in Table 3.

<Table 3> Surface Consumption of Rebar/Bar Steel Statistics Table

Unit: thousand metric tons

	2021	2022
Surface Consumption of Rebar	6,063	6,215
Year-on-year Growth Rate of Rebar	1.73%	2.51%
Surface Consumption of Bar Steel	9,848	9,107
Year-on-year Growth Rate of Bar Steel	10.86%	-7.52%

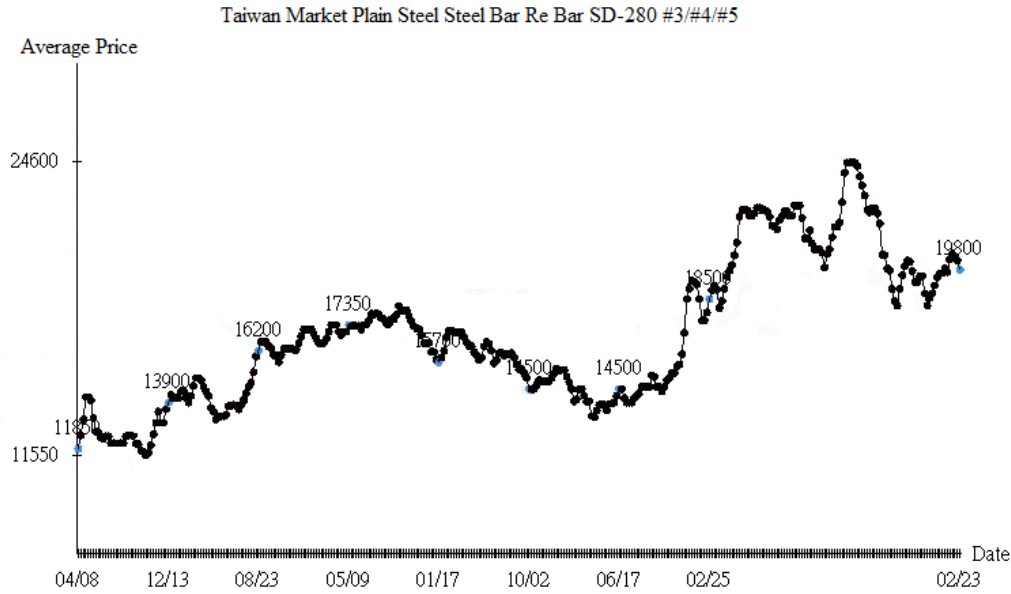
Source: Compiled and summarized by the Taiwan Steel and Iron Industries Association.

3. Market Price

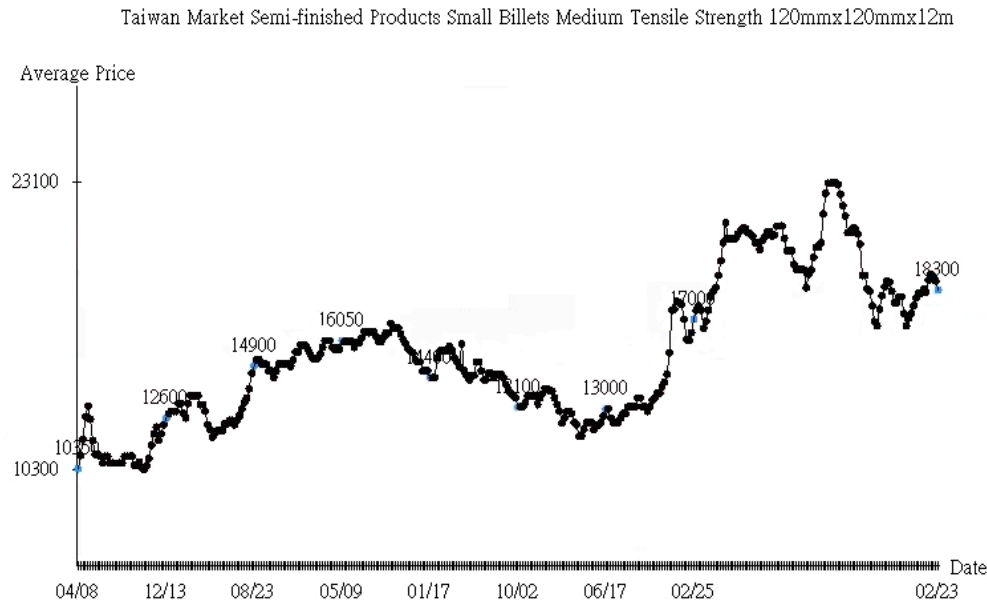
In 2016, the international iron ore raw material prices dropped to a 15-year low in the first quarter. From 2017 to 2018, the steel prices gradually rose with fluctuations. However, in the fourth quarter of 2018, due to the trade dispute between China and the US, steel prices declined significantly, and the peak season was not prosperous. In 2021, with the easing of the pandemic and various countries launching stimulus policies, such as expanding infrastructure and developing the electric vehicle industry, it has led to active demand for various metals, iron ore, and other raw materials. On the other hand, due to COVID-19, climate, and the Russo-Ukrainian War, major international mining companies have reduced their supply. The supply shortage has driven the prices of iron ore, nickel, copper, and other raw materials up in the first half of 2022. However, in the second half of 2022, global steel demand slowed down, causing prices to fall. According to the World Steel Association (Worldsteel)’s forecast, global steel demand may slightly increase by 1% to 1.815 billion tons in 2023. China’s steel consumption is expected to remain stable or slightly increase, but the global iron ore supply will remain loose. Therefore, the prices of related raw materials may be relatively stable with little fluctuation in the first half of 2023. The Company belongs to the bar steel industry, and the following (Table 4) shows the price trends of finished products (rebar), semi-finished products (steel billets), and raw materials (scrap steel) from April 2016 to February 2023.

<Table 4> Price Trend (April 2016 ~ February 2023) Source: SteelWorld website

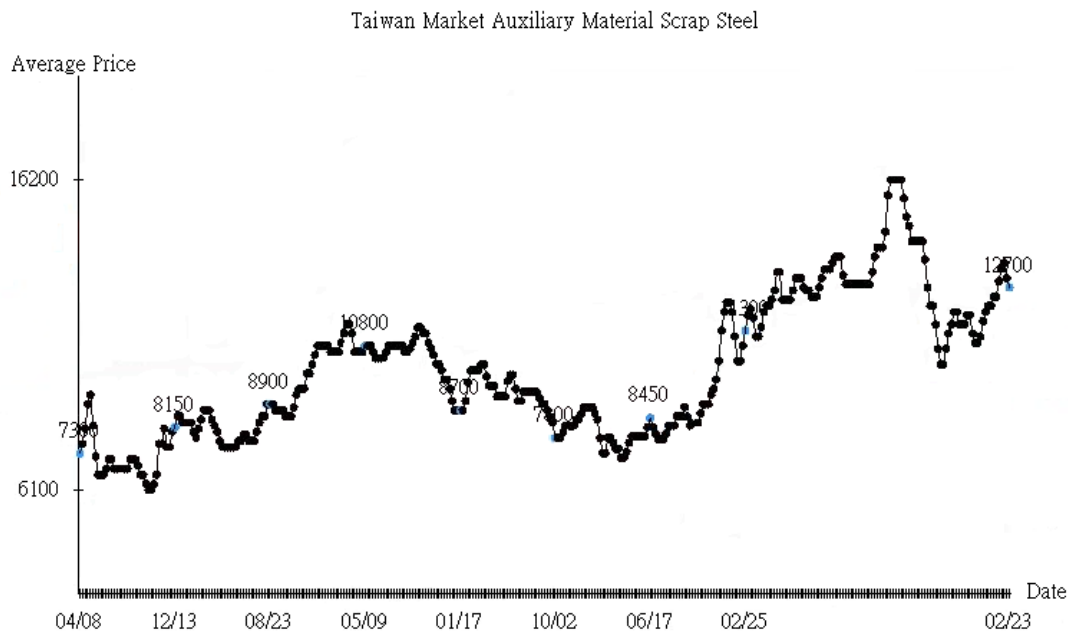
<Table 4-1> Price Trend for Plain Steel, Bar Steel and Rebar



<Table 4-2> Price Trend for Semi-finished Products, Small Billets, and Medium Tensile Strength



<Table 4-3> Price Trend for Scrap Steel



5.2.2 Market Analysis

1. Sales (Provision) Regions of Main Products (Services)

The Company's sales and cutting and processing services for rebar are 100% in the domestic market. Although the Company has stable quality, good reputation and has obtained certifications from multiple countries (regions), and achieved remarkable results in exploring overseas markets in recent years, the Company's export volume of rebar was even among the best in Taiwan from 1997 to 1999, and the sales regions were mainly focused on Hong Kong, Macau, and Singapore, which have no tariff barriers. However, starting from 2011, due to steel dumping in Southeast Asia, the steel price in China was lower than that in the local market, so the Company moved all sales to the domestic rebar market in the second quarter of 2011. Currently, there are low-priced rebar circulating in foreign markets such as China, Turkey, and South Korea. In the past one or two years, Brazil, Southeast Asia, and Iran have also joined the competition to seize the international rebar market of tariff-free and trade barrier countries. However, if the freight cost is added, the export price is not actually better than the domestic market. Moreover, the domestic rebar market is already mature and stable, and the market could still grow steadily in the past two years with few domestic competitors. With the freight and certification costs added, there is almost no possibility of import from international competitors. Therefore, the current sales strategy is mainly to increase the market share of domestic sales, while the export strategy will be adjusted based on the difference in steel prices between domestic and international markets, and to seize opportunities accordingly.

2. Market Share and Future Supply-Demand Situation, Growth Potential

(1) Market Share

In recent years, the Company's sales volume of rebar has accounted for about 8% to 9% of the domestic rebar consumption market. Currently, we are striving to increase

the production capacity of the steel mill to an annual output of 600,000 tons to regain our target market share of 10% to 12% as in the past.

(2) Future Supply-Demand Situation, Growth Potential, Competitive Advantage, and Development Prospects in the Market

Future supply-demand situation and growth potential

The global demand for steel was impacted by the Russo-Ukrainian War. According to the latest forecast by the World Steel Association (Worldsteel), the global demand for steel is expected to increase slightly by 1% to 1.815 billion tons in 2023. With the stable control of the global COVID-19 pandemic and China's lifting of the ban, the industry and economic policies of "expanding domestic demand" will likely increase the demand for steel in various countries to a small extent. Regarding the supply of steel, China is continuously implementing the "production control policy". World Steel Dynamics (WSD) predicts that global crude steel production in 2023 will be 1.822 billion tons, a decrease of 1.5% from 2022, indicating the effect of reduced production from major steel plants. Although the rebar industry the Company is in is a domestic demand-oriented industry, it is also a relatively less affected industry. With the Forward-looking Infrastructure Development Program and the return of Taiwanese businesses, it is expected to drive a wave of domestic demand for steel in public engineering and related construction projects.

Looking ahead to 2023, the following analysis explains the favorable and unfavorable factors in the future steel market:

Favorable Factors

A. In early 2023, China's epidemic prevention policy shifted from "zero tolerance" to "comprehensive unblocking". With the reopening of the Chinese economy, China has implemented various loosening policies (such as the "16 Financial Measures"), expanded infrastructure and stimulated private consumption, which will have a positive impact on industries such as tourism, catering, and real estate, and boost the demand for construction steel.

In February 2023, a series of major earthquakes occurred in Turkey, causing tens of thousands of deaths, massive destruction of thousands of buildings, and the widespread destruction of water, electricity, and natural gas supply systems. Therefore, the post-disaster reconstruction work will release a huge demand for steel. According to the Turkish Steel Manufacturers Association, Turkey will need at least 4 million metric tons of rebar in the next three to four months.

B. Due to the US-China trade war and the COVID-19 pandemic, Taiwanese businesses have returned to Taiwan to establish factories, and the construction of the Forward-looking Infrastructure Development Program has gradually increased Taiwan's consumption of rebar in the past two years. According to the Ministry of the Interior's statistics, the number of building permits for residential housing in Taiwan reached a new high of 180,000 units in 2022, with a total floor area of nearly 7.62 million ping, exceeding the size of 67 Taipei 101 buildings. The demand for steel in the future real estate and public constructions can be expected.

Unfavorable Factors

- A. In terms of production capacity, in recent years, integrated steel manufacturers such as Feng Hsing and Tung Ho have successively updated or increased equipment and production capacity. With limited increase in domestic demand for rebar, market competition is quite fierce, especially for single-rolling mills, which face even more severe survival challenges.
- B. In terms of cost, the Russo-Ukrainian War has led to a surge in international prices of oil, gas, energy, coal, ferroalloys, and bulk commodities (in March 2022, international iron ore prices rose sharply to \$158/ton, scrap steel also exceeded the \$641/ton mark, and international flat steel billets rose to \$904/ton), resulting in a rapid increase in steelmaking costs, which highly compress steel mill profits. According to the Monthly Assessment of Supply and Demand of Basic Metals, in January 2023, international iron ore fell to \$129/ton, international scrap steel fell to \$439/ton, and international flat steel billet transaction prices fell to \$547/ton. Prices of steel products are also lowered, which will continue to compress steel mill profits. However, how to control costs during this turbulent period will be the challenge faced by the steel industry.

Competitive Advantage

- A. Integrated Steelmaking and Rolling: The Company owns two electric arc furnaces with a total production capacity of approximately 600,000 to 650,000 tons. The integrated operation from steelmaking to rolling has a cost advantage over single rolling mills, and it can also be flexibly used for waste treatment, resource recycling, and other purposes. The operation is relatively flexible.
- B. Quality Certification: The Company's rebar has obtained multiple quality certifications and can supply rebar that complies with various standards, such as CNS (Chinese National Standards), ASTM (American Society for Testing and Materials), JIS (Japanese Industrial Standards), BS (British Standards), and Australian/New Zealand Standards.
- C. Comprehensive Product Range: The Company's rebar products cover various diameters and materials, and comply with safety regulations for construction use. We can provide customers with complete services to purchase compliant products.
- D. Stable Supply Channels: The Company has established good and long-term partnerships with distributors, and not only supply rebar of various diameters and materials, but also provide customized rebar cutting services. In recent years, the Company has invested in related plastic shaping equipment to further provide customers with rebar bending and shaping services, enhancing product added value.
- E. Asset Advantages: Both of the Company's steelmaking and rolling plants are located on our own land, and the combined group can use up to 47,000 ping of land. This gives the Company the greatest planning advantage for future expansion, installation of production lines, providing processing services, and integrating steelmaking and rolling lines. In addition, the Company has been standing in the steel industry for more than 50 years and has cultivated

professional managers with years of expertise, skills, and industry experience, which are important assets of the Company.

Development Prospects

Looking ahead to the steel industry in 2023, the impact of factors such as COVID-19, the Russia-Ukraine conflict, China's control policies and lifting of restrictions, and the tight monetary policies of major economies have brought greater uncertainty to the steel industry. In the future, steel prices and demand will be affected by fluctuations in raw material prices and whether China's steel demand will be released after the lifting of restrictions. The Company maintains a continued wait-and-see attitude and will analyze the impact of steel prices and demand on the steel industry from the perspectives of price and quantity.

①Price perspective: In March 2022, the international iron ore price was approximately \$158 per ton, and the price of coking coal used in steelmaking has also seen a significant increase, causing a cost increase problem for steel mills worldwide. The raw material for the Company's steel bar industry is scrap steel, mainly consisting of industrial, economic, consumption, and residential by-products. The supply of scrap steel was reduced due to measures such as lockdowns and border closures at the beginning of the COVID-19 pandemic in 2020, which restricted the decline in finished product prices due to insufficient demand. Therefore, as shown in the scrap steel trend chart in Table 4-3 above, it can be seen that there was a sharp decline followed by a rebound shortly after due to a decline in demand and market panic at the beginning of the pandemic.

In February 2023, a major earthquake hit Turkey, the primary purchaser of scrap steel, temporarily weakening the demand for scrap steel and causing a downturn in the international scrap steel market. However, the massive demand for reconstruction in Turkey is expected to increase the consumption of Turkish steel, and steel mills have started to accumulate inventories of raw materials such as scrap steel. Turkish steel mills have recently purchased multiple batches of scrap steel, with a total amount exceeding 1.1 million tons, with prices reaching as high as \$450 per ton, driving the international scrap steel market upward.

There are three main factors supporting the fundamentals of the steel industry: demand growth, green energy, and raw materials. As the governments of various countries gradually relax pandemic restrictions, they are promoting infrastructure policies to stimulate economic recovery, driving up steel demand. Green development has always been an important issue for the steel industry as it is a heavily polluting industry. In 2021, Mainland China introduced production restrictions to achieve carbon neutrality. According to the World Steel Association (Worldsteel), crude steel production in Mainland China decreased by approximately 2.1% in 2022, indicating that China's steel production restrictions have been effective, and this policy will continue. China is the world's largest producer of crude steel (with a crude steel production of 1.013 billion tons in 2022, accounting for about half of the world's industry), and this policy is bound to affect global steel supply. In view of this, the demand driven by various countries' infrastructure policies and Turkey's post-disaster reconstruction, the reduction in the supply of

steel produced by a major steel producing country, and the increase in steel production costs, the overall situation will be favorable for the development of the steel industry.

② Sales perspective: Internationally, at the beginning of 2020, the demand and supply of steel were greatly reduced due to COVID-19. In 2021, various countries proposed to expand infrastructure policies, which stimulated both demand and supply. In 2022, due to the Russo-Ukrainian War causing inflation and the flat control policy in Mainland China, demand and supply were further reduced. In 2023, the reconstruction after the Turkey disaster and the lifting of the lockdown in Mainland China may drive a significant Increase in steel demand.

Domestically, in addition to the return of Taiwanese businesses and the expansion of TSMC, in December 2022, the Legislative Yuan passed the Fourth Stage of the Forward-looking Infrastructure Development Program's special budget of NT\$209.8 billion, which will drive private investment, stimulate domestic demand, promote job opportunities, increase income, boost consumption momentum, and further stimulate investment to form a positive cycle of economic growth. Therefore, in the near future, public works are in the state of being about to start. The investment amount and scope of major rail and elevated transportation construction projects are relatively large, including solar power infrastructure, offshore wind power, railway construction (various MRT extension lines), urban and rural construction, and related transportation, service, local engineering, and construction industries will bring about a booming development of various types of steel demand.

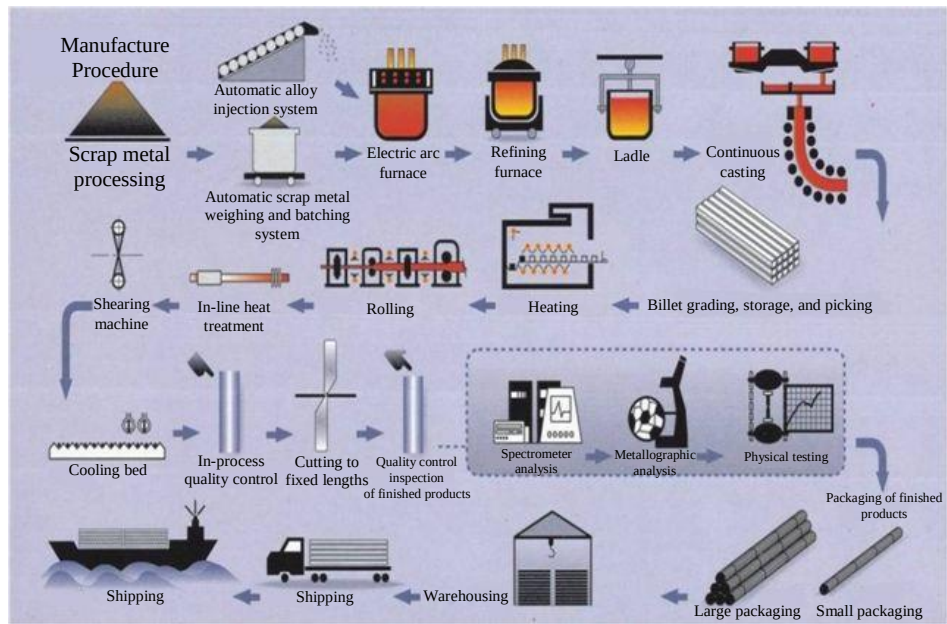
In light of this, the implementation of the government's Forward-looking Infrastructure Development Program in 2022 and the return of Taiwanese businesses to set up factories in Taiwan, the demand for steel in the real estate and public works sectors may expand the domestic market. The Company expects to maintain its competitive advantage while continuously improving equipment efficiency and raising production technology and management levels to reduce costs. On the sales front, we will improve the efficiency of utilizing raw materials, production capacity, and funding through information exchange. As for the Upstream and downstream, we will collaborate with regional partner companies to optimize procurement and logistics efficiency, making the entire industry chain more closely linked and strengthening our bargaining power and product competitiveness.

5.2.3 Applications of Main Products & Manufacturing

1. Applications of main products

Main Products	Applications
Deformed Steel Bar	Steel materials for civil engineering and construction.
Steel Billets	Semi-finished products for rolling steel bars and wire rods.
Black iron wire, annealed wire	Semi-finished products for iron wire, screws, and other fasteners.

2. Manufacturing Process of Main Products



5.2.4 Supply of Main Materials (Semi-finished Products)

1. Scrap Iron: Scrap iron is mainly supplied by domestic and Southeast Asian, Japanese, and American middlemen. In 2022, the foreign supply of scrap iron accounted for about 0.76% of the company's demand, with 99.24% supplied by domestic middlemen. The domestic and foreign supply and ratio will be adjusted according to the quality, market price, and supply of scrap iron at any time.
2. Steel Billet: Steel billet is a semi-finished product for manufacturing rebar. In addition to the steel billet produced by the Company's steelmaking plant for its own use, it also needs to be purchased externally to supplement the insufficient supply. Qualified foreign traders are the main importers, while domestic electric furnace plants provide supplementary supply.

5.2.5 Information on suppliers/clients accounting for more than 10 percent of the total purchases (sales) of goods in any of the most recent two years:

1. Suppliers accounting for more than 10 percent of the total purchases:

Unit: NT\$ thousands

	2021				2022				2023 (As of March 31)			
Item	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	Company A	2,023,720	24.46	None	Company B	1,468,616	15.69	None	Company C	358,035	16.72	None
2												
3												
4												
5												
6												
7												
8												
9												
10												
	Others	6,249,312	75.54	None	Others	7,892,258	84.31	None	Others	1,783,147	83.28	None
	Net Total Supplies	8,273,032	100		Net Total Supplies	9,360,874	100		Net Total Supplies	2,141,182	100	

Note 1: The first quarter of 2023 has already been audited by the accountant.

Note 2: For the fiscal years 2021, 2022, and 2023, Company A reduced its production of self-made steel billets and purchased additional steel billets due to the low international prices of steel billets, which were even lower than the cost of self-made steel billets at times.

2. Clients accounting for more than 10 percent of the total sales:

Unit: NT\$ thousands

	2021				2022				2023 (As of March 31)			
Item	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	Company A	1,528,902	14.95	None	Company A	1,557,812	14.10	None	Company A	236,617	10.03	None
2	Company B	1,244,152	12.17	None								
3	Company C	1,152,512	11.27	None								
4												
5												
6												
7												
8												
9												
10												
	Others	6,299,564	61.61	None	Others	9,487,166	85.90	None	Others	2,122,480	89.97	None
	Net Sales	10,225,130	100		Net Sales	11,044,978	100		Net Sales	2,359,097	100	

Note 1: The first quarter of 2023 has already been audited by the accountant.

Note 2: The fluctuation coefficient of the above-mentioned periods' proportion is within the normal range.

5.2.6 Production Volume/Value in the Past Two Years (Consolidated)

Unit: (Quantity: metric tons) (Amount: NT\$ thousands)

Year Output Main Products	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Small diameter steel bars	600,000	262,301	4,642,027	600,000	261,466	5,139,588
Medium diameter steel bars		142,371	2,550,882		148,625	3,039,953
Large diameter steel bars		97,385	1,708,371		100,751	2,023,419
Other steel products (Note 1)		4,444	80,651		151	3,566
Processing income (Note 2)		-	37,151		-	40,504
Total	600,000	506,501	9,019,082	600,000	510,993	10,247,030

Note 1: Refers to purchases of wire rods from external sources.

Note 2: Includes the price difference between steel bars after cutting and the finished product.

5.2.7 Sales Volume/Value in the Past Two Years (Consolidated)

Unit: (Quantity: metric tons) (Amount: NT\$ thousands)

Year Sales Volume and Value Main Products	2021				2022			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Small diameter steel bars	266,589	5,167,963	-	-	259,768	5,505,474	-	-
Medium diameter steel bars	156,815	3,007,592	-	-	152,924	3,264,840	-	-
Large diameter steel bars	96,608	1,855,087	-	-	98,557	2,092,728	-	-
Other steel products	4,148	139,920	-	-	62	4,517	-	-
Processing income	-	84,748	-	-	-	90,100	-	-
Total	524,160	10,255,310	-	-	511,311	10,957,659	-	-

5.3 Employee Information for the Past Two Years and as of the Publication of the Annual Report

Year		2021	2022	2023 (As of March 31)
Number of employees	Managers	9	9	9
	Production line staff	217	191	217
	Regular employees	124	123	107
	Total	350	323	333
Average age		44	45	45

Average years of service		8.5	7.4	7.3
Education level breakdown (%)	Doctoral degree	0	0	0
	Master's degree	13	12	13
	Bachelor's degree	143	139	144
	High school diploma	173	152	156
	Less than a high school diploma	21	20	20

5.4 Environmental Protection Expenditure Information

1. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made.

- (1) The status for applying for a permit for installing anti-pollution facilities, or permit of pollution drainage:

① Xiaogang Factory

- a. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung City Environmental Protection Bureau Air Operation Permit No. E1713-02) (Electric Arc Furnace Steelmaking Process M01)
- b. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung City Environmental Protection Bureau Air Operation Permit No. E1118-02) (Electric Arc Furnace Steelmaking Process M02)

② Jiaying Factory

- a. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung City Environmental Protection Bureau Air Operation Permit No. E0168-03) (Metal Rolling Process M01)
- b. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung City Environmental Protection Bureau Air Operation Permit No. E1939-00) (Storage Yard Operation Procedure M03)

③ E Chang Factory

- a. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung Environmental Protection Bureau Air Operation Permit No. E2146-00) (Metal Electroplating Process M01)
- b. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung Environmental Protection Bureau Air Operation Permit No. E2153-00) (Metal Surface Coating Process M07)
- c. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung Environmental Protection Bureau Air Operation Permit No. E2147-00) (Other Metal Heat Treatment Process M08)
- d. Kaohsiung City Stationary Pollution Source Operating Permit (Kaohsiung Environmental Protection Bureau Air Operation Permit No. E2149-00) (Other Metal Heat Treatment Process M09)

- (2) The status for paying anti-pollution fees (including air pollution control fee and soil pollution control fee):

① Xiaogang Factory

Amount paid in 2017 was NT\$3,797,335, in 2018 was NT\$4,602,701, in 2019 was NT\$3,583,779, in 2020 was NT\$15,527,442, in 2021 was NT\$5,215,324, and in 2022 was NT\$6,518,046.

- ② Jiaxing Factory
Amount paid in 2018 was NT\$20,631, in 2019 was NT\$28,673, in 2020 was NT\$26,331, in 2021 was NT\$68,083, and in 2022 was NT\$27,656.
- ③ E Chang Factory
Amount paid in 2017 was NT\$0, in 2018 was NT\$125,258, in 2019 was NT\$21,888, in 2020 was NT\$0, in 2021 was NT\$0, and in 2022 was NT\$0.
- (3) The status for organizing and setting up an exclusively responsible unit/office for environmental issues
- ① Xiaogang Factory
- Class A Dedicated Air Pollution Control Specialist: Xue, Wen-Yuan, certified by the Environmental Protection Bureau with license number (89)FA0040265.
 - Class A Waste Disposal Technician: Huang, Yao-Ching, certified by the Environmental Protection Bureau with license number (90)HA150828.
 - Class B Dedicated Wastewater and Sewage Treatment Specialist: Huang, Cheng-Che, certified by the Environmental Protection Bureau with license number (96)GA050528.
- ② Jiaxing Factory
- Class A Dedicated Air Pollution Control Specialist: Lin, Fu-Gui, certified by the Environmental Protection Bureau with license number (88)FB301168.
- ③ E Chang Factory
- Class B Dedicated Air Pollution Control Specialist: Chen, Chang-Yi, certified by the Environmental Protection Bureau with license number (105)FA050549.
 - Class A Waste Disposal Technician: Chen, Chang-Yi, certified by the Environmental Protection Bureau with license number (104) HA080629.
 - Dedicated Wastewater and Sewage Treatment Unit:
Class A Dedicated Wastewater and Sewage Treatment Specialist: Chen, Chang-Yi, certified by the Environmental Protection Bureau with license number (105) GA630541.
Class A Dedicated Wastewater and Sewage Treatment Specialist: Han, Zhen-Chang, certified by the Environmental Protection Bureau with license number (99) GA010849.
Class B Dedicated Wastewater and Sewage Treatment Specialist: Hong, Jian-Ming, certified by the Environmental Protection Bureau with license number (105) GB510518.

2. The Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced.

As of March 31, 202 Unit: NT\$ thousands

Equipment Name	Quantity	Acquisition Date	Investment Cost	Remaining Undepreciated Amount	Use and Expected Benefits
50-ton Furnace Dust Collection Equipment	1 set	79.08.01	110,751	0	To filter out the smoke and dust generated during the steelmaking process and turn it into clean air to avoid air pollution.
BSE Dioxin Reduction Equipment	1 set	108.07.01	26,510	10,003	To reduce dioxin emissions to below 0.5 nanograms to meet environmental protection standards.
Central Water Treatment Equipment	1 set	79.08.01	68,661	5,252	To reduce wastewater discharge and reduce pollution.
Jiaying Factory Water Treatment Equipment	1 set	82.12.31	44,822	0	To reduce wastewater discharge and reduce pollution.
Fastener World Factory Wastewater Treatment Equipment	1 set	111.06.27	48,000	N/A	To reduce the discharge of pollutants in the surface treatment wastewater and recycle the treated wastewater for reuse.

3. The process undertaken by the Company on environmental pollution improvement for the most recent fiscal year and up to the publication date of this annual report: Roofs of Xiaogang, Jiaxing, and E Chang Factories underwent solar power installation projects from 2021 to 2023, in accordance with Article 12, Paragraph 4 of the Renewable Energy Development Act.
4. Any losses suffered by the Company in the most recent fiscal year and up to the publication date of this annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.
- (1) The losses and disposition in the most recent fiscal year and up to the publication date of this annual report

Year	2022	2023 (As of the publication date of this annual report)
Disposition dates & reference numbers	1. No. 20-111-050026 of Kaohsiung Environmental Protection Bureau on May 30, 2022. 2. No. 20-111-060008 of Kaohsiung Environmental Protection Bureau on June 9, 2022. 3. No. 20-111-080030 of Kaohsiung Environmental Protection Bureau on August 24, 2022. 4. No. 20-111-080031 of Kaohsiung Environmental Protection Bureau on August 24, 2022. 5. No. 20-111-110006 of Kaohsiung Environmental Protection Bureau on November 8, 2022.	No violations of laws or regulations up until the publication date.
The articles of law violated	1. Air Pollution Control Act, Article 23, Paragraph 1 2. Air Pollution Control Act, Article 23, Paragraph 1 3. Air Pollution Control Act, Article 24, Paragraph 2 4. Air Pollution Control Act, Article 24, Paragraph 2 5. Air Pollution Control Act, Article 32, Paragraph 1, Subparagraph 1	-
Pollution status (Type, degree)	1. Bag damage in the bag-type dust collector in Xiaogang Factory led to the escape of pollution sources inside the factory. 2. Bag damage in the bag-type dust collector in Xiaogang Factory led to the escape of pollution sources inside the factory. 3. Xiaogang Factory failed to inspect, maintain, and record the cleaning devices for the filtration chambers and filter bags as required by the permit. 4. Xiaogang Factory failed to record the inlet temperature and equipment pressure drop as required by the permit. 5. Improper operation of the excavator during the dumping of slag in Xiaogang Factory caused an explosion and fire, resulting in the escape of pollution sources inside the factory.	-
Compensation amount or disposition	1. A fine of NT\$300,000. 2. A fine of NT\$450,000. 3. A fine of NT\$100,000. 4. A fine of NT\$100,000. 5. A fine of NT\$150,000.	-
Other	1. Repaired/Refurbished already completed. 2. Repaired/Refurbished already completed. 3. Properly recorded already. 4. Properly recorded already. 5. The operating personnel have been instructed to follow the SOP strictly.	-

(2) Future Response Strategy and Potential Expenses

① Future Response Strategy: None.

② Potential expenses for not taking improvement measures: None.

5. The current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years.

(1) Impacts after improvement

①Impact on net profit: No significant impact.

②Impact on competitive position: No significant impact.

- (2) Projected major environment-related capital expenses to be made for the coming 2 fiscal years: None.

5.5 Labor Relations

1. The implementation of various employee benefit measures, training programs, retirement systems, and the status of agreements between labor and management and measures to protect the rights and interests of employees in the Company are as follows:

(1) Employee Welfare Measures:

The Company established the Employee Welfare Committee in February 1979 in accordance with the Labor Welfare Act and actively promotes various employee welfare measures:

①Marriage and funeral subsidies.

②Work-related injury condolence money.

③Various festival bonuses.

④Children's education scholarships.

⑤Encourage employees to take vacation trips and provide travel subsidies.

⑥Establish various cultural, recreational and sports clubs and provide club subsidies.

⑦Organize leisure activities.

(2) Retirement System

The Company established the Labor Retirement Reserve Fund Supervisory Committee in accordance with the Labor Standards Act in October 1986 and has been operating normally. The Company regularly sets aside retirement reserve funds every month according to the stipulated salary ratio and entrusts them to the Labor Retirement Reserve Fund Supervisory Committee. The Committee deposits the funds into a dedicated account at Bank of Taiwan and pays retirement benefits to employees in accordance with the Labor Standards Act. For employees who opt for the new labor pension system, the Company also sets aside retirement funds at a rate of 6% of their monthly salary to their personal accounts at the Labor Insurance Bureau.

(3) Further Study and Training

The Company has developed an annual education and training plan to regularly conduct new employee training and internal training courses, subsidize external professional training courses, and implement an “e-learning” system for online learning to spare no effort in enhancing employee quality and professional competence.

The following is a summary of employee further study and training in 2022:

Training Departments/Personnel	Course Topic
Various Departments/All New Employees	General Safety and Health Education Training (including occupational safety and health regulations, concepts, work rules, on-site worker safety and health regulations, fire and emergency first-aid knowledge and drills, and other safety and health knowledge related to work operations)
General Affairs Dept.	Education and Training Development Management Certification Course
General Affairs Dept.	Payroll Management Certification Course
General Affairs Dept.	Project Management
General Affairs Dept.	Work Report Preparation and Communication Skills
General Affairs Dept.	Problem Analysis and Solution
General Affairs Dept.	Conflict Management
Information Center	TOPTOP GP Report Operation Program
Information Center	Safety and Health Education and Training
Hai Kwang/E Chang/Fastener World Contractors	Contractor On-Site Construction Management Safety and Health Education Training
Auditing Office/Zhu, Ya-Zhi/Cheng, Yi-Ju	Audit Association - In-Service Training Course for Audit Personnel
Sales Dept.	General Safety and Health Education
All members of Finance Dept.	1st to 4th Quarter Tax, Securities Regulation, Audit Law Updates, and Quarterly Double-Rate Analysis In 2022
Finance Dept./Wu, Yu-Hui, Liu, Yu-Ling	2022 Listed Company Business Promotion Conference
Finance Dept./Wu, Yu-Hui, Liu, Yu-Ling	2022 IFRS Promotion Conference
Finance Dept./Wu, Yu-Hui	Sustainable Development Roadmap Industry Theme Promotion Conference
Finance Dept./Wu, Yu-Hui	Corporate Governance Discussion Through Actual Cases of Ownership Disputes
Finance Dept./ Yang, Chien-Chang, Wu, Yu-Hui	12-Hour Professional Development Program For Issuers, Securities Firms, and Stock Exchange Accounting Supervisors in 2022 (Including 3 Hours of Finance, 3 Hours of Professional Ethics and Legal Responsibility, 3 Hours of Corporate Governance, And 3 Hours of Accounting)
Quality Control Section/Yuan, Chen-Yi	Internal Quality Auditor
Quality Control Section/Yuan, Chen-Yi	Quality Control Inspector
Quality Control Section/ Shih, Wei-Ming	Quality Control Inspector
Quality Control Section/Yuan, Chen-Yi	Instrument Calibration Technician
Quality Control Section Chung, Chung-An/Huang, Bao-Yuan Chiu, Chi-Hung/Shih, Wei-Ming	Instrument Calibration Technician
Quality Control Section/Yuan, Chen-Yi	Radiation Inspection Personnel
All members of Quality Control Section	Occupational Safety and Health in the Workplace
Fastener World Factory/Certified Personnel	Overhead Crane Operator Training - Basic
Fastener World Factory/Certified Personnel	Forklift Operator Training - Basic
Various Departments/Certified Personnel	First Aid Refresher Training
Various Departments/Certified Personnel	Hoisting and Rigging Operator Refresher Training (Specialized Class)
Xiaogang Factory/Certified Personnel	Dust Operation Personnel Refresher Training
Various Departments/All Employees (Non-management employees)	General Safety and Health Education Training for In-Service Employees (All employees participate in batches)

Various Departments/Certified Personnel	Overhead Crane Operator Refresher Training (Specialized Class)
Xiaogang Factory/Certified Personnel	Fire Prevention and Management Personnel Training
Various Departments/Certified Personnel	Forklift Operator Refresher Training (Specialized Class)
Various Departments/Certified Personnel	Energy Management Personnel Refresher Training
Steelmaking Dept./Certified Personnel	High-pressure Gas Specific Equipment Operator Refresher Training
Various Departments/Junior Managers	Environmental Education (Climate Change, Nature Conservation, Pollution Control...)
Various Departments/Junior Managers	Heat Injury Prevention and Management Training
Various Departments/Free Participation	Cardiovascular Disease Prevention and Treatment
Refining Subsection	Standard for Safe Operation of Material Lifting by Overhead Crane in Refining Furnace
Refining Subsection	Standard for Safe Handling of Residual Steel from Refining Furnace Cover
Material Handling Subsection	Standard for Safe Operation of 401 Overhead Crane Entering the Furnace
Material Handling Subsection	Standard for Safe Operation of 601 Overhead Crane Entering the Furnace
Material Handling Subsection	Standard for Safe Operation of 605 Overhead Crane Entering the Furnace
Smelting Subsection 2	SOP for EBT Steel Tapping Operation
Smelting Subsection 2	SOP for EBT Dismantling Operation
Smelting Subsection 2	SOP for The Operation of Furnace Internal Cooling and Solidification Repair Work
Maintenance Section Mechanical Subsection	Operation Control and Circuit Description for The Integration of B Furnace Hydraulic System
Maintenance Section Mechanical Subsection	Precautions for Operation and Maintenance of PTI Burner
Maintenance Section Mechanical Subsection	Standard for Safe Replacement of Cooling Pipes in Electric Furnace Water Cooling Equipment
Maintenance Section Mechanical Subsection	Standard for Safe Operation of Overhead Crane Wire Rope Replacement
Maintenance Section Mechanical Subsection	Standard for Safe Operation of Hydraulic System Maintenance and Component Replacement
Maintenance Section Mechanical Subsection	Standard for Safe Operation of Gas Cutting Equipment Use
Maintenance Section Mechanical Subsection	Standard for Safe Operation of Retrieval of Dropped Telescopic Snake Cage Lifting Tool
Maintenance Section Mechanical Subsection	Standard for Safe Operation of Decarburization Equipment Troubleshooting
All members of Electrical Department	Standard for Safe Operation of Electric Cable Reel Disassembly
All members of Electrical Department	New EBT Electrical Control System
All members of Electrical Department	Q Series PLC Fundamentals (1.2)
All members of Electrical Department	Q Series PLC Fundamentals (1.2)
Barrel and Tank Subsection	Standard for Safe Operation of Oxygen Blowing
Barrel and Tank Subsection	Standard for Safe Operation of Slag Bucket Lifting
Barrel and Tank Subsection	Brick Hoisting Operation for Ladle Operation
Barrel and Tank Subsection	Bricklaying Operation for Ladle Operation
Barrel and Tank Subsection	Standard for Safe Operation of Ladle Pouring Mouth Oxygen Cleaning
Barrel and Tank Subsection	Standard for Safe Operation of Ladle Oil Pipe Connection
Barrel and Tank Subsection	Standard for Safe Operation of Slag Bucket Replacement
Casting Subsection	Standard for Safe Operation of Start-Up and Casting of Continuous Casting Equipment and Common Accidents in Pouring
Casting Subsection	Standard for Safe Operation of Cleaning and Replacing Steel Residues at the Sprue of the Casting Mold in the Spray Room
Casting Subsection	Ladle Rotating Platform Railing Correction and Grinding Machine Cutting Operation

Casting Subsection	Standard for Safe Operation of Repairing the Support Frame of the Split Trough Lifting Bracket
All members of Raw Materials Division	Oxidized Slag Treatment Operation
Quality Control Section/Hsu, Yi-Sheng	Fixed Crane
Quality Control Section Sun, Yong-Zhang/Hsu, Shi-Ming/Wang, Jin-Sheng/Weng, Jin-Hui/Tsai, Chung-Pu	Fixed Crane
Quality Control Section/Hsiao, Hsien-Wen/Chen, Chin-Wang	Fixed Crane
Quality Control Section/Yeh, Hsiao-Tsung/Tsai, Tzu-Fu	Fixed Crane
Quality Control Section/Chen, Hung-Yu	Forklift
Quality Control Section/Weng, Jin-Hui/Tsai, Chung-Pu	Forklift
Quality Control Section/Tsai, Chung-Pu	Internal Auditor
All members of Raw Materials Division	Labor Safety
Jiaxing Rolling Mill	New Employee Safety and Health Education and Training
Jiaxing Rolling Mill	Notification of Hazardous Factors in the Workplace Environment
Jiaxing Rolling Mill	Steel and Building Materials Radiation Inspection Personnel Training
Jiaxing Rolling Mill	Process Personnel Course
Jiaxing Rolling Mill	Internal Quality Audit
Jiaxing Rolling Mill	Instrument Calibration Personnel
Jiaxing Rolling Mill	Material Receiving Personnel
Jiaxing Electrical	A510S Inverter Parameter Setting Tutorial
Jiaxing Electrical	A510S Computer Connection Reading and Writing Tutorial
Jiaxing Electrical	CDBR (Brake Module) Diode Measurement Method Training
Jiaxing Electrical	IBA Inspection Waveform Procedure Training
Jiaxing Electrical	Confirmation of Mitsubishi Initial Value Changed Parameter List Training
Jiaxing Electrical	Maintenance of High Voltage Panel, Circuit Breaker Startup, and Barrier Cleaning in Substation
Jiaxing Electrical	Maintenance of Low Voltage Panel and On-site Electrical Equipment
Jiaxing Electrical	Maintenance of Crane Electrical Equipment
Jiaxing Electrical	Maintenance of Public Utility Electrical Equipment
Jiaxing Electrical	Standard Operating Procedure for Corrosion Base Replacement
Jiaxing Electrical	Rolling Mill Equipment Shutdown Switch Car Connection Operation
Jiaxing Electrical	Rolling Mill Motor Cooling Fan Switch
Jiaxing Mechanical	Standard for Safe operation of Pneumatic and Hydraulic Systems
Jiaxing Mechanical	Standard for Maintenance and Safety Operation of Overhead Cranes
Jiaxing Mechanical	Operating Instructions for Replacement of Blower Belts on Rolling Mills
Jiaxing Mechanical	Standard for Maintenance and Safety Operation of Production Line Equipment
Jiaxing Mechanical	Maintenance Procedure for Repairing Forced Rollers and Fixed Rollers on Arch-Shaped Equipment
Jiaxing Mechanical	Standard for Safe Use of Gas Cutting Equipment
Finished Product Section	Standard for Safe Operation of Lifting and Hoisting by Overhead Cranes
Finished Product Section	Standard for Safe Operation of Transfer Carts for Stock Handling
Finished Product Section	Standard for Troubleshooting and Safety Operation of Shearing Machines
Finished Product Section	1. Introduction to Relevant Provisions of Occupational Safety and Health Act

	2. Occupational Safety and Health Video Viewing
Maintenance Section Mechanical Subsection	1. Introduction to Relevant Provisions of Occupational Safety and Health Act 2. Occupational Safety and Health Video Viewing
Rolling Mill A	1. Introduction to Relevant Provisions of Occupational Safety and Health Act 2. Occupational Safety and Health Video Viewing
Rolling Mill B	1. Introduction to Relevant Provisions of Occupational Safety and Health Act 2. Occupational Safety and Health Video Viewing
Rolling Mill C	1. Introduction to Relevant Provisions of Occupational Safety and Health Act 2. Occupational Safety and Health Video Viewing
Electrical Section/Rolling Mill Day	1. Introduction to Relevant Provisions of Occupational Safety and Health Act 2. Occupational Safety and Health Video Viewing

(4) Other Important Contracts: None.

(5) Employee Rights Protection Measures:

In addition to establishing “Work Rules” in accordance with legal regulations to clearly regulate various labor conditions and protect employee rights, the Company also establishes labor-management meetings, employee welfare committees, etc. in accordance with legal regulations. Employee rights can be obtained through the above channels for fair and reasonable treatment. To date, the Company has not had any incidents that have damaged the rights and interests of employees.

(6) Employee Code of Ethics:

The Company places great emphasis on the safety, hygiene, work behavior, and ethics of all employees, and have established Work Rules and Safety and Health Regulations to ensure the protection of employees’ rights and interests.

The Company firmly believes in the following safety principles:

- ① Love oneself, family, and the Company.
- ② Safety first, smooth operation.
- ③ Happiness and harmony for employees and their families.
- ④ Production priority, sustainable management.

The Company’s Work Rules include the following important provisions:

- ① Maintain a clear distinction between public and private affairs and respect each other’s dignity and integrity in all interactions.
- ② Speak and act with honesty and integrity, and refrain from engaging in behavior that damages the Company’s reputation, such as extravagance, luxury, or gambling.
- ③ Do not engage in any outside employment that interferes with the Company’s business or involves the same type of business as the Company.
- ④ Confidentiality must be maintained regarding all trade secrets and technical information of various departments.
- ⑤ Do not arbitrarily access documents, letters, designs, data, etc. that are not under one’s control.
- ⑥ Public affairs should be carefully handled, and no waste or destruction is permitted.
- ⑦ Carry out duties diligently and without fear of difficulty, avoidance, or undue delay.

(7) Measures to protect the Company’s work environment and employees’ personal safety:

The Company strictly requires all employees entering and leaving the production plant to wear safety helmets, safety shoes, protective clothing, safety belts, and other protective equipment. Before starting daily production operations, employees must undergo safety education. The work environment is regularly inspected for dust and noise, and

machinery equipment is equipped with alarms, automatic shut-off devices, grounding for electrical equipment, and leakage prevention devices. The Company ensures automatic inspection of machinery equipment and holds monthly on-site visits by specialist doctors. Additionally, employees undergo annual health check-ups.

2. List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.6 Cyber Security Management

5.6.1 Cyber Security Risk Management Structure

1. The responsibility unit for information security in the Company is the Information Department, which has an Information Manager and professional information personnel. They are responsible for formulating internal information security policies, planning and implementing information security protection, and promoting and implementing information security policies within the Company.
2. The Auditing Department in the Company serves as the supervisory unit for information security, with an Auditing Manager and dedicated audit personnel. They are responsible for supervising the implementation of internal information security measures. If any deficiencies are found during the audit, the audited unit is immediately required to submit relevant improvement plans and specific actions, and the effectiveness of the improvements is tracked regularly to reduce internal information security risks.
3. The organizational operation model adopts a regular audit and cyclical management to ensure the achievement of reliability objectives and continuous improvement. Please refer to Figure 1 for details.

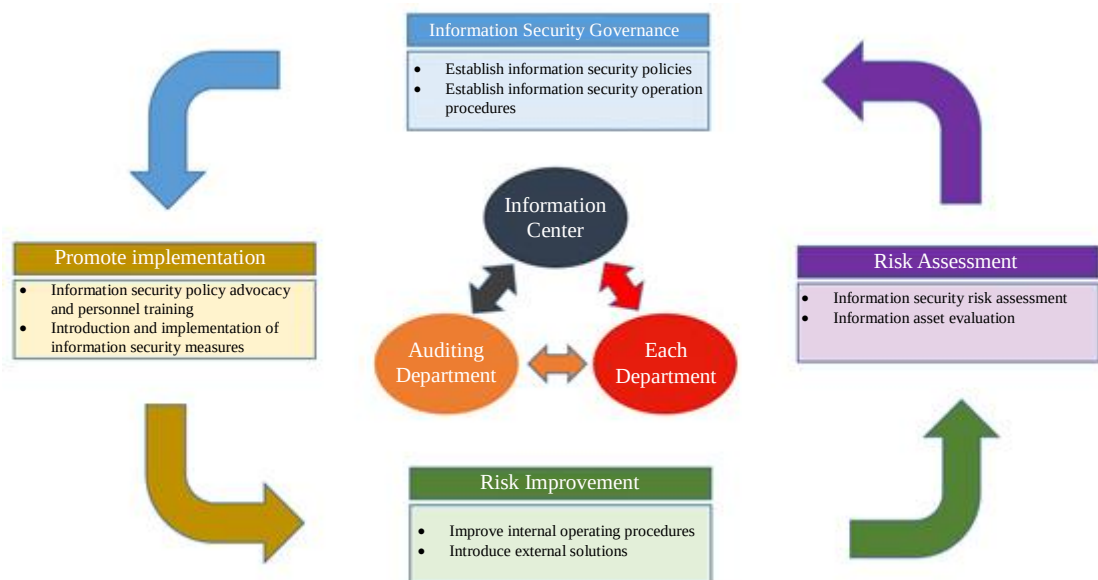


Figure 1: The Company's Cyber Security Risk Management Structure

5.6.2 Cyber Security Policies:

1. Policy Objectives:

- (1) Ensure the security of system hosts, network devices, and network communications, and reduce the risk of information assets being stolen, improperly used, leaked,

tampered with, or destroyed due to human error, intentional acts, or natural disasters, and establish norms for cyber security management.

(2) Enhance the organization's awareness of cyber security:

- ① Confidentiality: Ensure that only authorized personnel can use the information.
- ② Integrity: Ensure that the information used is correct and has not been tampered with.
- ③ Availability: Ensure that authorized personnel can access the required information.

2. Policy Contents:

- (1) The Company must comply with relevant government regulations (such as the Cyber Security Management Act, Criminal Law, Copyright Law, Personal Information Protection Act, etc.) in all aspects of information security management.
- (2) Prevention and warning of information hazards, regular implementation of information security education and training, and promotion of information security policies and related implementation regulations.
- (3) Backup and recovery of information assets, establishing a management mechanism for the use of hosts and networks to coordinate the allocation and use of resources.
- (4) Before the new system and equipment are put online, risks and security factors must be considered to prevent the occurrence of information security hazards.
- (5) Establish physical and environmental security protection measures for the information machine room, and regularly maintain and upkeep them.
- (6) Clearly define the authorization for the use of network systems to prevent unauthorized access.
- (7) Develop an internal audit plan for the information security management system, regularly review the usage of all personnel and equipment within the scope of the information security management system, and prepare and implement corrective and preventive measures based on audit reports.
- (8) Develop a contingency/back-up and restoration exercise for business continuity management to ensure the company's business continuity.
- (9) All personnel of the Company are responsible for maintaining information security and must comply with the company's relevant information security management regulations.
- (10) During the internal and external project management process, all information security requirements related to the project should be clearly specified and stated to ensure the confidentiality, integrity, and availability of internal and external project information, and to reduce the risk of sensitive information (including personal information) leakage and violation of laws and regulations.
- (11) The evaluation and review of the information security policies should be conducted at least once a year to reflect the latest developments in management policies, government regulations, new technological advancements, and company operations, to ensure the feasibility and effectiveness of the information security management system in maintaining business operations and providing appropriate services.

5.6.3 Concrete Management Programs:

The Company's information security management mechanism includes the following three aspects:

- (1) Institutional norms: Establishing the Company's information security management system to regulate the behavior of personnel.
- (2) System protection: Building an information security management system and implementing security management measures.

- (3) Personnel training: Conducting information security education and training to enhance the overall awareness of information security among all employees.

5.6.4 Investments in Resources for Cyber Security Management:

1. System regulations: The Company has established multiple cyber security regulations and policies to regulate the behavior of our personnel in regards to information security. We review these policies annually to ensure they align with changes in the operating environment and adjust them as needed.
2. System protection: To prevent various internal and external security threats, the Company has designed a multi-layered network architecture and implemented various security protection systems to enhance the overall security of our information environment. Additionally, to ensure that our personnel's operational behavior complies with the Company's regulations, we have established audit mechanisms for operational procedures and introduced security management tools to implement personnel information security management measures.
3. Personnel training: The Company regularly implements practical information security education and training courses for new personnel and periodically conducts information security opportunities for promotion to enhance our employees' knowledge and professional skills in information security.
4. Cyber security notification process: Please refer to Figure 2 for details.

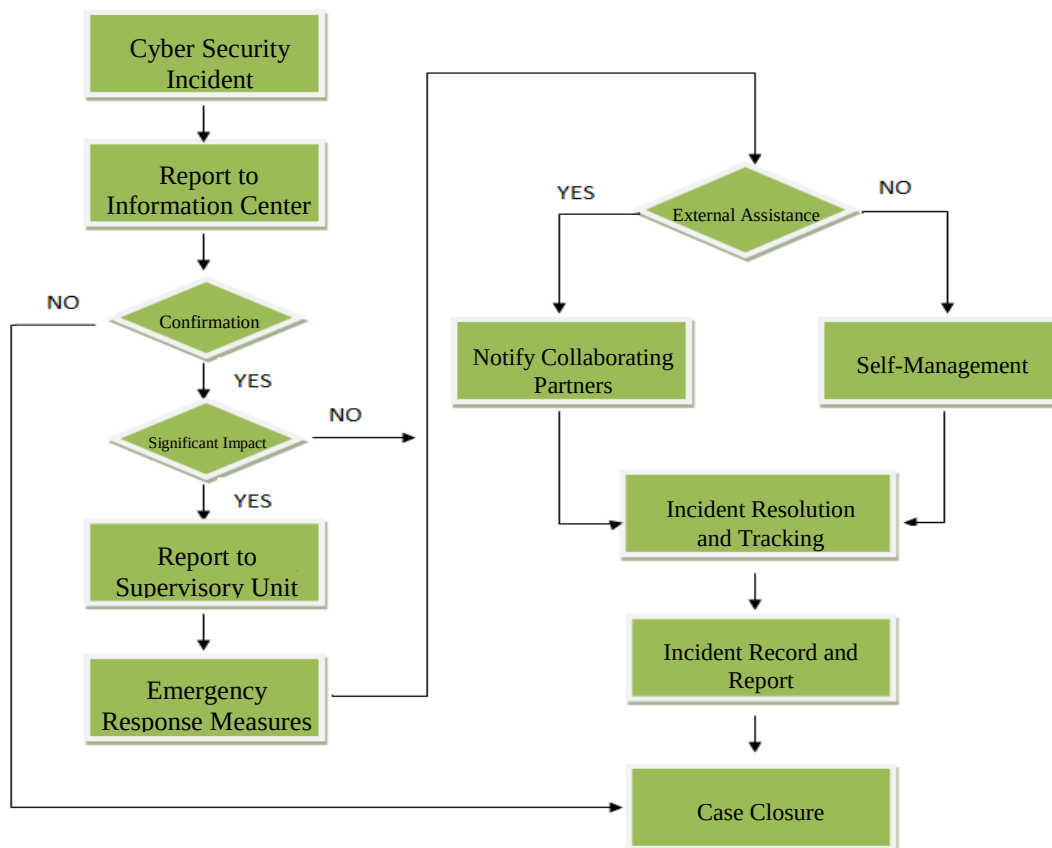


Figure 2: Cyber Security Notification Process

- 5.6.5 List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts

therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Loan Agreement	Union Bank of Taiwan (Note)	2022/8 ~ 2027/8	Medium-term credit agreement	None
	O-Bank	2020/6~2025/6	Medium-term credit agreement	Financial Ratio Restrictions: 1. The current ratio shall not be less than 90%. 2. The debt-to-equity ratio shall not exceed 175%. 3. Tangible net worth shall not be less than NT\$3.1 billion.
	O-Bank	2022/6~2026/12	Medium-term credit agreement	Financial Ratio Restrictions: 1. The current ratio shall not be less than 90%. 2. The debt-to-equity ratio shall not exceed 175%. 3. Tangible net worth shall not be less than NT\$3.1 billion.

Note: The original loan agreement period was from September 2021 to September 2026. However, the same loan agreement and terms were renewed and extended in August 2022 to August 2027.

VI. Financial Profile

6.1 Condensed Balance Sheet and Statement of Comprehensive Income in the Past Five Years

6.1.1 Condensed Balance Sheet

Condensed Balance Sheet – Based on IFRS (Consolidated)

Unit: NT\$ thousands

Fiscal Year Item		Financial Information for the Past Five Fiscal Years					Financial Information as of March 31 of the current Fiscal Year (Note 2)
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Current Assets		3,785,178	3,215,128	3,471,897	3,831,718	4,020,454	4,484,609
Property, Plant and Equipment		3,274,660	3,416,783	3,634,079	4,012,574	4,367,792	4,343,964
Intangible Assets		1,481	2,629	2,220	2,217	6,576	6,800
Other Assets		1,201,548	1,264,278	1,195,420	1,135,810	1,004,707	1,061,129
Total Assets		8,262,867	7,898,818	8,303,616	8,982,319	9,399,529	9,896,502
Current Liabilities	Before Distribution	3,132,929	3,537,456	3,165,313	3,648,018	3,680,850	4,140,228
	After Distribution (Note 3)	3,132,929	3,537,456	3,165,313	3,648,018	3,680,850	4,140,228
Non-current Liabilities		1,405,317	913,489	1,597,890	1,423,248	1,771,310	1,744,386
Total Liabilities	Before Distribution	4,538,246	4,450,945	4,763,203	5,071,266	5,452,160	5,884,614
	After Distribution (Note 3)	4,538,246	4,450,945	4,763,203	5,071,266	5,452,160	5,884,614
Equity Attributable to Owners of the Parent Company		3,244,309	2,973,293	3,064,445	3,601,695	3,653,692	3,726,457
Share Capital		1,812,645	1,812,645	1,812,645	1,812,645	1,812,645	1,812,645
Capital Surplus		268,471	268,471	268,471	386,681	387,863	387,863
Retained Earnings	Before Distribution	386,048	132,443	292,391	660,460	601,594	652,351
	After Distribution (Note 3)	386,048	132,443	292,391	660,460	601,594	652,351
Other Equity		777,145	759,734	690,938	741,909	851,590	873,598
Treasury Shares		0	0	0	0	0	0
Non-controlling Interests		480,312	474,580	475,968	309,358	293,677	285,431
Total Equity	Before Distribution	3,724,621	3,447,873	3,540,413	3,911,053	3,947,369	4,011,888
	After Distribution (Note 3)	3,724,621	3,447,873	3,540,413	3,911,053	3,947,369	4,011,888

Note 1: Financial information from 2018 to 2022 was audited by CPA.

Note 2: Financial information of the 1st quarter of 2023 has been reviewed by CPA.

Note 3: The earnings distribution is not applicable for the non-annual financial data of the 1st quarter of 2023.

Condensed Balance Sheet – Based on IFRS (Individual)

Unit: NT\$ thousands

Fiscal Year Item		Financial Information for the Past Five Fiscal Years					Financial Information as of March 31 of the current Fiscal Year
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Current Assets		3,355,020	2,912,581	3,389,778	3,435,774	3,781,987	Not Applicable
Property, Plant and Equipment		2,338,597	2,288,155	2,161,484	2,244,736	2,384,739	
Intangible Assets		1,481	2,629	2,220	2,217	6,576	
Other Assets		1,958,781	1,974,794	1,974,203	2,567,507	2,475,824	
Total Assets		7,653,879	7,178,129	7,527,685	8,250,234	8,649,126	
Current Liabilities	Before Distribution	3,131,483	3,418,577	3,062,580	3,430,522	3,450,342	
	After Distribution (Note 2)	3,131,483	3,418,577	3,062,580	3,430,522	3,450,342	
Non-current Liabilities		1,278,087	786,259	1,400,660	1,218,017	1,545,092	
Total Liabilities	Before Distribution	4,409,570	4,204,836	4,463,240	4,648,539	4,995,434	
	After Distribution (Note 2)	4,409,570	4,204,836	4,463,240	4,648,539	4,995,434	
Equity Attributable to Owners of the Parent Company		3,244,309	2,973,293	3,064,445	3,601,695	3,653,692	
Share Capital		1,812,645	1,812,645	1,812,645	1,812,645	1,812,645	
Capital Surplus		268,471	268,471	268,471	386,681	387,863	
Retained Earnings	Before Distribution	386,048	132,443	292,391	660,460	601,594	
	After Distribution (Note 2)	386,048	132,443	292,391	660,460	601,594	
Other Equity		777,145	759,734	690,938	741,909	851,590	
Treasury Shares		0	0	0	0	0	
Non-controlling Interests		0	0	0	0	0	
Total Equity	Before Distribution	3,244,309	2,973,293	3,064,445	3,601,695	3,653,692	
	After Distribution (Note 2)	3,244,309	2,973,293	3,064,445	3,601,695	3,653,692	

Note 1: Financial information from 2018 to 2022 was audited by CPA.

Note 2: The earnings distribution of 2022 has been resolved by the Board of Directors, and is subject to the approval of Shareholders' Meeting.

6.1.2 Condensed Statement of Comprehensive Income
Condensed Statement of Comprehensive Income– Based on IFRS (Consolidated)

Unit: NT\$ thousands (NT\$ for earnings(losses) per share)

Fiscal Year Item	Financial Information for the Past Five Fiscal Year					Financial Information as of March 31 of the Current Fiscal Year (Note 2)
	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Operating Revenue	8,142,087	7,953,592	7,600,525	10,225,130	11,044,978	2,359,097
Gross Profit (Loss)	(176,258)	(189,680)	356,770	732,829	309,072	51,593
Operating Income	(325,961)	(332,051)	179,448	520,899	101,253	(-178)
Non-operating Income and Expenses	45,781	9,643	9,927	36,989	136,820	43,571
Profit (Loss) Before Income Tax	(280,180)	(322,408)	189,375	557,888	238,073	43,393
Net Income (Loss) for the Period from Continuing Operations	(203,293)	(259,316)	149,541	442,960	184,099	42,388
Loss from Discontinued Operations	0	0	0	0	0	0
Net Income (Loss) for the Period	(203,293)	(259,316)	149,541	442,960	184,099	42,388
Other Comprehensive Income (Loss) for the Period (Net of Income Tax)	(302,099)	(17,432)	(65,701)	50,122	112,452	22,131
Total Comprehensive Income for the Period	(505,392)	(276,748)	83,840	493,082	296,551	64,519
Net Income Attributable to Owners of Parent	(197,432)	(253,584)	158,031	459,712	210,830	50,757
Net Income (Loss) Attributable to Non-controlling Interests	(5,861)	(5,732)	(8,490)	(16,752)	(26,731)	(8,369)
Total Comprehensive Income Attributable to Owners of Parent	(499,531)	(271,016)	91,152	509,672	322,712	72,765
Total Comprehensive Income Attributable to Non-controlling Interests	(5,861)	(5,732)	(7,312)	(16,590)	(26,161)	(8,246)
Earnings (Losses) Per Share	(1.09)	(1.40)	0.87	2.54	1.16	0.28

Note 1: Financial information from 2018 to 2022 was audited by CPA.

Note 2: Financial information of the 1st quarter of 2023 has been reviewed by CPA.

Condensed Statement of Comprehensive Income— Based on IFRS (Individual)

Unit: NT\$ thousands (NT\$ for earnings(losses) per share)

Fiscal Year Item	Financial Information for the Past Five Fiscal Year (Note 1)					Financial Information as of March 31 of the Current Fiscal Year
	2018	2019	2020	2021	2022	
Operating Revenue	8,142,087	7,953,592	7,639,496	10,233,447	10,959,584	Not Applicable
Gross Profit (Loss)	(179,776)	(194,390)	337,261	721,177	348,568	
Operating Income	(306,386)	(313,178)	203,539	569,543	194,067	
Non-operating Income and Expenses	32,198	(3,498)	(5,636)	5,095	70,688	
Profit (Loss) Before Income Tax	(274,188)	(316,676)	197,903	574,638	264,755	
Net Income (Loss) for the Period from Continuing Operations	(197,432)	(253,584)	158,031	459,712	210,830	
Loss from Discontinued Operations	0	0	0	0	0	
Net Income (Loss) for the Period	(197,432)	(253,584)	158,031	459,712	210,830	
Other Comprehensive Income (Loss) for the Period (Net of Income Tax)	(302,099)	(17,432)	(66,879)	49,960	111,882	
Total Comprehensive Income for the Period	(499,531)	(271,016)	91,152	509,672	322,712	
Net Income Attributable to Owners of Parent	(197,432)	(253,584)	158,031	459,712	210,830	
Net Income (Loss) Attributable to Non-controlling Interests	0	0	0	0	0	
Total Comprehensive Income Attributable to Owners of Parent	(499,531)	(271,016)	91,152	509,672	322,712	
Total Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0	
Earnings (Losses) Per Share	(1.09)	(1.40)	0.87	2.54	1.16	

Note 1: Financial information from 2018 to 2022 was audited by CPA.

6.1.3 Auditors' Names and Opinions for the Past Five Years

Year	Accounting Firm	Name of CPAs	Audit Opinion
2018	Deloitte & Touche Taiwan	Hsu, Jui-Hsuan Liu, Yu-Hsiang	Unqualified Opinion
2019	Deloitte & Touche Taiwan	Hsu, Jui-Hsuan Liu, Yu-Hsiang	Unqualified Opinion
2020	Deloitte & Touche Taiwan	Wu, Chiu-Yen Wang, Zhao-Qun	Unqualified Opinion
2021	Deloitte & Touche Taiwan	Wang, Zhao-Qun Wu, Chiu-Yen	Unqualified Opinion
2022	Deloitte & Touche Taiwan	Wang, Zhao-Qun Wu, Chang-Jun	Unqualified Opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis – Based on IFRS (Consolidated)

Fiscal Year Item (Note 3)		Financial Information for the Past Five Years (Note 1)					As of March 31 of the Current Fiscal Year (Note 1)
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt to Assets Ratio	54.92	56.35	57.36	56.46	58.01	59.46
	Ratio of Long-term Capital to Property, Plant and Equipment	132.72	102.89	130.51	124.27	123.00	125.04
Solvency (%)	Current Ratio	120.82	90.89	109.69	105.04	109.23	108.32
	Quick Ratio	42.75	28.03	28.41	44.53	40.89	41.05
	Times Interest Earned	(4.24)	(3.3)	4.68	15.82	4.74	3.08
Operating Performance	Accounts Receivable Turnover (Times)	9.11	8.92	10.35	11.11	10.15	8.38
	Average Collection Days	40.05	40.92	35.27	32.85	35.96	43.54
	Inventory Turnover (Times)	4.34	4.06	3.30	4.24	5.27	4.18
	Accounts Payable Turnover (Times)	18.56	19.11	16.58	18.53	18.37	15.55
	Average Days in Sales	84.10	90.12	110.94	86.29	69.26	87.32
	Property, Plant and Equipment Turnover (Times)	2.47	2.36	2.16	2.67	2.64	2.17
	Total Asset Turnover (Times)	1.00	0.98	0.94	1.18	1.20	0.98
Profitability	Return on Total Assets (%)	(1.89)	(2.40)	2.37	5.47	2.56	0.61
	Return on Equity (%)	(5.65)	(8.16)	4.28	11.89	4.69	1.07
	Ratio of Income Before Tax to Paid-in Capital (%) (Note 7)	(15.46)	(17.79)	10.45	30.78	13.13	2.39
	Net Profit (Loss) Margin (%)	(2.43)	(3.19)	1.97	4.33	1.67	1.80
	Earnings (Loss) Per Share (NT\$)	(1.09)	(1.40)	0.87	2.54	1.16	0.28
Cash Flow	Cash Flow Ratio (%)	(26.29)	10.46	(1.74)	32.48	1.24	(8.14)
	Cash Flow Adequacy Ratio (%)	(4.11)	35.88	(29.72)	(15.65)	21.85	39.17
	Cash Reinvestment Ratio (%)	(9.21)	4.48	(0.61)	11.59	(2.25)	(3.32)
Leverage	Operating Leverage	(0.38)	(0.64)	2.88	1.76	9.09	(1062.59)
	Financial Leverage	0.86	0.82	1.40	1.08	2.69	0.01

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

Note 1: The above financial information has been audited or reviewed by CPA.

Note 2: Reasons for changes in the financial ratios in the most recent 2 years are as follows:

1. Solvency:
Times Interest Earned: The decrease in earnings in 2022 led to a decrease in the Times Interest Earned.
2. Operating Performance:
Inventory Turnover (Times): The increase in inventory turnover in 2022 was mainly due to an increase in cost of goods sold and a decrease in average inventory.
3. Profitability: All profitability indicators decreased in 2022 compared to 2021, mainly due to the continuous increase in raw material prices such as scrap iron and steel billets, while the selling price of steel bars remained at the same level as before, resulting in a decrease in profit, gross profit, and net income compared to the previous year.
4. Cash Flow: The net cash inflow from operating activities in 2022 was NT\$45,670 thousand, a decrease from NT\$1,184,892 thousand in 2021, mainly due to an increase in inventory and a decrease in profitability and contract liabilities.
5. Leverage: The increase in leverage in 2022 was mainly due to an increase in operating costs.

Note 3: The following calculation formulas apply to the analysis items above:

1. Financial structure
(1) Debt to assets ratio = total liabilities / total assets.
(2) Ratio of long-term capital to property, plant and equipment = (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) Times interest earned = earnings before tax and interest expenses / current interest expenses.
3. Operating performance

- (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
- (2) Average collection days = 365 / accounts receivable turnover.
- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
- (5) Average days in sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average total equity.
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income – interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

6.2.2 Financial Analysis – Based on IFRS (Individual)

Fiscal Year Item (Note 3)		Financial Information for the Past Five Years (Note 1)					As of March 31 of the Current Fiscal Year
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt to Assets Ratio	57.61	58.58	59.29	56.34	57.46	Not Applicable
	Ratio of Long-term Capital to Property, Plant and Equipment	185.85	153.63	194.17	204.88	208.81	
Solvency (%)	Current Ratio	107.14	85.20	110.68	100.15	109.61	
	Quick Ratio	36.69	26.07	27.38	38.05	35.97	
	Times Interest Earned	(4.13)	(3.23)	4.85	16.27	5.16	
Operating Performance	Accounts Receivable Turnover (Times)	9.11	8.91	10.33	11.10	10.19	
	Average Collection Days	40.05	40.96	35.33	32.89	35.84	
	Inventory Turnover (Times)	4.35	4.06	3.32	4.23	5.20	
	Accounts Payable Turnover (Times)	18.57	20.13	18.32	19.34	18.46	
	Average Days in Sales	83.98	89.96	109.98	86.24	70.20	
	Property, Plant and Equipment Turnover (Times)	3.45	3.44	3.43	4.65	4.73	
	Total Asset Turnover (Times)	1.09	1.07	1.04	1.30	1.30	
	Profitability	Return on Total Assets (%)	(2.07)	(2.61)	2.71	6.21	
Return on Equity (%)		(5.65)	(8.16)	5.23	13.79	5.81	
Ratio of Income Before Tax to Paid-in Capital (%) (Note 7)		(15.13)	(17.47)	10.92	31.70	14.61	
Net Profit (Loss) Margin (%)		(2.42)	(3.19)	2.07	4.49	1.92	
Earnings (Loss) Per Share (NT\$)		(1.09)	(1.40)	0.87	2.54	1.16	
Cash Flow	Cash Flow Ratio (%)	(24.60)	12.17	(1.25)	35.86	2.59	
	Cash Flow Adequacy Ratio (%)	(0.80)	46.52	(27.40)	(13.05)	39.04	
	Cash Reinvestment Ratio (%)	(9.21)	5.42	(0.45)	12.75	(1.92)	
Leverage	Operating Leverage	(0.39)	(0.67)	2.48	1.59	4.76	
	Financial Leverage	0.85	0.81	1.34	1.07	1.49	
Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)							

Note 1: The above financial information has been audited or reviewed by CPA.

Note 2: Reasons for changes in the financial ratios in the most recent 2 years are as follows:

1. Solvency:

Times Interest Earned: The decrease in profit before income tax in 2022 led to a decrease in the Times Interest Earned.

2. Operating Performance:

Inventory Turnover (Times): The increase in inventory turnover in 2022 was mainly due to an increase in cost of goods sold and a decrease in average inventory.

3. Profitability: All profitability indicators decreased in 2022 compared to 2021, mainly due to the continuous increase in raw material prices such as scrap iron and steel billets, while the selling price of steel bars remained at the same level as before, resulting in a decrease in profit, gross profit, and net income compared to the previous year.

4. Cash Flow: The net cash inflow from operating activities in 2022 was NT\$89,218 thousand, a decrease from NT\$1,184,892 thousand in 2021, mainly due to an increase in inventory and a decrease in profitability and contract liabilities.

5. Leverage: The increase in leverage in 2022 was mainly due to an increase in operating costs.

Note 3: The following calculation formulas apply to the analysis items above:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (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) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

- (2) Average collection days = 365 / accounts receivable turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
 - (5) Average days in sales = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
- (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average total equity.
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income – interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

6.3 Audit Committee's Review Report of the Latest Financial Report

HAI-KWANG ENTERPRISE CO., LTD Year 2022 Audit Committee's Review Report

The Board of Directors has prepared the Business Report, Financial Statements(including consolidated Financial Statements) and earning distribution proposal for the year ended December 31, 2022.

Certified Public Accountants of Deloitte Taiwan, Wang, Zhao-Qun and Wu, Zhang-Jun, have completed the audits and have issued an audit report.

The above-mentioned business report, financial statements and earning distribution proposal have been reviewed and determined to be correct by the Audit Committee.

We hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

HAI-KWANG ENTERPRISE CO., LTD
Convener of the Audit Committee:Guo, Shi-Xian
March 24, 2023

6.4 Latest Consolidated Financial Statements and Independent Auditors' Report

**HAI-KWANG ENTERPRISE
CO., LTD.
AND SUBSIDIARIES**

**Consolidated Financial Statements
with Independent Auditors' Report
For the Years Ended December 31, 2022
and 2021**

Address : No. 12, Yanhai 2nd Rd., Xiaogang
Dist., Kaohsiung City, Taiwan
Telephone : (07)8021011

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Declaration of Consolidated Financial Statements of Affiliated Enterprises

The companies required to be included in the consolidated financial statements (for the years ended December 31, 2022) of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the years ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Company Name : HAI-KWANG ENTERPRISE CO., LTD.

Chairman : Huang, Wei-Han

March 24, 2023

Independent Auditors' Report

To HAI-KWANG ENTERPRISE CO., LTD. :

Opinion

We have audited the accompanying financial statements of HAI-KWANG ENTERPRISE CO., LTD. and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows :

Authenticity of revenue recognition

The operating revenue of the Group is mainly from the sales revenue of reinforcing steel bars. As the sales revenue of part of the items grew significantly in 2022, according to regulation of Statement of Auditing Standard, which presumes that there is significant risk in revenue, the authenticity of sales revenue recognition of the aforementioned specific items is identified as a key audit matter.

Please refer to Note 4 and 20 to the consolidated financial statements for the accounting policies and information disclosed of sales revenue recognition. The audit procedures for the sales revenue recognition of the aforementioned specific items implemented are as follows :

1. Obtain an understanding and test the effectiveness of internal control related to the authenticity of sales revenue recognition ;
2. Select appropriate samples of specific sales items from sales revenue account, check whether the delivery orders have been signed by customers, verify the record of receiving the payments and check whether the payers are consistent with the sales counterparties, to ensure the authenticity of revenue.

Other Matter

We have also audited the parent company only financial statements of HAI-KWANG ENTERPRISE CO., LTD. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

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

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, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence

the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wang, Chao-Chin and Wu, Chang-Jin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2023

Notice to Readers

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

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

HAI-KWANG ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Note 4 and 6)	\$ 360,852	4	\$ 446,128	5
Current financial assets at fair value through profit or loss (Note 4 and 7)	26,700	-	14,481	-
Current financial assets at fair value through other comprehensive income (Note 4 and 8)	70,840	1	33,939	1
Notes receivables (Note 4, 9, and 27)	92,785	1	108,593	1
Accounts receivables, net (Note 4, 9, and 27)	953,795	10	1,021,227	12
Other receivables	3,349	-	163	-
Current tax assets (Note 22)	597	-	179	-
Inventories (Note 4, 5, and 10)	2,072,295	22	1,999,568	22
Prepayments	295,684	3	104,713	1
Other financial assets—current (Note 4, 11, and 28)	139,731	2	97,541	1
Other current assets	1,207	-	3,028	-
Costs to fulfill contracts—current (Note 20)	2,619	-	2,158	-
Total current assets	<u>4,020,454</u>	<u>43</u>	<u>3,831,718</u>	<u>43</u>
Non-current assets				
Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	858,549	9	786,537	9
Property, plant and equipment (Note 4, 13, 27 and 28)	4,367,792	46	4,012,574	45
Intangible assets (Note 4)	6,576	-	2,217	-
Deferred tax assets (Note 4 and 22)	89,707	1	144,919	1
Prepayments for equipment	49,602	1	195,874	2
Refundable deposits	246	-	222	-
Net defined benefit assets—non-current (Note 4 and 18)	178	-	-	-
Other non-current assets	6,425	-	8,258	-
Total non-current assets	<u>5,379,075</u>	<u>57</u>	<u>5,150,601</u>	<u>57</u>
Total assets	<u>\$ 9,399,529</u>	<u>100</u>	<u>\$ 8,982,319</u>	<u>100</u>
Liabilities and equity				
Current Liabilities				
Short-term borrowings (Note 14 and 28)	\$ 2,011,169	22	\$ 1,354,547	15
Short-term notes payables (Note 14)	289,490	3	709,351	8
Current financial liabilities at fair value through profit or loss (Note 4 and 7)	26,929	-	17,695	-
Current contract liabilities (Note 4 and 20)	185,290	2	358,408	4
Notes payables (Note 15 and 18)	91,226	1	87,143	1
Accounts payables (Note 15 and 27)	486,141	5	504,524	6
Other payables (Note 4, 16, and 27)	318,128	3	322,802	3
Current provisions (Note 4 and 17)	53,215	1	91,144	1
Long-term borrowings, current portion (Note 14 and 28)	208,297	2	191,795	2
Other current liabilities	10,965	-	10,609	-
Total current liabilities	<u>3,680,850</u>	<u>39</u>	<u>3,648,018</u>	<u>40</u>
Non-current liabilities				
Long-term borrowings (Note 14 and 28)	1,424,844	15	1,075,357	12
Non-current provisions (Note 4 and 17)	104,822	1	100,383	1
Deferred tax liabilities (Note 4 and 22)	241,633	3	242,451	3
Net defined benefit liabilities (Note 4 and 18)	-	-	5,046	-
Guaranteed deposits received	11	-	11	-
Total non-current liabilities	<u>1,771,310</u>	<u>19</u>	<u>1,423,248</u>	<u>16</u>
Total liabilities	<u>5,452,160</u>	<u>58</u>	<u>5,071,266</u>	<u>56</u>
Equity attributable to the owner of the parent company (Note 19)				
Ordinary shares	1,812,645	19	1,812,645	20
Capital surplus	387,863	4	386,681	4
Retained earnings				
Legal reserve	61,865	1	15,995	-
Special reserve	156,469	2	156,469	2
Unappropriated earnings	383,260	4	487,996	6
Total retained earnings	<u>601,594</u>	<u>7</u>	<u>660,460</u>	<u>8</u>
Other equity	851,590	9	741,909	8
Total equity attributable to the owner of the parent company	<u>3,653,692</u>	<u>39</u>	<u>3,601,695</u>	<u>40</u>
Non-controlling interests (Note 19 and 24)	<u>293,677</u>	<u>3</u>	<u>309,358</u>	<u>4</u>
Total equity	<u>3,947,369</u>	<u>42</u>	<u>3,911,053</u>	<u>44</u>
Total liabilities and equity	<u>\$ 9,399,529</u>	<u>100</u>	<u>\$ 8,982,319</u>	<u>100</u>

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

HAI-KWANG ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except EPS expressed in NTD)

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Note 4, 20, and 27)				
Sales revenue	\$ 10,867,558	98	\$ 10,140,438	99
Service revenue	<u>177,420</u>	<u>2</u>	<u>84,692</u>	<u>1</u>
Total operating revenue	<u>11,044,978</u>	<u>100</u>	<u>10,225,130</u>	<u>100</u>
Operating costs (Note 4, 10, 21, and 27)				
Costs of goods sold	10,570,126	96	9,432,360	92
Service costs	<u>165,780</u>	<u>1</u>	<u>59,941</u>	<u>1</u>
Total operating costs	<u>10,735,906</u>	<u>97</u>	<u>9,492,301</u>	<u>93</u>
Net gross profit	<u>309,072</u>	<u>3</u>	<u>732,829</u>	<u>7</u>
Operating expenses (Note 21 and 27)				
Selling expenses	82,539	1	52,558	-
Administrative expenses	124,704	1	158,584	2
Research and development expense	<u>576</u>	<u>-</u>	<u>788</u>	<u>-</u>
Total operating expenses	<u>207,819</u>	<u>2</u>	<u>211,930</u>	<u>2</u>
Net operating income	<u>101,253</u>	<u>1</u>	<u>520,899</u>	<u>5</u>
Non-operating income and expenses (Note 21)				
Interests revenue	4,687	-	814	-
Other revenue	48,711	1	41,419	-
Other gains and losses	147,018	1	32,398	-
Finance costs	(<u>63,596</u>)	(<u>1</u>)	(<u>37,642</u>)	<u>-</u>
Total non-operating income and expenses	<u>136,820</u>	<u>1</u>	<u>36,989</u>	<u>-</u>
Profit before tax	238,073	2	557,888	5

(continued on next page)

(continued)

	2022		2021	
	Amount	%	Amount	%
Income tax expenses (Note 4 and 22)	\$ 53,974	-	\$ 114,928	1
Profit	184,099	2	442,960	4
Other comprehensive income (Note 18, 19, and 22)				
Items not to be reclassified into profit or loss				
Remeasurements of defined benefit plans	2,339	-	(1,263)	-
Unrealized valuation gains and losses from equity instrument investments measured at fair value through other comprehensive income	110,581	1	51,133	1
Income tax related to items of other comprehensive income not to be reclassified to profit or loss	(468)	-	252	-
Other comprehensive income (net of tax)	112,452	1	50,122	1
Total comprehensive income	\$ 296,551	3	\$ 493,082	5
Net profit attributable to :				
Owners of the parent	\$ 210,830	2	\$ 459,712	4
Non-controlling interests	(26,731)	-	(16,752)	-
	\$ 184,099	2	\$ 442,960	4
Total comprehensive income (loss) attributable to :				
Owners of the parent	\$ 322,712	3	\$ 509,672	5
Non-controlling interests	(26,161)	-	(16,590)	-
	\$ 296,551	3	\$ 493,082	5
Earnings per share (Note 23)				
Basic	\$ 1.16		\$ 2.54	
Diluted	\$ 1.16		\$ 2.53	

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

HAI-KWANG ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Retained earnings					Other equity	Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized valuation gains and losses from equity instrument investments measured at fair value through other comprehensive income			
Balance at January 1, 2021	\$ 1,812,645	\$ 268,471	\$ -	\$ 132,443	\$ 159,948	\$ 690,938	\$ 3,064,445	\$ 475,968	\$ 3,540,413
Appropriation and distribution of 2020 earnings (Note 19)									
Legal reserve	-	-	15,995	-	(15,995)	-	-	-	-
Special reserve	-	-	-	24,026	(24,026)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(90,632)	-	(90,632)	-	(90,632)
	-	-	15,995	24,026	(130,653)	-	(90,632)	-	(90,632)
Profit of 2021	-	-	-	-	459,712	-	459,712	(16,752)	442,960
Other comprehensive income of 2021, net of tax	-	-	-	-	(1,011)	50,971	49,960	162	50,122
Total comprehensive income of 2021	-	-	-	-	458,701	50,971	509,672	(16,590)	493,082
Difference between consideration and carrying amount of subsidiaries acquired (Note 24)	-	118,210	-	-	-	-	118,210	(167,420)	(49,210)
Increase in non-controlling interests	-	-	-	-	-	-	-	17,400	17,400
Balance at December 31, 2021	1,812,645	386,681	15,995	156,469	487,996	741,909	3,601,695	309,358	3,911,053
Appropriation and distribution of 2021 earnings (Note 19)									
Legal reserve	-	-	45,870	-	(45,870)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(271,897)	-	(271,897)	-	(271,897)
	-	-	45,870	-	(317,767)	-	(271,897)	-	(271,897)
Profit of 2022	-	-	-	-	210,830	-	210,830	(26,731)	184,099
Other comprehensive income of 2022, net of tax	-	-	-	-	1,871	110,011	111,882	570	112,452
Total comprehensive income of 2022	-	-	-	-	212,701	110,011	322,712	(26,161)	296,551
Difference between consideration and carrying amount of subsidiaries acquired (Note 24)	-	1,182	-	-	-	-	1,182	(1,182)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	11,600	11,600
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	330	(330)	-	62	62
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	\$ 1,812,645	\$ 387,863	\$ 61,865	\$ 156,469	\$ 383,260	\$ 851,590	\$ 3,653,692	\$ 293,677	\$ 3,947,369

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

HAI-KWANG ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities		
Profit before tax	\$ 238,073	\$ 557,888
Items of income and expense		
Depreciation expenses	247,035	193,728
Amortization expenses	11,326	10,631
Net losses (gains) on financial instruments at fair value through profit or loss	(299,885)	2,283
Financial costs	63,596	37,642
Interests revenue	(4,687)	(814)
Dividends revenue	(40,650)	(30,436)
Loss (Gain) from disposal of property, plant and equipment	2,456	(41)
Inventory valuation losses	416	28,052
Increase in provisions	29,422	95,390
Net changes in operating assets and liabilities		
Financial instruments mandatorily measured at fair value through profit or loss	312,123	6,229
Notes receivables	15,808	(85,914)
Accounts receivables	67,432	(333,373)
Other receivables	(3,163)	46
Inventories	(73,143)	452,930
Prepayments	(190,236)	(40,499)
Other current assets	1,821	(2,334)
Costs to fulfill contracts	(461)	(2,158)
Net defined benefit assets	(178)	-
Contract liabilities	(173,118)	146,293
Notes payables	2,881	20,905
Accounts payables	(18,383)	167,599
Other payables	(14,511)	91,775
Provisions	(62,912)	(71,718)
Other current liabilities	356	188
Net defined benefit liabilities	(2,707)	(17,558)
Cash inflow generated from operations	108,711	1,226,734
Interest received	4,664	821
Interest paid	(67,239)	(42,677)
Income taxes refund (paid)	(466)	14
Net cash inflow provided by operating activities	45,670	1,184,892

(continued on next page)

(continued)

	2022	2021
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 387)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,730	-
Acquisition of financial assets at fair value through profit or loss	(15,223)	(5,000)
Disposal of financial assets at fair value through profit or loss	-	8,672
Acquisition of property, plant and equipment	(445,548)	(579,739)
Proceeds from disposal of property, plant and equipment	1,197	800
Decrease (increase) in refundable deposits	(24)	1,980
Acquisition of intangible assets	(5,841)	(733)
Increase in other financial assets	(42,190)	(70,712)
Increase in other non-current assets	(8,011)	(8,292)
Dividends received	<u>40,650</u>	<u>30,436</u>
Net cash outflow provided by investing activities	(<u>473,260</u>)	(<u>622,975</u>)
Cash flows from financing activities		
Increase in short-term borrowings	10,189,807	7,595,713
Decrease in short-term borrowings	(9,533,185)	(8,045,868)
Increase (Decrease) in short-term notes payables	(420,000)	430,000
Increase in long-term borrowings	1,056,469	564,750
Repayment of long-term borrowings	(690,480)	(675,069)
Decrease in guaranteed deposits received	-	(2,084)
Cash dividends paid	(271,897)	(90,632)
Acquisition of equity of subsidiaries	-	(49,210)
Changes in non-controlling interests	<u>11,600</u>	<u>17,400</u>
Net cash inflow (outflow) provided by financing activities	<u>342,314</u>	(<u>255,000</u>)
Increase (decrease) in cash and cash equivalents	(85,276)	306,917
Cash and cash equivalents at the beginning of period	<u>446,128</u>	<u>139,211</u>
Cash and cash equivalents at the end of period	<u>\$ 360,852</u>	<u>\$ 446,128</u>

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

HAI-KWANG ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Except as indicated, Expressed in thousands of New Taiwan Dollars)

1. Company history

HAI-KWANG ENTERPRISE CO., LTD. (the “Company”) is established in 1969, and is principally engaged in the manufacture, processing, sales, and trade of billets and rebars.

The consolidated financial statements are expressed in the Company’s functional currency, “New Taiwan Dollar.”

2. Approval date and procedures of the parent company only financial statements

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2023.

3. New standards, amendments and interpretations adopted

(1). The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (the “FSC”), and the first-time adoption incurs no significant impact to the accounting policies of the Group.

(2). The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

The Group assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(3). The IFRSs issued by IASB but not yet endorsed by the FSC

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

Note 1 : Except as indicated, the abovementioned new, revised, or amended standards or interpretations are applicable since the annual reporting period beginning on or after the effective date per IASB.

Note 2 : The amendments to IFRS 16 are retrospectively applicable to sale and lease back contracts signed by the seller-lessor after the first-adoption of IFRS 16.

As of the date the consolidated financial statements are issued, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary of significant accounting policies

(1). Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRSs endorsed and issued into effect by the FSC.

(2). Basis of preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for defined benefit assets or liabilities, which are recognized by present value of defined benefit obligations net of the fair value of plan assets. Fair value measurement can be categorized by the level of observability and significant into level 1 to level 3 :

1. Level 1 inputs : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
2. Level 2 inputs : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (the prices) or indirectly (derive from the prices)
3. Level 3 inputs : unobservable inputs for the assets or liabilities

(3).Classification of non-current and current assets and liabilities
Current assets include :

1. the assets held primarily for the purpose of trading ;
2. the assets expected to be realized within twelve months after the balance sheet date ; and
3. cash and cash equivalents (excluding the assets restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.)

Current liabilities include :

1. the liabilities held primarily for the purpose of trading ;
2. the liabilities due to be settled within twelve months after the balance sheet date , and
3. the liabilities of which the Group does not have an unconditional right to defer settlement for at least twelve months after the balance sheet date.

An asset or a liability that is not current shall be classified as a non-current asset or liability.

(4).Basis of consolidation

1. Basis of consolidation

The Company and all the entities controlled by the Company (subsidiaries) are included in the Group's consolidated financial statements.

Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.

All intra-group transactions, balances, unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Subsidiaries included in the consolidated financial statements
Please refer to Note 21 for the details of subsidiaries, percentage of ownership and operations.

(5).Foreign currencies

In preparation the financial statements of each entity, transactions in currencies other than the entity's functional currency (foreign currencies) are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency.

At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate at the balance sheet date. Except the translation differences arising from hedging transactions for hedging part of the exchange rate risk, the exchange differences arising from settlement or translation of monetary items shall be recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure, and the exchange differences shall be recognized in profit or loss. When the profit or loss arising from exchange differences arising on the non-monetary items are recognize in other comprehensive income, the exchange differences arising on the retranslation of such profit or loss are also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and shall not be translated again.

(6).Inventories

Inventories include raw materials, materials, work in process, goods and tailings. Inventories are valued at the lower of cost and net realizable value item by item, unless the inventories are in the same categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The costs of inventories are calculated by weighted-average method.

(7).Property, plant and equipment

Property, plant and equipment are initially recognized by acquisition cost, and are measured subsequently by the cost less any accumulated depreciation.

Property, plant and equipment under construction are recognized by cost, including the professional service expenses and the borrowing costs eligible for capitalization. While bringing an item of property, plant and equipment to the condition necessary for it to be capable of operating in the manner intended, samples produced when testing whether the asset is functioning properly shall be measured at the lower of cost and net realizable value, and the proceeds from selling such items, and the cost of those items shall be recognized in profit or loss. After the asset is completed and brought to the condition necessary for it to be capable of operating in the manner intended, it shall be classified in the appropriate category of property, plant and equipment, and depreciated.

The property, plant and equipment acquired by 1990 are depreciated by declining balance method, and those acquired after 1990 are depreciated by straight-line method over the useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The residual value and the useful life of an item of property, plant, and equipment shall be reviewed at least at each balance sheet date and, the changes shall be accounted for as a change in an accounting estimate and applied prospectively.

The gain or loss arising from the derecognition of an item of property, plant and equipment, which is the difference between the net disposal proceeds received and the carrying amount of the asset, shall be included in profit or loss when the item is derecognized.

(8).Intangible assets

1. Separately acquired

A separately acquired intangible asset with finite useful life shall be measured at its cost at initial recognition, and sequent measured by the cost less any accumulated amortization and any accumulated impairment losses. Intangible assets shall be depreciated over the useful life as follows by straight-line method. The estimated useful life, residual value and the amortization method shall be reviewed at the end of each reporting period. Any changes in estimates shall be applied prospectively.

2. Derecognition

The gain or loss arising from the derecognition of an item of intangible assets, which is the difference between the net disposal proceeds received and the carrying amount of the asset, shall be included in profit or loss when the item is derecognized.

(9).Impairment of property, plant and equipment and intangible assets

The Company and subsidiaries shall assess at each balance sheet date whether there is any indication that an item of property, plant and equipment, and intangible asset may be impaired. If any indication is present, the Company and subsidiaries shall assess the recoverable amount of the asset. If the Company and subsidiaries are unable to assess the recoverable amount of the asset, the recoverable amount of the cash-generating unit that the asset belongs to shall be assessed. Impairment of corporate assets shall be allocated to cash-generating units by a reasonable and consistent basis.

Recoverable amount is the higher of the fair value less costs of disposal and its value in use. If the recoverable amount of an asset or a cash-generating unit is less than it carrying amount, the carrying amount of the asset or cash-generating unit shall be adjusted to its recoverable amount. The impairment losses shall be recognized in profit or loss.

When assessing the impairment of a cash-generating unit, impairment of inventories recognized due to contracts with

customers shall be recognized first, then impairment losses shall be recognized by the amount of the difference between the carrying amount of relevant assets of the contract costs and the considerations expected to be received less the relevant costs, and the carrying amount of relevant assets of contract costs shall be recognized in the cash-generating unit.

When the impairment loss is reversed subsequently, the carrying amount of an asset, a cash-generating unit, or a relevant asset of contract cost shall be increased to the revised recoverable amount. However, the increased carrying amount of an asset, a cash-generating unit, or a relevant asset of contract cost attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. The reversal of impairment losses shall be recognized in profit or loss.

(10). Financial instruments

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

Financial assets or liabilities not measured at fair value through profit or loss, shall be measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities. The transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities at fair value through profit or loss, shall be recognized in profit or loss immediately.

1. Financial assets

A regular way purchase or sale of financial assets are recognized and derecognized, as applicable, using trade date accounting.

(a) Measurement types

The financial assets held by the Company and subsidiaries can be classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include the investments in equity instruments designated measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value. The remeasurement gains or losses (including any dividend or interest from the financial assets) shall be recognized in profit or loss. Please refer to Note 26 for the determination of fair value.

B. Financial assets at amortized cost

A financial asset held by the Company and subsidiaries is measured at amortized cost if both of the following conditions are met :

- a. The financial asset is held in a business model whose objective is achieved by collecting contractual cash flows ; and
- b. The cash flows occur at specific dates based on the contractual terms. The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, refundable deposits, and other financial assets) shall be measured after initial recognition at amortized cost calculated by total carrying amount determined by effective interest method minus the impairment loss. Any resulting foreign exchange differences shall be recognized in profit or loss.

A financial asset is credit-impaired when significant financial difficulty of the issuer or the borrower, a breach of contract occurs, or it is becoming probable that the borrower will enter bankruptcy or other financial reorganization, or an active market for that financial asset disappears because of financial difficulties.

Cash equivalents are highly liquid time deposits and bonds with repurchase agreement due within 3 months after acquisition that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value, that the Group holds them for the purpose of short-term cash commitment in operation.

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

At initial recognition, the Company and subsidiaries may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at fair value

through other comprehensive income shall be measured at fair value. Subsequent changes in fair value shall be recognized in other comprehensive income and accumulated in other equity. At disposal, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss, instead, directly to retained earnings. Dividends on investments in equity instruments at fair value through other comprehensive income shall be recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

(b) Impairment of financial assets

At each reporting date, the Company and subsidiaries shall assess the impairment losses of financial assets at amortized cost (including accounts receivables), by expected credit loss.

The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivables. If the credit risk on other financial assets has not increased significantly since initial recognition, the Group shall measure the loss allowance for those financial assets at an amount equal to 12-month expected credit losses. If the credit risk on other financial assets has increased significantly since initial recognition, the Group shall measure the loss allowance for those financial assets at an amount equal to lifetime expected credit losses.

Expected credit losses are the weighted average credit losses with the probability of default as the weight. 12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit loss is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

For the purpose of internal credit risk management of the Company and subsidiaries, without considering the collaterals held, the financial assets are defaulted if the circumstances as follows occur :

- A. Internal or external information indicates that it is not probable for the borrower to repay the debts.
- B. A financial asset is 150 days past due unless there is reasonable and supportable information to demonstrate that a lagging default criterion is more appropriate.

The impairment losses of financial assets decrease the carrying amount by allowances.

(c) Derecognition of financial assets

The Company and subsidiaries shall derecognize the financial assets when the contractual rights to the cash flows from the financial assets expire, or the Group transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to others.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount and the consideration received shall be recognized in profit or loss. On derecognition of an investment in debt instruments at fair value through other comprehensive income in its entirety, the difference between the carrying amount and the consideration received plus accumulative profit or loss recognized in other comprehensive income shall be recognized in profit or loss. On derecognition of an investment in equity instruments at fair value through other comprehensive income in its entirety, the accumulated profit or loss shall not be reclassified to profit or loss, instead, directly to retained earnings.

2. Equity instruments

The equity instruments issued by the Company and subsidiaries are recognized by the consideration received less the costs directly attributable to issuance.

3. Financial liabilities

(a) Subsequent measurement

All the financial liabilities shall be measured at amortized cost by effective interest method, except the conditions as follows

Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading shall be measured at fair value. The remeasurement gains or losses shall be recognized in profit or loss. Please refer to Note 26 for the determination of fair value.

(b) Derecognition of financial liabilities

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

4. Derivative instruments

The derivative instruments that the Company and subsidiaries involve are currency swap contracts, forward foreign exchange contracts, and foreign exchange option contracts, to management the Company and subsidiaries' foreign exchange rate risk.

Derivative instruments shall be measured at fair value at initial recognition when signing the contracts, and

subsequently remeasured at fair value at each balance sheet date. The remeasurement gains or losses shall be recognized in profit or loss. When the fair value of a derivative instrument is a positive value, it shall be recognized as a financial asset. If the fair value is a negative value, it shall be recognized as a financial liability.

(11). Provisions

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and in consideration of the risk and uncertainty of obligations. Provisions shall be measured by the expected cash flows to settle the present obligation.

Loss reserve for purchase contracts

For signed irrevocable raw materials purchase contracts, if the unavoidable costs of meeting the obligation under the contracts exceed the economic benefits expected to be received under the contracts, loss reserve for purchase contracts shall be accrued. The accrued losses shall be recognized under operating costs in the consolidated statements of comprehensive income.

Reserve for disposals of slags payables

The slags produced during the manufacturing process shall commission qualified waste clearance and disposal organizations to make the disposals. Provisions shall be accrued based on the disposal fee payables by reference to the quantities in stock and the quotation from the disposal suppliers. The accrued expenses shall be recognized under operating costs in the consolidated statements of comprehensive income, and transferred to other payables at occurrence. If there is change in the estimated disposal fees, the change in estimate shall adjust the profit or loss in the current year.

(12). Revenue recognition

The Company and subsidiaries shall allocate the transaction price to each performance obligation after identifying performance obligations in the contracts with customers. Revenue shall be recognized at satisfaction of performance obligations

For contracts with length of time between the Company and subsidiaries transfer the promised goods or services to the customer and when the customer pays for those goods or services within 1 year, the transaction prices shall not be adjusted for significant finance components.

1. Sales of goods

The Company and subsidiaries shall recognize revenue when the customer obtains control of that asset. It's the time when goods are transferred to a customer (if it's a domestic transaction), the customer has the discretion to direct the price of goods and usage, and the risk of obsolescence is transferred to the customer. The Company and subsidiaries shall recognize revenue and accounts receivables at the point of time. Receipts in advance of sales shall be recognized as contract liabilities.

In processing outsourced contracts, as the control of the ownership of the work in process to be processed is not transferred, revenue shall not be recognized when the work in process is transferred to suppliers.

2. Rendering services

Service revenue arises from rendering processing services, including rebar cutting, forming, etc., based on the contracts. Revenue shall be recognized after rendering the services.

(13). Lease

At inception of a contract, the Company and subsidiaries shall assess whether the contract is (or contains) a lease.

The Company and subsidiaries as the lessee

When the Company and subsidiaries are the lessees under a lease contract, the Company and subsidiaries shall recognize a right-of-use asset and a lease liability, unless the lease contract is a short-term lease or the underlying assets of the lease is of low value,

At the commencement date, the Company and subsidiaries shall measure the right-of-use asset at cost (which comprises the amount of the initial measurement of the lease liability). After the commencement date, the Company and subsidiaries shall measure the right-of-use asset by cost less any accumulated depreciation and any accumulated impairment losses. The Company and subsidiaries shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company and subsidiaries shall depreciate the right-of-use asset over the shorter of the useful life or the lease term.

At the commencement date, the Company and subsidiaries shall measure the lease liability at the present value of the lease payments. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and subsidiaries shall use the lessee's incremental borrowing rate.

The Company and subsidiaries shall amortize the lease liabilities by effective interest rate method, and recognize interest expense over the lease term.

(14). Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset shall be capitalized as part of the costs of the assets, until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

If the Company and subsidiaries borrow funds specifically for the purpose of obtaining a qualifying asset, the Company and subsidiaries shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Except the conditions aforementioned, other borrowing costs are recognized as an expense in the period of occurrence.

(15). Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

For defined contribution plans, the contributions shall be recognized as pension expenses during the period employees rendering services.

Defined obligation costs (including service costs, net interests, and remeasurement) of defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. Service costs (including current service costs) and net interests of net defined benefit liabilities shall be recognized as employee benefits expenses as incurred. Remeasurement (including return on plan assets calculated by actuarial gains and losses less interests) shall be recognized in other comprehensive income as incurred and stated in retained earnings. Remeasurement will not be classified to profit or loss subsequently.

Net defined benefit liabilities are determined by the amount of the deficit of the defined benefit plans.

(16). Income tax

The tax expense for the period comprises current and deferred income tax.

1. Current income tax

The Company and subsidiaries shall determine the current profit (loss) in accordance with the rules established in R.O.C., and calculate income tax payables (recoverable) based on the profit (loss).

An additional tax on unappropriated earnings is recognized in the year the shareholders' meeting approves the distribution of earnings.

Adjustments to income tax payables of prior years are included in current income tax.

2. Deferred income tax

Deferred income tax is determined by the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability shall be generally recognized for all taxable temporary differences. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized

Carrying amount of deferred tax assets shall be reassessed at each balance sheet date. For the deferred tax assets recognized when it has become not probable that future

taxable profit will allow the deferred tax assets to be recovered, decrease the carrying amount. The Company and subsidiaries shall reassess unrecognized deferred tax assets, and shall recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered entirely or partially.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company and subsidiaries expect, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred income tax shall be recognized in profit or loss. However, the current and deferred income tax related to the items recognized in other comprehensive income or directly recognized in equity shall be recognized in other comprehensive income or directly in equity.

5. Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

When the Company and subsidiaries adopt accounting policies, for information that is not available from other sources, the management has to make relevant judgments, estimates, and assumptions based on historical experiences and other relevant factors. The actual result may be different from the estimates.

The management will keep assessing estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of uncertainty arising from accounting estimates and assumptions – impairment of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The estimates are based on the current market condition and the historical sales experiences of similar products. Changes in market condition may significantly affect the results of estimates.

(6) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 543	\$ 252
Demand deposits	207,335	186,320
Checking deposits	11,418	10,004
Cash equivalents		
Bonds with repurchase agreement	-	249,552
Time deposits originally due within 3 months	<u>141,556</u>	<u>-</u>
	<u>\$360,852</u>	<u>\$446,128</u>

(7) Current financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Financial bonds	\$ 14,616	\$ -
Beneficiary certificates of funds	4,114	4,968
Stocks of domestic listed companies	<u>7,970</u>	<u>9,513</u>
	<u>\$26,700</u>	<u>\$ 14,481</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Non-derivative instruments (not designated as hedging instruments)		
Foreign exchange option contracts	\$ 8,868	\$ 13,956
Forward exchange agreements	1,300	-
Currency swap contracts	<u>16,761</u>	<u>3,739</u>
	<u>\$ 26,929</u>	<u>\$ 17,695</u>

As of the balance sheet date, the currency swap contracts that are not applicable to hedge accounting and not expired are as follows :

	<u>Currently</u>	<u>Maturity period</u>	<u>Contract amount (in thousands)</u>
<u>December 31, 2022</u>			
Currency swap contracts	NTD to USD	September, 2023~November, 2023	NTD442,370 / USD14,300
<u>December 31, 2021</u>			
Currency swap contracts	NTD to USD	October, 2022~December, 2022	NTD937,737 / USD33,850

As of the balance sheet date, the forward exchange agreements that are not applicable to hedge accounting and not expired are as follows :

	Currently	Maturity period	Contract amount (in thousands)
<u>December 31, 2022</u>			
Pre-purchases of forward exchange	NTD to USD	February, 2023~March, 2023	NTD242,667 / USD7,900

As of the balance sheet date, the foreign exchange option contracts that are not applicable to hedge accounting and not expired are as follows :

	Currently	Maturity period	Contract amount (in thousands)
<u>December 31, 2022</u>			
Sales of foreign exchange options	USD to NTD	January, 2023~April, 2023	USD28,000 / NTD851,500
<u>December 31, 2021</u>			
Sales of foreign exchange options	USD to NTD	January, 2022~July, 2022	USD40,000 / NTD1,106,350

Currency swap contracts, forward exchange agreements, and foreign exchange option contracts held by the Company and subsidiaries do not qualify for the effective hedge conditions, they are not eligible for hedge accounting.

(8) Investments in equity instrument at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic investments		
Stocks of listed companies	<u>\$ 70,840</u>	<u>\$ 33,939</u>
<u>Non-current</u>		
Domestic investments		
Stocks of listed companies	\$853,071	\$781,125
Stocks of unlisted companies	<u>5,478</u>	<u>5,412</u>
	<u>\$858,549</u>	<u>\$786,537</u>

The Company and subsidiaries invested in the stock of domestic companies for mid to long-term strategic purposes, and expects to earn profits by long-term investments. As the management of the Company and subsidiaries considers that recognizing the short-term fair value fluctuations in profit or loss conflicts with the aforementioned long-term investment planning, those investments were designated as measured at fair value through other comprehensive income.

(9) Notes receivables and accounts receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables		
Resulting from operations	<u>\$ 92,785</u>	<u>\$ 108,593</u>

(Continued on next page)

(Brought forward)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivables		
Total carrying amount at		
amortized cos	\$ 953,795	\$1,021,227
Less : loss allowances	<u>-</u>	<u>-</u>
	<u>\$ 953,795</u>	<u>\$1,021,227</u>

The average credit period of the sales of goods is 30 days ~ 90 days. The policies adopted by the Company and subsidiaries are only trading with counterparties with good credit quality, and acquiring sufficient collaterals to decrease the risk of financial losses due to default. In order to decrease the credit risk, the management of the Company and subsidiaries is responsible for the determination of the credit lines, approval of extending credit, and other monitor procedures, to ensure the overdue accounts receivables have been taken appropriate actions for recovery. In addition, the Company and subsidiaries review the recoverable amounts of accounts receivables one by one, to ensure that appropriate impairment losses have been recognized for uncollectible accounts receivables. As a result, the management considers that the credit risk of the Company and subsidiaries has significantly decreased.

The Company and subsidiaries recognize the loss allowance for s receivables at an amount equal to the lifetime expected credit loss. The lifetime expected credit loss is evaluated based on the default records of customers, and current financial, industrial, and economic conditions. Based on the historical experiences of credit loss, as there is no significant difference in the types of losses among different groups of customers, the Company and subsidiaries do not further classify groups of customers, and only determines expected credit loss by the days of overdue of accounts receivables.

The age and loss allowances of receivables are as follows :

December 31, 2022

	<u>Within 60 days</u>	<u>61 ~ 150 days</u>	<u>Over 150 days</u>	<u>Total</u>
Expected loss rate (%)	-	-	100	
Total carrying amount	\$ 970,746	\$ 75,834	\$ -	\$1,046,580
Loss allowances (lifetime expected credit loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 970,746</u>	<u>\$ 75,834</u>	<u>\$ -</u>	<u>\$1,046,580</u>

December 31, 2021

	Within 60 days	61 ~ 150 days	Over 150 days	Total
Expected loss rate (%)	-	-	100	
Total carrying amount	\$1,100,975	\$ 28,820	\$ 25	\$1,129,820
Loss allowances (lifetime expected credit loss)	-	-	-	-
Amortized cost	<u>\$1,100,975</u>	<u>\$ 28,820</u>	<u>\$ 25</u>	<u>\$1,129,820</u>

The information on changes in loss allowances of receivables is as follows :

	2021
Beginning balance	\$ 2,331
Write-offs	(2,331)
Ending balance	<u>\$ -</u>

10. Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 421,016	\$ 599,586
Work in process	1,266,306	529,453
Raw materials	229,030	630,348
Materials	146,954	152,233
Merchandises	4,757	83,826
Tailings	<u>4,232</u>	<u>4,122</u>
	<u>\$2,072,295</u>	<u>\$1,999,568</u>

The sales costs related to inventories amounted to NT\$10,570,126 thousand and NT\$9,432,360 thousand for the years ended December 31, 2022 and 2021, respectively, which include :

	2022	2021
Inventory valuation losses	<u>\$ 416</u>	<u>\$ 28,052</u>

11. Other financial assets – current

	December 31, 2022	December 31, 2021
Time deposits originally due within 3 months	\$ 78,000	\$ 50,000
Time deposits pledge as collaterals (Note 28)	61,389	47,540
Reserve account (Note 28)	<u>342</u>	<u>1</u>
	<u>\$139,731</u>	<u>\$ 97,541</u>

12. Subsidiaries

(1). Entities included in the consolidated financial statements are as follows :

Investor	Subsidiary	Main business	Percentage of ownership		
			December 31, 2022	December 31, 2021	Note
The Company	E CHANG IRON STEEL WORKS CO., LTD. (E CHANG)	Manufacture, processing and trading of various iron and steel products	84.1	84.1	Note 1
	ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. CO., LTD. (ZHENG TUNG)	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	34.77	42.5	Note 2, 3
E CHANG	ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. CO., LTD. (ZHENG TUNG)	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	36.23	28.5	Note 2, 3

Note 1 : As the Company acquired part of the equity of E CHANG in May and June, 2021, the percentage of ownership increased from 64.14% to 68.27%. In addition, the Company did not subscribe additional shares at a percentage of its existing ownership percentage in August, 2021, the ownership percentage increased from 68.27% to 84.1%.

Note 2 : The Company gave up the subscription of the cash capital increase of ZHENG TUNG in July, 2021. The part given up by the Company was subscribed by E CHANG entirely. Therefore, the Company's percentage of ownership to ZHENG TUNG decreased from 51% to 42.5%, and E CHANG's percentage of ownership to ZHENG TUNG increased from 20% to 28.5%.

Note 3 : The Company gave up the subscription of the cash capital increase of ZHENG TUNG in May, 2022. The part given up by the Company was subscribed by E CHANG entirely. Therefore, the Company's percentage of ownership to ZHENG TUNG decreased from 42.5% to 34.77%, and E CHANG's percentage of ownership to ZHENG TUNG increased from 28.5% to 36.23%.

Please refer to Note 24 for the aforementioned equity transactions.

(2). The Company and subsidiaries do not hold subsidiaries that have material non-controlling interests

(3). Please refer to Table 6 for information on subsidiaries.

13. Property, plant and equipment

2022

	Self-owned land	Land improvements	Buildings and structures	Machinery equipment	Power equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost										
Balance as of January 1, 2022	\$ 2,031,537	\$ 30,287	\$ 738,739	\$ 4,102,118	\$ 384,554	\$ 112,251	\$ 45,156	\$ 88,938	\$ 587,537	\$ 8,121,117
Additions	-	2,022	59,932	448,011	3,712	21,784	569	32,067	37,809	605,906
Disposals	-	-	-	(24,067)	(375)	(14,878)	-	(486)	-	(39,806)
Balance as of December 31, 2022	2,031,537	32,309	798,671	4,526,062	387,891	119,157	45,725	120,519	625,346	8,687,217
Accumulated depreciation										
Balance as of January 1, 2022	-	7,699	415,710	3,263,082	265,478	72,889	40,580	43,105	-	4,108,543
Depreciation expenses	-	2,273	34,735	177,174	12,834	8,580	1,224	10,215	-	247,035
Disposals	-	-	-	(20,650)	(375)	(14,878)	-	(250)	-	(36,153)
Balance as of December 31, 2022	-	9,972	450,445	3,419,606	277,937	66,591	41,804	53,070	-	4,319,425
Net amount as of December 31, 2022	\$ 2,031,537	\$ 22,337	\$ 348,226	\$ 1,106,456	\$ 109,954	\$ 52,566	\$ 3,921	\$ 67,449	\$ 625,346	\$ 4,367,792

2021

	Self-owned land	Land improvements	Buildings and structures	Machinery equipment	Power equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
<u>Cost</u>										
Balance as of January 1, 2021	\$ 2,031,537	\$ 24,905	\$ 582,479	\$ 3,813,032	\$ 392,267	\$ 98,336	\$ 43,458	\$ 58,966	\$ 505,345	\$ 7,550,325
Additions	-	5,382	171,129	265,083	1,427	16,097	1,700	29,972	82,192	572,982
Disposals	-	-	-	(6)	-	(2,182)	(2)	-	-	(2,190)
Reclassification	-	-	(14,869)	24,009	(9,140)	-	-	-	-	-
Balance as of December 31, 2021	<u>2,031,537</u>	<u>30,287</u>	<u>738,739</u>	<u>4,102,118</u>	<u>384,554</u>	<u>112,251</u>	<u>45,156</u>	<u>88,938</u>	<u>587,537</u>	<u>8,121,117</u>
<u>Accumulated depreciation</u>										
Balance as of January 1, 2021	-	6,261	388,522	3,122,137	254,005	67,722	39,247	38,352	-	3,916,246
Depreciation expenses	-	1,438	27,354	139,643	12,615	6,590	1,335	4,753	-	193,728
Disposals	-	-	-	(6)	-	(1,423)	(2)	-	-	(1,431)
Reclassification	-	-	(166)	1,308	(1,142)	-	-	-	-	-
Balance as of December 31, 2021	-	<u>7,699</u>	<u>415,710</u>	<u>3,263,082</u>	<u>265,478</u>	<u>72,889</u>	<u>40,580</u>	<u>43,105</u>	-	<u>4,108,543</u>
Net amount as of December 31, 2021	<u>\$ 2,031,537</u>	<u>\$ 22,588</u>	<u>\$ 323,029</u>	<u>\$ 839,036</u>	<u>\$ 119,076</u>	<u>\$ 39,362</u>	<u>\$ 4,576</u>	<u>\$ 45,833</u>	<u>\$ 587,537</u>	<u>\$ 4,012,574</u>

Depreciation expenses are recognized by a straight-line basis over the useful lives as follows :

Land improvements	3~35 years
Buildings and structures	
Main building of office buildings	55~60 years
Main building of plant	3~45 years
Building improvements	15~22 years
Pipe arrangements and decoration works	2~15 years
Machinery equipment	
Main equipment of production	20~40 years
Main equipment systems and auxiliary equipment	10~25 years
Equipment parts and maintenances	2~15 years
Power equipment	2~25 years
Transportation equipment	2~15 years
Office equipment	2~20 years
Other equipment	2~36 years

Please refer to Note 28 for the amount of property, plant and equipment pledged as collaterals for short-term borrowings.

The non-cash investing activities for the years ended December 31, 2022 and 2021 are as follows :

	2022	2021
Investing activities affect both cash and non-cash items		
Increase in property, plant and equipment	\$ 605,906	\$572,982
Increase (decrease) in prepayments for equipment	(145,537)	12,868
Increase in other payables— for equipment	(7,498)	(31,918)
Decrease (increase) in notes payables	(1,202)	29,937
Interests capitalized	(6,121)	(4,130)
Cash paid	<u>\$ 445,548</u>	<u>\$ 579,739</u>

14. Borrowings

(1). Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured bank loans (Note 28)	\$ 529,032	\$ -
Unsecured bank loans	<u>1,482,137</u>	<u>1,354,547</u>
	<u>\$2,011,169</u>	<u>\$1,354,547</u>

The interest rates of the bank loans as of December 31, 2022 and 2021 are 1.7%~2.53% and 0.866%~1.6287%, respectively.

(2). Short-term notes payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payables	\$290,000	\$710,000
Less : Unamortized discounts	<u>510</u>	<u>649</u>
	<u>\$289,490</u>	<u>\$709,351</u>

The interest rates of the short-term notes payables as of December 31, 2022 and 2021 are 2.058%~2.098% and 1.328%~1.338%, respectively. The acceptance and guarantee institutions include DAH CHUNG BILLS, MEGA BILLS, Grand Bills, Ta Ching Bills, China Bills, and International Bills.

(3). Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ -	\$ 15,593
Secured bank loans	1,634,464	1,253,331
Less : land establishment fee	<u>1,323</u>	<u>1,772</u>
	1,633,141	1,267,152
Less : current portion	<u>208,297</u>	<u>191,795</u>
	<u>\$1,424,844</u>	<u>\$1,075,357</u>

Long-term borrowings from bank are explained as follows :

1. The Company borrowed bank loan which is not available for revolving use from Union Bank of Taiwan, and provided plant and self-owned land as collaterals (Please refer to Note 28.). Chairman of the Company also provided joint guarantee (Please refer to Note 27.). The loan period is from September, 2021 to September, 2026. Principal shall be repaid by installments at the rate of 3% quarterly. The loan has been fully repaid in advance in August, 2022. As of December 31, 2021, the interest rate of the loan is 1.395%.

2. The Company borrowed bank loan which is not available for revolving use from O-Bank, and provided plant and self-owned land as collaterals (Please refer to Note 28). Chairman of the Company also provided joint guarantee (Please refer to Note 27). The loan period is from June, 2020 to June, 2025. Principal shall be repaid by 19 installments quarterly. Except for relevant regulations, the Company committed that during the loan period, the Company shall maintain certain financial ratios and amounts in the first half and yearly consolidated financial statements. The financial ratios and amounts in the consolidated financial statements for the years ended December 31, 2022 and 2021 did not violate the restrictions. As of December 31, 2022 and 2021, the interest rates of the aforementioned loan are 2.3549% and 1.5646%.
3. The Company borrowed bank loan which is not available for revolving use from O-Bank, and provided plant and self-owned land as collaterals (Please refer to Note 28). Chairman of the Company also provided joint guarantee (Please refer to Note 27.). The loan period is from June, 2022 to December, 2026. Principal shall be repaid by 7 installments every 6 month. The first to the sixth installment shall repay 4% of the principal, and the balance shall be repaid in the last installment. Except for relevant regulations, the Company committed that during the loan period, the Company shall maintain certain financial ratios and amounts in the first half and yearly consolidated financial statements. The financial ratios and amounts in the consolidated financial statements for the years ended December 31, 2022 and 2021 did not violate the restrictions. As of December 31, 2022, the interest rate of the aforementioned loan is 2.2508%.
4. The Company borrowed bank loan which is not available for revolving use from Union Bank of Taiwan, and provided plant and self-owned land as collaterals (Please refer to Note 28.). Chairman of the Company also provided joint guarantee (Please refer to Note 27). The loan period is from August, 2022 to August, 2027. Principal shall be repaid by installments at the rate of 3% quarterly, and the balance shall be repaid at maturity. As of December 31, 2022, the interest rate of the loan is 1.895%.
5. The subsidiary borrowed bank loan which is not available for revolving use from Union Bank of Taiwan. The loan period is from December, 2020 to January, 2027. One year after the funding, principal shall be repaid by installments of NT\$3 million quarterly, and the balance shall be repaid at maturity. The Company provided self-owned land and the subsidiary provided unfinished constructions as collaterals (Please refer to Note 28). Chairman of the Company also provided joint

guarantee (Please refer to Note 27).

As of December 31, 2022 and 2021, the interest rates of the aforementioned loan are 2.02% and 1.74%.

6. The subsidiary borrowed bank loan which is not available for revolving use from Union Bank of Taiwan. The loan period is from December, 2020 to June, 2028. One year after the funding, principal shall be repaid by installments monthly, and the balance shall be repaid at maturity. The Company provided self-owned land and the subsidiary provided unfinished construction and equipment pending acceptance as collaterals (Please refer to Note 28). Chairman of the Company also provided joint guarantee (Please refer to Note 27). As of December 31, 2022 and 2021, the interest rates of the aforementioned loan are 2.39% and 1.74%.

15. Notes payables and accounts payables

The credit period of purchases of merchandises is within 3.5 months. As the Company and subsidiaries have financial risk management policies to guarantee all the payables are repaid within the agreed credit period, interests shall be not accrued.

16. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables on equipment	\$ 98,900	\$ 91,402
Payables on power	57,787	59,527
Payroll and bonus payables	51,079	65,370
Employees' and directors' remuneration payables	16,900	30,145
Maintenance fee payables	16,843	19,965
Disposal fee of slags and furnace dusts payables	16,525	11,756
Import sundry charges payables	13,530	10,380
Pollution charges payables	9,481	15,578
Others	<u>37,083</u>	<u>18,679</u>
	<u>\$318,128</u>	<u>\$322,802</u>

17. Provisions

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Reserve for disposals of slags payables	\$ 53,215	\$ 50,689
Onerous contracts	<u>-</u>	<u>40,455</u>
	<u>\$ 53,215</u>	<u>\$ 91,144</u>
<u>Non-current</u>		
Reserve for disposals of slags payables	<u>\$104,822</u>	<u>\$100,383</u>

	Reserve for disposals of slags payables	Onerous contracts	Total
Balance as of January 1, 2022	\$ 151,072	\$ 40,455	\$ 191,527
Appropriation (Reversal)	69,877	(40,455)	29,422
Amounts paid	(<u>62,912</u>)	-	(<u>62,912</u>)
Balance as of December 31, 2022	<u>\$ 158,037</u>	<u>\$ -</u>	<u>\$ 158,037</u>
Balance as of January 1, 2021	\$ 167,855	\$ -	\$ 167,855
Appropriation	54,935	40,455	95,390
Amounts paid	(<u>71,718</u>)	-	(<u>71,718</u>)
Balance as of December 31, 2021	<u>\$ 151,072</u>	<u>\$ 40,455</u>	<u>\$ 191,527</u>

18. Post-employment benefit plans

(1). Defined contributions plans

The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Pursuant to the plan, the Company and domestic subsidiaries make monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts.

(2). Defined benefit plans

The Company has a defined benefit pension plan for part of the employees managed by the government in accordance with the Labor Standards Act. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to a specific ratio of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement of employees who are eligible for retirement in the following year by the aforementioned method, the Company and domestic subsidiaries are required to fund the deficit in one appropriation before the end of next March. As the fund is managed by the Bureau of Labor Funds, the Group has no right to participate in affecting the investment management strategies of pension fund. The amounts presented in the consolidated balance sheets arising from the obligations incurred by the defined benefit plans are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 37,341	\$ 39,428
Fair value of plan assets	(<u>37,519</u>)	(<u>34,382</u>)
Net defined benefit liabilities (assets)	(<u>\$ 178</u>)	<u>\$ 5,046</u>

The changes in net defined benefit liabilities (assets) are as follows :

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
<u>2022</u>			
Balance as of January 1, 2022	<u>\$ 39,428</u>	<u>(\$ 34,382)</u>	<u>\$ 5,046</u>
Service cost			
Current service cost	93	-	93
Interest expenses (revenue)	<u>237</u>	<u>(207)</u>	<u>30</u>
Recognized in profit or loss	<u>330</u>	<u>(207)</u>	<u>123</u>
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	(2,802)	(2,802)
Actuarial gains — changes in financial assumptions	(936)	-	(936)
Actuarial losses — experience adjustment	<u>1,399</u>	<u>-</u>	<u>1,399</u>
Recognized in other comprehensive income	<u>463</u>	<u>(2,802)</u>	<u>(2,339)</u>
Funding by the employer	<u>-</u>	<u>(128)</u>	<u>(128)</u>
Benefits paid	<u>(2,880)</u>	<u>-</u>	<u>(2,880)</u>
Balance as of December 31, 2022	<u>\$ 37,341</u>	<u>(\$ 37,519)</u>	<u>(\$ 178)</u>
<u>2021</u>			
Balance as of January 1, 2021	<u>\$ 60,938</u>	<u>(\$ 39,597)</u>	<u>\$ 21,341</u>
Service cost			
Current service cost	290	-	290
Interest expenses (revenue)	<u>183</u>	<u>(120)</u>	<u>63</u>
Recognized in profit or loss	<u>473</u>	<u>(120)</u>	<u>353</u>
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	(602)	(602)
Actuarial gains — changes in financial assumptions	(590)	-	(590)
Actuarial losses — experience adjustment	<u>2,455</u>	<u>-</u>	<u>2,455</u>
Recognized in other comprehensive income	<u>1,865</u>	<u>(602)</u>	<u>1,263</u>
Funding by the employer	<u>-</u>	<u>(425)</u>	<u>(425)</u>

(Continued on next page)

(Brought forward)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Benefits paid	<u>(\$ 23,848)</u>	<u>\$ 6,362</u>	<u>(\$ 17,486)</u>
Balance as of December 31, 2021	<u>\$ 39,428</u>	<u>(\$ 34,382)</u>	<u>\$ 5,046</u>

The amounts of defined benefit plans recognized in profit or loss by function are as follows :

	2022	2021
Operating costs	<u>\$123</u>	<u>\$351</u>
Operating expenses	<u>-</u>	<u>2</u>
	<u>\$123</u>	<u>\$353</u>

The Company is exposed to the risks below because of the pension system of the “Labor Standards Act.” :

1. Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc., by self-utilization and conducting the mandated management by the Bureau of Labor Funds. The distributable amount of the plan asset shall not be lower than the return calculated by the interest rate for a two-year time deposit with local banks.

2. Interest rate risk

A decrease in the government bond interest rates and corporate bond interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the plan assets’ investments in debt instruments.

3. Salary risk

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

The actuarial valuation of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuations at the measurement date were as follows :

	December 31, 2022	December 31, 2021
Discount rate (%)	1.2	0.6
Rate of expected future salary increase (%)	1.0	1.0

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.1%	<u>(\$150)</u>	<u>(\$192)</u>
Decrease by 0.1%	<u>\$152</u>	<u>\$195</u>
Rate of expected future salary increase		
Increase by 0.1%	<u>\$131</u>	<u>\$170</u>
Decrease by 0.1%	<u>(\$130)</u>	<u>(\$169)</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contribution within 1 year	<u>\$336</u>	<u>\$144</u>
Average maturity of defined benefit obligations	4 years	4.6 years

The Company negotiated with part of the employees applicable for defined benefit plans to settle the seniorities under the old Labor Retirement Reserve Fund in 2022 and 2021. As of December 31, 2022 and 2021, the unpaid amounts are NT\$2,880 thousand and NT\$3,786 thousand, respectively (recognized under notes payables).

19. Equity

(1). Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of authorized shares (thousand)	<u>350,000</u>	<u>350,000</u>
Authorized capital	<u>\$3,500,000</u>	<u>\$3,500,000</u>
Number of fully-paid shares issued (thousand)	<u>181,265</u>	<u>181,265</u>
Share capital issued	<u>\$1,812,645</u>	<u>\$1,812,645</u>

The par value of ordinary shares issued is NT\$10. A shareholder shall have one voting power in respect of each share in his/her/its possession and the right to receive dividends.

(2). Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to write off accumulated losses, distribute cash, or capitalized (Note 1)		
Additional paid-in capital in excess of par	\$ 207,608	\$ 207,608
Conversion premiums of corporate bonds	59,319	59,319
Treasury shares transactions	966	966
Difference between consideration and carrying amount of subsidiaries acquired	119,796	118,614
May only be used to write off accumulated losses		
Changes in ownership interests in subsidiaries (Note 2)	<u>174</u>	<u>174</u>
	<u>\$ 387,863</u>	<u>\$ 386,681</u>

Note 1 : Where a company incurs no loss, it may distribute cash dividends or capitalize by this type of capital surplus. However, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed a specific ratio of paid-in capital.

Note 2 : This type of capital surplus is resulting from changes in ownership interests in subsidiaries when not actually acquiring or disposing of equity of subsidiaries', or the changes in subsidiaries' capital surplus recognized by equity method.

(3). Retained earnings and dividend policies

According to the earnings distribution regulation of the Company, if there is any net profit after closing of a fiscal year, the Company shall first pay income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, and then set aside or reverse a special reserve in accordance with regulations. If there is still remaining balance, the Company shall set aside with accumulated retained earnings-unappropriated for shareholders' dividends. The Board of Directors shall draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution or changes of the dividend.

As the industry where the Company operates in is mature, unless there is funding requirement of improving the financial structure and significant capital expenditures, the ratio of cash dividend shall not be lower than 50% of total distribution

Allocation of legal reserve is required until the accumulated legal reserve is equivalent to the total paid-in capital amount of the Company. The legal reserve may be used except for making good

the deficit. If the Company incurs no loss, the legal reserve may be capitalized or distributable by cash, for the portion in excess of 25% of the paid-in capital.

The shareholders' meetings resolved the distribution of earnings for 2021 and 2020 in June, 2022 and July, 2021 as follows :

	Earnings distribution		Dividend per share (NT\$)	
	2021	2020	2021	2020
Appropriation to legal reserve	\$ 45,870	\$ 15,995		
Appropriation to special reserve	-	24,026		
Cash dividend of ordinary shares	<u>271,897</u>	<u>90,632</u>	\$ 1.5	\$ 0.5
	<u>\$317,767</u>	<u>\$130,653</u>		

The Board of Directors proposed the distribution of earnings for 2022 in March, 2023 as follows :

	2022	Dividend per share
Appropriation to legal reserve	\$ 21,303	
Stock dividend of ordinary shares	<u>90,632</u>	\$ 0.5
	<u>\$111,935</u>	

The distribution of earnings for 2022 shall be resolved by the shareholders' meeting held in June, 2023.

(4). Special reserve

As the increase in retained earnings was not enough to be appropriated to special reserve for first-time adoption of IFRS, the Company only set aside NT\$156,469 thousand, resulting from the increase in retained earnings for first-time adoption of IFRS of NT\$189,395 thousand less the amount reversed for disposal of NT\$32,926 thousand, for special reserve. As NT\$24,026 of the amount was used to write off the accumulated losses in 2019, the Company set aside special reserve in 2021 by the amount used to write off the accumulated losses.

(5). Unrealized valuation gains and losses from financial assets measured at fair value through other comprehensive income

	2022	2021
Beginning balance	\$ 741,909	\$ 690,938
Incurred in current period		
Equity instruments—unrealized gains or losses	110,011	50,971
Accumulated gains or losses resulting from disposal of equity instruments transferred to retained earnings.	(<u>330</u>)	<u>-</u>
Ending balance	<u>\$ 851,590</u>	<u>\$ 741,909</u>

(6). Non-controlling interests

	2022	2021
Beginning balance	\$ 309,358	\$ 475,968
Shares attributable to non-controlling interests		
Net loss	(26,731)	(16,752)
Increase in non-controlling interests for cash capital increase of subsidiaries	11,600	17,400
Amount transferred in proportion of percentage of ownership for changes in subsidiaries' net assets	(1,182)	(167,420)
Other comprehensive income		
Unrealized valuation gains and losses from financial assets measured at fair value through other comprehensive income	570	162
Others	62	-
Ending balance	<u>\$ 293,677</u>	<u>\$ 309,358</u>

20. Operating revenue

(1). Balances of contracts

	December 31, 2022	December 31, 2021	January 1, 2021
Receivables (Note 9)	<u>\$ 1,046,580</u>	<u>\$ 1,129,820</u>	<u>\$ 710,533</u>
Current contract liabilities			
Sales of goods	<u>\$ 185,290</u>	<u>\$ 358,408</u>	<u>\$ 212,115</u>

The changes in contract liabilities mainly result from the differences between the time point of fulfilling the contractual obligations and the time point of the payment.

The revenue arising from the contract liabilities in the beginning of the period recognized in 2022 and 2021 amounted to NT\$352,217 thousand and NT\$206,354 thousand, respectively.

(2). Classification of revenue from contracts with customers

Please refer to Note 32 for the information on the classification of revenue.

(3). Assets related to contract costs

	December 31, 2022	December 31, 2021
Costs of fulfilling contracts	<u>\$ 2,619</u>	<u>\$ 2,158</u>

21. Profit before tax

Profit before tax includes the items as follows :

(1). Other revenue

	<u>2022</u>	<u>2021</u>
Dividend revenue	\$ 40,650	\$ 30,436
Revenue from sales of scrapped ironware and containers	3,238	3,302
Others	<u>4,823</u>	<u>7,681</u>
	<u>\$ 48,711</u>	<u>\$ 41,419</u>

(2). Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gains (losses)	(\$128,071)	\$ 39,423
Gains (losses) on disposals of property, plant and equipment	(2,456)	41
Gains (losses) on financial instruments (liabilities) at fair value through profit or loss	299,885	(2,283)
Others	<u>(22,340)</u>	<u>(4,783)</u>
	<u>\$147,018</u>	<u>\$ 32,398</u>

Net foreign exchange gains (losses) include the following items :

	<u>2022</u>	<u>2021</u>
Total foreign exchange gains	\$ 66,563	\$ 48,447
Total foreign exchange losses	(194,634)	(9,024)
Net gains (losses)	<u>(\$128,071)</u>	<u>\$ 39,423</u>

(3). Financial costs

	<u>2022</u>	<u>2021</u>
Interests of bank loans	\$ 65,845	\$ 39,852
Interests of short-term notes payables	<u>3,872</u>	<u>1,920</u>
Interest expenses of financial liabilities not measured at fair value through profit or loss	69,717	41,772
Less : amounts eligible for assets capitalization	<u>6,121</u>	<u>4,130</u>
	<u>\$ 63,596</u>	<u>\$ 37,642</u>

The information on interests eligible for capitalization is as follows :

	<u>2022</u>	<u>2021</u>
Amounts of interests capitalized	\$ 6,121	\$ 4,130
Interest capitalization rate (%)	1.37 ~ 2.41	1.29 ~ 2.32

(4). Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 247,035	\$ 193,728
Intangible assets	1,482	736
Other non-current assets	<u>9,844</u>	<u>9,895</u>
	<u>\$ 258,361</u>	<u>\$ 204,359</u>
Depreciation expenses by function		
Operating costs	\$ 226,843	\$ 182,009
Operating expenses	<u>20,192</u>	<u>11,719</u>
	<u>\$ 247,035</u>	<u>\$ 193,728</u>
Amortization expenses by function		
Operating costs	\$ 9,275	\$ 9,053
Operating expenses	<u>2,051</u>	<u>1,578</u>
	<u>\$ 11,326</u>	<u>\$ 10,631</u>

(5). Employee benefits expenses

	<u>2022</u>	<u>2021</u>
Short-term employee benefits		
Payroll and bonuses	\$ 355,834	\$ 336,440
Labor and health insurance	30,222	28,396
Others	<u>8,970</u>	<u>8,319</u>
	<u>395,026</u>	<u>373,155</u>
Post-employment benefits		
Defined contribution plans	11,335	11,105
Defined benefit plans (Note 18)	<u>123</u>	<u>353</u>
	<u>11,458</u>	<u>11,458</u>
Total employee benefits expenses	<u>\$ 406,484</u>	<u>\$ 384,613</u>
Summarized by function		
Operating costs	\$ 309,484	\$ 256,839
Operating expenses	<u>97,000</u>	<u>127,774</u>
	<u>\$ 406,484</u>	<u>\$ 384,613</u>

(6). Employee's remuneration and directors' and supervisors' remuneration

According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 2%~ 3% of profit before tax without deducting employee's remuneration and directors' and supervisors' remuneration, and to directors and supervisors at the rate of no higher than 3% of profit before tax without deducting employee's remuneration and directors' and supervisors' remuneration during the period.

The amounts of employees', directors', and supervisors' remuneration (all by cash) for the years ended December 31, 2022 and 2021 resolved by the Board of Directors in March 2023 and 2022 are as follows :

	2022	2021
Employees' remuneration	\$ 8,450	\$ 15,118
Directors' and supervisors' remuneration	<u>8,450</u>	<u>18,048</u>
	<u>\$ 16,900</u>	<u>\$ 33,166</u>

If there is any change in the amount after the date of authorizing the consolidated financial statements of the year for issue, it will be treated as a change in accounting estimates, and adjusted in the financial statement of the next year.

The amounts of employees', directors', and supervisors' remuneration (all by cash) for the years ended December 31, 2021 and 2020 resolved by the Board of Directors in March 2022 and 2021 and recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020 are as follows :

	2021		2020	
	Employees' remuneration	Directors' remuneration	Employees' remuneration	Directors' remuneration
Distribution amounts resolved by the Board of Directors (all paid by cash)	<u>\$ 15,118</u>	<u>\$ 18,048</u>	<u>\$ 4,737</u>	<u>\$ 4,738</u>
Amounts recognized in the consolidated financial statements of the year	<u>\$ 12,097</u>	<u>\$ 18,048</u>	<u>\$ 4,737</u>	<u>\$ 4,738</u>

If the actual distribution amount in 2021 is different from the amount recognized in the consolidated financial statements, the difference shall adjust the profit or loss in 2022.

The information about the employees', directors', and supervisors' compensation resolved by the Board of Directors is available at the Market Observation Post System website of TWSE.

22. Income tax

(1). Composition of income tax expenses recognized in profit or loss

	2022	2021
Current income tax		
Adjustments relating to current income tax in prior years	\$ 48	\$ -

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(Brought forward)

	<u>2022</u>	<u>2021</u>
Deferred income tax		
Incurent in current period	<u>\$ 53,926</u>	<u>\$114,928</u>
	<u>\$ 53,974</u>	<u>\$114,928</u>

A reconciliation between the accounting income and the income tax expenses is as follow :

	<u>2022</u>	<u>2021</u>
Profit before tax	<u>\$ 238,073</u>	<u>\$ 557,888</u>
Income tax expenses		
calculated by profit before tax multiplying the enacted tax rates	\$ 47,615	\$ 111,578
Permanent differences	(6,425)	(6,191)
Unrecognized loss carryforwards	13,167	9,539
Unrecognized temporary differences	(431)	2
Adjustments relating to current income tax in prior years	<u>48</u>	<u>-</u>
	<u>\$ 53,974</u>	<u>\$ 114,928</u>

(2). Current tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Income tax refund receivables	<u>\$597</u>	<u>\$179</u>

(3). Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows :

2022

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowances for inventory valuation losses	\$ 19,665	(\$ 8,008)	\$ -	\$ 11,657
Loss carryforwards	96,419	(50,413)	-	46,006
Unrealized disposals of slags payables	19,646	1,393	-	21,039
Others	<u>9,189</u>	<u>2,284</u>	<u>(468)</u>	<u>11,005</u>
	<u>\$ 144,919</u>	<u>(\$ 54,744)</u>	<u>(\$ 468)</u>	<u>\$ 89,707</u>

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(Brought forward)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensi ve income	Ending balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 226,134	\$ -	\$ -	\$ 226,134
Book-tax differences of depreciation expenses	15,830	(519)	-	15,311
Others	487	(299)	-	188
	<u>\$ 242,451</u>	<u>(\$ 818)</u>	<u>\$ -</u>	<u>\$ 241,633</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensi ve income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowances for inventory valuation losses	\$ 5,964	\$ 13,701	\$ -	\$ 19,665
Loss carryforwards	223,636	(127,217)	-	96,419
Defined benefit plans	4,524	(3,011)	252	1,765
Unrealized disposals of slags payables	23,002	(3,356)	-	19,646
Others	6,071	1,353	-	7,424
	<u>\$ 263,197</u>	<u>(\$ 118,530)</u>	<u>\$ 252</u>	<u>\$ 144,919</u>

<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 226,134	\$ -	\$ -	\$ 226,134
Book-tax differences of depreciation expenses	15,211	619	-	15,830
Others	4,708	(4,221)	-	487
	<u>\$ 246,053</u>	<u>(\$ 3,602)</u>	<u>\$ -</u>	<u>\$ 242,451</u>

(4). Unused loss carryforwards not recognized as deferred tax assets in balance sheets are as follows

	December 31, 2022	December 31, 2021
Loss carryforwards	<u>\$187,988</u>	<u>\$121,956</u>

(5). Information on unused loss carryforwards

As of December 31, 2022, the information on loss carryforward is as follows :

<u>Uneducated balance</u>	<u>Last deductible year</u>
\$ 100	2026
4,049	2027

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(Brought forward)

<u>Uneducated balance</u>	<u>Last deductible year</u>
\$ 10,005	2028
15,442	2029
252,706	2030
49,033	2031
<u>86,683</u>	2032
<u>\$ 418,018</u>	

(6). Verification of income tax

The declaration of the Company and subsidiaries' profit-seeking enterprise income tax has been verified by the tax collection authority until 2020.

23. Earnings per share

Profit and weighted average number of ordinary shares outstanding used to calculate earnings per share are as follows :

	<u>2022</u>	<u>2021</u>
Profit attributable to owners of the Company	<u>\$210,830</u>	<u>\$459,712</u>

Number of shares

	<u>2022</u>	<u>2021</u>
	Unit : thousands of shares	
Weighted average number of ordinary shares outstanding used to calculate basic and diluted earnings per share	181,265	181,265
Add : Diluted potential ordinary shares — employees' remuneration	<u>478</u>	<u>403</u>
Diluted weighted average number of ordinary shares outstanding (thousand)	<u>181,743</u>	<u>181,668</u>

The Company may distribute the employees' remuneration in stock or in cash. Therefore, when calculating the diluted earnings per share, assume the employees' remunerations to be paid in stock, and add the diluted potential ordinary shares into the calculation of diluted weighted average number of ordinary shares outstanding to calculate the diluted earnings per share. In calculating the diluted earnings per share in the next year before distribution of employees' remuneration, the Company shall keep considering the dilution of the potential ordinary shares.

24. Equity transactions with the non-controlling interests

The Company acquired part of the equity of the subsidiary, E CHANG , the Company did not subscribe additional shares of E CHANG at a percentage of its existing ownership percentage, and the Company gave up the subscription of the cash capital increase of ZHENG TUNG and the part given up by the Company was subscribed by E CHANG entirely. As

the aforementioned transactions did not involve the changes in control of E CHANG and ZHENG TUNG, they shall be treated as equity transactions. The changes are as follows :

	<u>2022</u>	<u>2021</u>
Consideration in cash paid	\$ -	(\$ 49,210)
Amount of non-controlling interests that shall be transferred out calculated by the changes in relative equity of carrying amount of subsidiaries' net assets	<u>1,182</u>	<u>167,420</u>
Differences of equity transactions	<u>\$ 1,182</u>	<u>\$118,210</u>

The differences of aforementioned equity transactions were recognized as capital surplus— difference between consideration and carrying amount of subsidiaries acquired.

25. Capital risk management

The Company and subsidiaries manage capital to maximize the return on shareholders' equity by optimize the balances of debts and equity, under the premise of ensuring the capability of continuous operation of each entity in the Group. The entire strategies of the Company and subsidiaries in 2022 did not change.

The capital structure of the Company and subsidiaries comprises bank loans and equity attributable to owners of the Company.

Except explained in Note 14, the Company and subsidiaries do not have to abide by other external capital regulations.

26. Financial instruments

(1). Fair value information— financial instruments not measured at fair value

The management of the Company and subsidiaries considers that the carrying value of financial assets and financial liabilities not measured at fair value approach the fair value, or the fair value cannot be measured reliably.

(2). Fair value information— financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Stocks of domestic listed companies	\$ 7,970	\$ -	\$ -	\$ 7,970
Beneficiary certificates of funds	4,114	-	-	4,114
Financial bonds	<u>-</u>	<u>14,616</u>	<u>-</u>	<u>14,616</u>
	<u>\$ 12,084</u>	<u>\$ 14,616</u>	<u>\$ -</u>	<u>\$ 26,700</u>

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(Brought forward)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Stocks of domestic listed companies	\$ 923,911	\$ -	\$ -	\$ 923,911
Stocks of domestic unlisted companies	-	-	5,478	5,478
	<u>\$ 923,911</u>	<u>\$ -</u>	<u>\$ 5,478</u>	<u>\$ 929,389</u>
Financial liabilities at fair value through profit or loss				
Currency swap contracts	\$ -	\$ 16,761	\$ -	\$ 16,761
Foreign exchange option contracts	-	8,868	-	8,868
Forward exchange agreements	-	1,300	-	1,300
	<u>\$ -</u>	<u>\$ 26,929</u>	<u>\$ -</u>	<u>\$ 26,929</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Stocks of domestic listed companies	\$ 9,513	\$ -	\$ -	\$ 9,513
Beneficiary certificates of funds	4,968	-	-	4,968
	<u>\$ 14,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,481</u>
Financial assets at fair value through other comprehensive income				
Stocks of domestic listed companies	\$ 815,064	\$ -	\$ -	\$ 815,064
Stocks of domestic unlisted companies	-	-	5,412	5,412
	<u>\$ 815,064</u>	<u>\$ -</u>	<u>\$ 5,412</u>	<u>\$ 820,476</u>
Financial liabilities at fair value through profit or loss				
Foreign exchange option contracts	\$ -	\$ 13,956	\$ -	\$ 13,956
Currency swap contracts	-	3,739	-	3,739
	<u>\$ -</u>	<u>\$ 17,695</u>	<u>\$ -</u>	<u>\$ 17,695</u>

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

2. A reconciliation of financial assets in the scope of level 3 fair value measurement

	Financial assets at fair value through other comprehensive income	
	2022	2021
Beginning balance	\$ 5,412	\$ 5,667
Recognized in other comprehensive income	66	(255)
Ending balance	<u>\$ 5,478</u>	<u>\$ 5,412</u>

3. Valuation techniques and inputs of level 2 fair value measurement

Types of financial instruments	Valuation techniques and inputs
Derivative instruments	For derivative instruments with quoted prices in an active market, the fair value shall be the quoted prices in an active market. If there is no market price for reference, fair value shall be estimated by valuation methods. The estimates and assumptions used in the valuation methods used by the Company and subsidiaries are consistent with the information on estimates and assumptions used by market participants in pricing financial instruments, and the information is available for the Company and subsidiaries. The Company and subsidiaries calculate the fair value of individual contract by the forcing exchange rate indicated in the quotation systems of correspondent banks and the forward rates at maturity of individual currency swap contracts and forward exchange agreements. The fair value of option derivative instruments is calculated by option pricing model.
Financial bonds	The estimates and assumptions used in the valuation methods by the Company and subsidiaries are based on the self-valuation of correspondent banks and the estimated quotations of relevant bonds.

4. Valuation techniques and inputs of level 3 fair value measurement

The fair value of stocks of domestic unlisted companies are estimated by reference to the net value in the most recent period or the transaction prices of invests.

(3). Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Mandatorily measured at fair value	\$ 26,700	\$ 14,481
Current and non-current financial assets at fair value through other comprehensive income	929,389	820,476
Financial assets at amortized cost (Note 1)	1,550,758	1,673,874

(Continued on next page)

(Brought forward)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Mandatorily measured at fair value	\$ 26,929	\$ 17,695
Measured at amortized cost (Note 2)	4,829,306	4,245,530

Note 1 : The balances include cash and cash equivalents, notes receivables, accounts receivables, other receivables, other financial assets – current and refundable deposits, etc. which are financial assets at amortized cost.

Note 2 : The balances include short-term borrowings, short-term notes payables, notes payables, accounts payables, other payables, long-term borrowings (including current portion) and guaranteed deposits received, etc., which are financial liabilities at amortized cost.

(4). Financial risk management purposes and policies

The financial instruments of the Company and subsidiaries primarily include equity investments, accounts receivables, accounts payables, short-term notes payables, and long-term and short-term bank loans. The financial management department of the Company and subsidiaries services for each operating unit, overall management the funds and exchange procurement, and monitors and manage the financial risk relating to operations of the Company and subsidiaries by the internal risk report of analysis of exposure to risks based on the extent and scope of risks. The risks include market risk (including foreign currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The Company and subsidiaries hedge the risks by derivative financial instruments, to decrease the impact by the risks. The utilization of derivative instruments is regulated by the policies approved by the Board of Directors, which are the written principles of foreign exchange risk, interest rate risk, the utilization of derivative financial instruments and the investments of residual working capital. Internal auditors continuously review the compliance to the policies and the exposure amount based on the audit plans. The Company and subsidiaries do not trade financial instruments (including derivative financial instruments) by speculative purposes.

1. Market risk

The Company and subsidiaries' exposure to financial risks, including risk of changes in foreign exchange rate and changes in interest rates, result from operating activities. The Company and subsidiaries decrease the foreign exchange risk resulting from borrowings denominated in foreign currencies and purchase commitments in foreign currencies by currency

swap contracts, forward exchange agreements and foreign exchange option contracts.

There is no change in the exposure to market risk of financial instruments and the management and measurement to the exposure.

(a) Foreign currency risk

The Company and subsidiaries' exposure to foreign currency risk relates primarily to the borrowings and purchases denominated in foreign currencies. Please refer to Note 30 for the carrying amounts of monetary assets and liabilities denominated in different currencies from the functional currency as of the balance sheet date.

The carrying amounts of derivatives exposed to foreign currency risk as of the balance sheet date are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liabilities	\$ 26,929	\$ 17,695

Sensitivity analysis

The Company and subsidiaries are mainly affected by the fluctuations of the exchange rate of USD.

The table below is the sensitivity analysis under the circumstances of a strengthening/weakening of 1% of the functional currency against the USD. 1% is the sensitivity rate used for the Company and subsidiaries to report foreign currency risk to key management, and also the evaluation of possible reasonable variation range.

The sensitivity analysis only includes the outstanding monetary items denominated in foreign currencies. Scenario 1 below is the impact to the Company and subsidiaries' profit or loss under the circumstance of a strengthening of 1% of the functional currency against the USD; Scenario 2 below is the impact to the Company and subsidiaries' profit or loss under the circumstance of a weakening of 1% of the functional currency against the USD :

	<u>Increase in profit before tax (decrease) (Note)</u>	
	<u>2022</u>	<u>2021</u>
Profit or loss under scenario 1	(\$ 1,300)	\$ 8,642
Profit or loss under scenario 2	1,300	(8,642)

Note : Primarily originated from the outstanding bank deposits and borrowings denominated in USD as of the balance sheet date.

(b) Interest rate risk

As the Company and subsidiaries acquire fund from both financial liabilities at fixed inters rates (including short-term notes payables) and financial liabilities at floating interest rates (including long-term and short-term borrowings), the Company and subsidiaries are exposed to interest rate risk. The Company and subsidiaries manage interest rate risk by determination of borrowing financial liabilities at fixed or floating inters rates based on the market interest rates of various financing instruments.

The carrying amounts of financial assets and financial liabilities exposed to interest rate risk at the balance sheet date are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
With fair value		
interest rate risk		
Financial assets	\$ 281,287	\$ 347,092
Financial liabilities	289,490	709,351
With cash flow		
interest rate risk		
Financial assets	207,335	186,320
Financial liabilities	3,644,310	2,621,699

Sensitivity analysis

The sensitivity analysis below is determined by the exposure to interest rate risk of the aforementioned financial instruments at the balance sheet date. The analysis is based on the assumption that the amounts of outstanding assets and liabilities at the balance sheet date are outstanding during the reporting period. An increase or decrease of 1% is the rate used for the Company and subsidiaries to report interest rates to key management, and also the evaluation of possible reasonable variation range.

If all other variables were to remain constant, an increase of 1% in the interest rate would have decreased the profit before tax by NT\$34,370 thousand and NT\$24,354 thousand for the years ended December 31, 2022 and 2021, respectively. This is primarily resulting from the exposure to cash flow interest rate risk of the borrowings and bank deposits with floating interest rates held by the Company and subsidiaries.

(c) Other price risk

The Company and subsidiaries' exposure to equity price risk results from the investments in beneficiary certificates of funds and stocks of domestic listed and unlisted companies.

A decrease/increase of 1% in the prices of the equity instrument, would have decreased/increased the profit before tax for the years ended December 31, 2022 and 2021 by NT\$121 thousand and NT\$145 thousand, respectively, because of the decrease/increase in the fair value of financial assets at fair value through profit or loss, and would have decreased/increased other comprehensive income by NT\$9,294 thousand and NT\$8,205 thousand, respectively, because of the decrease/increase in the fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company and subsidiaries. As of the balance sheet date, the max exposure to credit risk due to financial losses resulted from default on the contractual obligations is primarily from the carrying amounts of financial assets recognized in the consolidated financial balance sheets.

The policies of the Company and subsidiaries are rating main customers by other public available financial information and transaction records and acquiring receipts in advance or irrevocable L/C with sufficient amount as guarantees, to decrease the risk due to financial losses resulted from default. The Company and subsidiaries control credit risk subsequently by monitoring exposure to credit risk continuously and credit ratings of counterparties.

As the counterparties of the derivative financial instruments transactions are domestic large financial institutions, the credit risk is not high.

The credit risk of the Company and subsidiaries is significantly concentrated in customers as follows. The reason of the significant concentration of credit risk is the characteristic of the industry. The balances of notes receivables and accounts receivables from the customers with significant concentration of credit risk are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts receivables		
Company A	\$192,439	\$144,104
Company B	<u>43,376</u>	<u>193,346</u>
	<u>\$235,815</u>	<u>\$337,450</u>

As of December 31, 2022 and 2021, the ratios from the aforementioned customers are 23% and 30%, respectively.

3. Liquidity risk

The Company and subsidiaries manage and maintain sufficient cash for operating use and decreasing the impact from the fluctuations of cash flows.

As of December 31, 2022 and 2021, the unused credit lines of short-term bank loans amounted to NT\$2,979,831 thousand and NT\$2,468,390 thousand, respectively.

Liquidity risk table

The table below analyzed the residual contracts of non-derivative financial liabilities with agreed repayment periods by maturity, which is based on the earliest date on which repayment may be required, and prepared by the undiscounted cash flows of financial liabilities, including the cash flows of interests and principals.

The bank loans of the Company and subsidiaries that may be required to repay immediately are listed in the earliest period of the table below, without considering the possibility that the banks enforce the right immediately. The maturity analysis of other non-derivative financial liabilities is prepared by the agreed repayment date.

As the agreed repaid periods of short-term borrowings are close to for the balance sheet date, the cash flows of the interests paid by floating interest rates, the undiscounted interest amounts are accrued the actual interest rates of the correspondent banks as of the balance sheet date; the interest rates of long-term borrowings are based on the interest rates of Chunghwa Post Co. plus a fixed rate. As the Company and subsidiaries assess that the impact of the changes in future interest rates is not significant, the amounts of undiscounted interest are accrued by the interest rates in the most recent period.

	Within 3 months	3 months to 1 year	Over 1 year	Total
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Liabilities without bearing interests	\$ 895,495	\$ -	\$ 11	\$ 895,506
Instruments with fixed interest rates	290,000	-	-	290,000
Instruments with floating interest rates	<u>1,098,528</u>	<u>1,167,564</u>	<u>1,489,982</u>	<u>3,756,074</u>
	<u>\$2,284,023</u>	<u>\$1,167,564</u>	<u>\$1,489,993</u>	<u>\$4,941,580</u>

(Continued on next page)

(Brought forward)

	Within 3 months	3 months to 1 year	Over 1 year	Total
December 31, 2021				
Non-derivative financial liabilities				
Liabilities without bearing interests	\$ 912,830	\$ 1,639	\$ 11	\$ 914,480
Instruments with fixed interest rates	710,000	-	-	710,000
Instruments with floating interest rates	<u>729,372</u>	<u>838,338</u>	<u>1,116,785</u>	<u>2,684,495</u>
	<u>\$2,352,202</u>	<u>\$ 839,977</u>	<u>\$1,116,796</u>	<u>\$4,308,975</u>

The amounts of the aforementioned non-derivative liabilities with floating interest rates may change because of the differences between the floating interest rates and the estimated interest rates at the balance sheet date.

The table below explains the liquidity analysis of derivative financial instruments. The amounts of derivative instruments by gross settlement are prepared by the undiscounted total cash inflows and outflows. When the payable amounts are not fixed, the disclosed amounts shall refer to the average exchange rate at the balance sheet date.

	Required to repay immediately or within 1 month	1 to 3 months	3 months to 1 year
December 31, 2022			
Net settlement			
Foreign exchange option contracts	(\$ <u>477</u>)	(\$ <u>2,095</u>)	(\$ <u>6,296</u>)
Gross settlement			
Currency swap contracts			
Inflows	\$ -	\$ -	\$ 425,609
Outflows	<u>-</u>	<u>-</u>	(<u>442,370</u>)
	<u>\$ -</u>	<u>\$ -</u>	(<u>\$ 16,761</u>)
Forward exchange agreements			
Inflows	\$ -	\$ 241,367	\$ -
Outflows	<u>-</u>	(<u>242,667</u>)	<u>-</u>
	<u>\$ -</u>	(<u>\$ 1,300</u>)	<u>\$ -</u>
December 31, 2021			
Net settlement			
Foreign exchange option contracts	(\$ <u>292</u>)	(\$ <u>2,097</u>)	(\$ <u>11,567</u>)
Gross settlement			
Currency swap contracts			
Inflows	\$ -	\$ -	\$ 933,998
Outflows	<u>-</u>	<u>-</u>	(<u>937,737</u>)
	<u>\$ -</u>	<u>\$ -</u>	(<u>\$ 3,739</u>)

27. Related party transactions

(1). Related party names and relationships

<u>Name of related party</u>	<u>Relationship</u>
TAIWAN STEEL UNION CO., LTD. (TAIWAN STEEL UNION)	The Company is the legal person director.
Huang, Wei-Han	Chairman of the Company
PASSION TRADING CO., LTD. (PASSION TRADING)	Substantive related party

(2). Transactions in operations

1. Sales

<u>Type of related party</u>	<u>2022</u>	<u>2021</u>
Substantive related party	<u>\$ 8,312</u>	<u>\$ 8,825</u>

2. Purchases

<u>Type of related party</u>	<u>2022</u>	<u>2021</u>
Substantive related party	<u>\$ 13,143</u>	<u>\$ 6,528</u>

The transaction prices of purchases and sales with related parties are based general transaction conditions, and the payment terms are the same as general customers (suppliers).

(3). Receivables from related parties

<u>Account</u>	<u>Type of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables	Substantive related party	<u>\$ -</u>	<u>\$ 459</u>
Accounts receivables	Substantive related party	<u>\$ 1,398</u>	<u>\$ 537</u>

(4). Payables to related parties

<u>Account</u>	<u>Type of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Substantive related party	<u>\$ 869</u>	<u>\$ 28</u>
Other payables	The Company is the legal person director.	\$ 428	\$ 145
	Substantive related party	<u>2,362</u>	<u>17,220</u>
		<u>\$ 2,790</u>	<u>\$ 17,365</u>

The balances of outstanding payables to related parties are not guaranteed and will be repaid by cash.

(5). Property, plant and equipment acquired

Type of related party	Considerations paid	
	2022	2021
Substantive related party	\$ -	\$ 16,750

(6). Other related party transactions

1. Manufacturing expenses

Account	Type of related party	2022	2021
Disposal fee of furnace dusts	The Company is the legal person director.	\$ 1,886	\$ 1,202

2. Professional services expenses

Account	Type of related party	2022	2021
Service expenses	Substantive related party	\$ 2,400	\$ 2,400

3. Guarantees

The Chairman, Huang, Wei-Han provided joint guarantees for the long-term and short-term borrowings as of December 31, 2022 and 2021.

(7). Information on key management personnel compensation

Total compensation of the directors and other key management are as follows :

	2022	2021
Short-term employee benefits (including payrolls, remunerations, and bonuses)	\$ 27,161	\$ 35,843
Post-employment benefits	470	432
	\$ 27,631	\$ 36,275

28. Pledge assets

The assets pledge as collaterals for bank guarantees, margins of derivative instruments, and bank financing provided by the Company and subsidiaries are as follows :

	Carrying amount	
	December 31, 2022	December 31, 2021
Property, plant and equipment		
Land (including appraisal increments)	\$ 1,114,255	\$ 1,114,255
Buildings and structures	100,355	108,661
Machinery equipment	132,737	48,840

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(Brought forward)

	Carrying amount	
	December 31, 2022	December 31, 2021
Unfinished constructions	\$ 142,246	\$ 154,558
Other financial assets — current		
Negotiable certificates of deposits	61,389	47,540
Reserve accounts	342	1
	<u>\$1,551,324</u>	<u>\$1,473,855</u>

29. Significant contingencies and unrecognized contract commitments

As of December 31, 2022, the significant contingencies and unrecognized contract commitments of the Company and subsidiaries are as follows :

- (1).The balance of the unused issued L/C for purchasing raw materials amounted to NT\$196,093 thousand.
- (2).The unpaid amount of the contract signed with suppliers for purchasing assets and equipment maintenance of the Company and subsidiaries amounted to NT\$514,625 thousand.
- (3).The purchase commitments not performed amounted to NT\$1,852,249 thousand, which are irrevocable purchase contracts.
- (4).Currency swap contracts, forward exchange agreements and exchange option contracts not expired : Please refer to Note 7.

30. Information on foreign-currency-denominated assets and liabilities that have significant influence

The information on foreign-currency-denominated assets and liabilities that have significant influence of the Company and subsidiaries is as follows :

Unit : foreign currencies / NTD in thousands ; exchange rates in NTD

		<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>December 31, 2022</u>				
Financial assets which are monetary items				
USD	\$	4,226	30.76	\$ 129,999
<u>December 31, 2021</u>				
Financial assets which are monetary items				
USD		11,034	27.73	305,947
Financial liabilities which are monetary items				
USD		42,197	27.73	1,170,136

Net foreign exchange gains (losses) (including realized and unrealized) for the year ended December 31, 2022 and 2021 amounted to NT\$(128,071) thousand and NT\$39,423 thousand, respectively.

31. Other disclosures

(1). Information on significant transactions and (2) Information on investees

1. Loans to others : Please refer to Table 1.
2. Provision of endorsements and guarantees to others : Please refer to Table 2.
3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries) : Please refer to Table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more : None.
5. Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
6. Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : Please refer to Table 4.
9. Trading in derivative instruments : Please refer to Note 7.
10. Others : business relationships among the parent company and subsidiaries, and significant intercompany transactions : Please refer to Table 5.
11. Information on investees : Please refer to Table 6.

(3). Information on investees in Mainland China : The Company does not have investees in Mainland China.

(4). Information on major shareholders : names, number and percentage of shares held of the shareholders with over 5% of percentage of ownership : Table 7

32. Segment information

Segment information is provided to the chief operating decision maker to allocate resources and evaluate segment performance. The Company and subsidiaries are principally engaged in the manufacture and sales of billets and reinforcing steel bars, and real estate rental and leasing business. The chief operating decision maker regard the Company and subsidiaries individually reportable segments.

The information on revenue, operating results and assets of the Company and subsidiaries for the years ended December 31, 2022 and 2021 are as follows.

(1). Segment revenue and operating results

	The Company	E CHANG	ZHENG TUNG	Adjustments and write-offs	Consolidated
2022					
Revenue from customers other than the parent and consolidated subsidiaries	\$ 10,957,658	\$ -	\$ 87,320	\$ -	\$ 11,044,978
Revenue from the parent and consolidated subsidiaries	1,926	26,575	-	(28,501)	-
Total revenue	<u>\$ 10,959,584</u>	<u>\$ 26,575</u>	<u>\$ 87,320</u>	<u>(\$ 28,501)</u>	<u>\$ 11,044,978</u>
Segment income (losses)	\$ 194,067	(\$ 8,654)	(\$ 84,862)	\$ 702	\$ 101,253
Interest revenue	3,415	3,133	55	(1,916)	4,687
Financial costs	(63,596)	-	(3,144)	3,144	(63,596)
Other non-operating income and expenses	130,869	(4,449)	1,268	68,041	195,729
Profit (loss) before tax	264,755	(9,970)	(86,683)	69,971	238,073
Income tax expenses	53,925	49	-	-	53,974
Profit (loss)	<u>\$ 210,830</u>	<u>(\$ 10,019)</u>	<u>(\$ 86,683)</u>	<u>\$ 69,971</u>	<u>\$ 184,099</u>
Identifiable segment assets	<u>\$ 8,649,126</u>	<u>\$ 1,909,876</u>	<u>\$ 565,761</u>	<u>(\$ 1,725,234)</u>	<u>\$ 9,399,529</u>
Identifiable segment liabilities	<u>\$ 4,995,434</u>	<u>\$ 173,555</u>	<u>\$ 504,930</u>	<u>(\$ 221,759)</u>	<u>\$ 5,452,160</u>
2021					
Revenue from customers other than the parent and consolidated subsidiaries	\$ 10,213,207	\$ -	\$ 11,923	\$ -	\$ 10,255,130
Revenue from the parent and consolidated subsidiaries	20,240	23,707	-	(43,947)	-
Total revenue	<u>\$ 10,233,447</u>	<u>\$ 23,707</u>	<u>\$ 11,923</u>	<u>(\$ 43,947)</u>	<u>\$ 10,255,130</u>
Segment income (losses)	\$ 569,543	\$ 35	(\$ 69,532)	\$ 20,853	\$ 520,899
Interest revenue	1,037	376	5	(604)	814
Financial costs	(37,642)	(604)	(988)	1,592	(37,642)
Other non-operating income and expenses	41,700	(8,819)	21,108	19,828	73,817
Profit (loss) before tax	574,638	(9,012)	(49,407)	41,669	557,888
Income tax expenses	114,926	2	-	-	114,928
Profit (loss)	<u>\$ 459,712</u>	<u>(\$ 9,014)</u>	<u>(\$ 49,407)</u>	<u>\$ 41,669</u>	<u>\$ 442,960</u>
Identifiable segment assets	<u>\$ 8,250,234</u>	<u>\$ 1,928,534</u>	<u>\$ 441,005</u>	<u>(\$ 1,637,454)</u>	<u>\$ 8,982,319</u>
Identifiable segment liabilities	<u>\$ 4,648,539</u>	<u>\$ 178,726</u>	<u>\$ 333,492</u>	<u>(\$ 89,491)</u>	<u>\$ 5,071,266</u>

(2). Other segment information

	Depreciation and amortization	
	2022	2021
The Company	\$ 222,771	\$ 192,379
E CHANG	19,948	8,075
ZHENG TUNG	15,642	3,905
	<u>\$ 258,361</u>	<u>\$ 204,359</u>

(3). Revenue from main products and services

	2022	2021
Sales revenue — deformed steel bar	\$ 10,863,574	\$ 10,030,645
Sales revenue — others	3,984	109,793
Service revenue	177,420	84,692
	<u>\$ 11,044,978</u>	<u>\$ 10,225,130</u>

(4). Geographical information

The main operating location of the Company and subsidiaries is Taiwan and there is no exporting transaction for the years ended December 31, 2022 and 2021.

The information on revenue from external customers of the Company and subsidiaries by customers' located country and non-current assets by assets' locations is as follows :

	Revenue from external customers		Non-current assets	
			2021	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	<u>\$11,044,978</u>	<u>\$10,225,130</u>	<u>\$ 4,430,395</u>	<u>\$ 4,218,923</u>

Non-current assets exclude financial instruments, refundable deposits, net defined obligation assets and deferred tax assets.

(5). Information on major customers

The customer with revenue accounting for 10% of sales revenue are as follows :

	2022	2021
Customer A	\$1,557,812	\$1,528,902
Customer B	750,190	1,244,152
Customer C	<u>708,344</u>	<u>1,152,512</u>
	<u>\$3,016,346</u>	<u>\$3,925,566</u>

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Loans to others
For the Year Ended December 31, 2022

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Table 1

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Interests rate interval (%)	Nature of financing	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. CO., LTD.	Other receivables — related parties	Yes	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 150,000</u>	TAIBOR+1.15%	Note 1	<u>\$ —</u>	The operating capital required for building plant and the beginning of mass production	<u>\$ —</u>	-	<u>\$ —</u>	<u>\$ 365,369</u>	<u>\$ 730,739</u>	Note 2

Note 1 : In need of short-term financing
 Note 2 : According to the “Operational Procedures for Loaning of Company Funds,” the amount loaned to single recipient shall not exceed the amount of 10% of the net worth in financial statements of the most recent period, and the total amount loaned shall not exceed the amount of 20% of the net worth in financial statements of the most recent period.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Provision of endorsements and guarantees to others
For the Year Ended December 31, 2022

Table 2

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No.	Name of guarantor and endorser	Guarantee and endorsee		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements, end of year	Actual usage amount	Property pledged for guarantee and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (%)	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/guarantees for subsidiary	Subsidiary endorsements/guarantees for the parent company	Endorsements/guarantees for companies in Mainland China
		Company name	Relation ship										
0	The Company	ZHENG TUNG	The Company directly or indirectly holds more than 50% of voting shares of the subsidiary	<u>\$365,369</u>	<u>\$319,470</u>	<u>\$319,470</u>	<u>\$204,470</u>	<u>\$126,470</u>	<u>8.74</u>	<u>\$730,739</u>	Y	N	N

Note 1 : According to the “Operational Procedures for Provision of Endorsements and Guarantees,” the amount of endoresements and guarantees provided for a single enterprise shall not exceed the amount of 10% of the net worth in audited or reviewed financial statements of the most recent period, and the total amount of endoresements and guarantees provided by the Company and subsidiaries as a whole for a single enterprise shall not exceed the amount of 20% of the net worth in audited or reviewed financial statements of the most recent period.

Note 2 : According to the “Operational Procedures for Provision of Endorsements and Guarantees,” the total amount of endoresements and guarantees provided shall not exceed the amount of 20% of the net worth in audited or reviewed financial statements of the most recent period, and the total amount of endoresements and guarantees provided by the Company and subsidiaries as a whole shall not exceed the amount of 30% of the net worth in audited or reviewed financial statements of the most recent period.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Holding of marketable securities at the end of the period
December 31, 2022

Table 3

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Name of holder	Category and name of security	Relationship with the Company	Account	Ending balance				Note
				Number of shares	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Stock	The Company is the legal person director.						
	Taiwan Steel Union Co., Ltd.		Current financial assets at fair value through other comprehensive income	419,000	<u>\$ 38,548</u>	0.4	<u>\$ 38,548</u>	
			Non-current financial assets at fair value through other comprehensive income	9,272,512	\$853,071	8.3	\$853,071	
	Shiao Kang Warehousing Corp.		Non-current financial assets at fair value through other comprehensive income	533,253	5,478	4.4	5,478	
					<u>\$858,549</u>		<u>\$858,549</u>	
	Shin Kong Financial Holding Co., Ltd. — preferred B share		Current financial assets at fair value through profit or loss	222,000	<u>\$ 7,970</u>	0.1	<u>\$ 7,970</u>	
E CHANG	Stock	The Company is the legal person director.						
	Taiwan Steel Union Co., Ltd.		Current financial assets at fair value through other comprehensive income	351,000	<u>\$ 32,292</u>	0.3	<u>\$ 32,292</u>	
	Beneficiary certificates of fund							
	Shin Kong Environmental Sustainability Bond Fund		Current financial assets at fair value through profit or loss	500,000	<u>\$ 4,114</u>	-	<u>\$ 4,114</u>	
	Financial bonds							
	HSBC 4.375		Current financial assets at fair value through profit or loss	500,000	<u>\$ 14,616</u>	-	<u>\$ 14,616</u>	

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Table 4

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

The Company recognizing receivables	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate (%)	Overdue receivables from related parties		Amounts of receivables from related parties collected in subsequent period	Allowance for bad debt	Note
					Amount	Collection status			
The Company	ZHENG TUNG	Subsidiary	\$150,556	-	\$ -	-	\$ -	\$ -	Note

Note : Other receivables are not applicable to the calculation of turnover rate. The transactions between the parent and subsidiaries are eliminated at preparing the consolidated financial statements.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Business relationships among the parent company and subsidiaries, and significant intercompany transactions
For the Year Ended December 31, 2022

Table 5

Expressed in thousands of New Taiwan Dollars

No.	Name of company	Counterparty	Relationship	Intercompany transactions			
				Item	Amount	Transaction terms	Percentage accounting for the consolidated total revenue or total assets%
0	The Company	E CHANG	Parent to subsidiary	Rental expenses	\$ 7,630	Based on the amount agreed in contracts	0.07
0	The Company	ZHENG TUNG	Parent to subsidiary	Service expenses	33,021	Based on the amount agreed in contracts	0.30
0	The Company	ZHENG TUNG	Parent to subsidiary	Other receivables	150,556	Based on the amount agreed in contracts	1.60
1	E CHANG	ZHENG TUNG	Subsidiary to subsidiary	Lease income	18,945	Based on the amount agreed in contracts	0.17
2	ZHENG TUNG	E CHANG	Subsidiary to subsidiary	Right-of-use asset	61,937	Based on the amount agreed in contracts	0.66

Note : The transactions between the parent and subsidiaries are eliminated at preparing the consolidated financial statements.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Information on investees
For the Year Ended December 31, 2022

Table 6

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Investor company	Investee company	Location	Main business	Original investment amount		Ownership as of December 31, 2022			Profit (loss) of investees in the current period	Gain (loss) of investees recognized in the current period	Note
						Number of shares	Percentage (%)	Carrying amount			
				December 31, 2022	December 31, 2021						
The Company	E CHANG	Taiwan	Manufacture, processing and trading of various iron and steel products	\$ 1,223,892	\$ 1,223,892	18,502,495	84.10	\$ 1,453,658	(\$ 10,019)	(\$ 8,426)	Subsidiary
The Company	ZHENG TUNG	Taiwan	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	76,500	76,500	7,650,000	34.77	20,779	(86,683)	(31,979)	Subsidiary
E CHANG	ZHENG TUNG	Taiwan	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	79,700	51,300	7,970,000	36.23	22,037	(86,683)	(29,566)	

Note : The transactions between the parent and subsidiaries are eliminated at preparing the consolidated financial statements.

Table 7

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

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6.5 Latest Individual Financial Statements and Independent Auditors' Report

**HAI-KWANG ENTERPRISE
CO., LTD.**

**Parent Company Only Financial
Statements with Independent
Auditors' Report**
For the Years Ended December 31, 2022
and 2021

Address : No. 12, Yanhai 2nd Rd., Xiaogang
Dist., Kaohsiung City, Taiwan
Telephone : (07)8021011

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Independent Auditors' Report

To HAI-KWANG ENTERPRISE CO., LTD. :

Opinion

We have audited the accompanying financial statements of HAI-KWANG ENTERPRISE CO., LTD. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows :

Authenticity of revenue recognition

The operating revenue of the Company is mainly from the sales revenue of reinforcing steel bar. As the sales revenue of part of the items grew significantly in 2022, according to regulation of Statement of Auditing Standard, which presumes that there is significant risk in revenue, the authenticity of sales revenue recognition of the aforementioned specific items is identified as a key audit matter.

Accounting policies and disclosure information regarding revenue recognition are disclosed in Note 4 and 20 of the Parent Company Only financial statements. The audit procedures for the sales revenue recognition of the aforementioned specific items implemented are as follows :

1. Obtain an understanding and test the effectiveness of internal control

related to the authenticity of sales revenue recognition ;

2. Select appropriate samples of specific sales items from sales revenue account, check whether the delivery orders have been signed by customers, verify the record of receiving the payments and check whether the payers are consistent with the sales counterparties, to ensure the authenticity of revenue.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wang, Chao-Chin and Wu, Chang-Jin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2023

Notice to Readers

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

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

HAI-KWANG ENTERPRISE CO., LTD.
Parent Company Only Balance Sheets
December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Note 4 and 6)	\$ 167,687	2	\$ 136,747	2
Current financial assets at fair value through profit or loss (Note 4 and 7)	7,970	-	9,513	-
Current financial assets at fair value through other comprehensive income (Note 4 and 8)	38,548	-	33,939	1
Notes receivables (Note 4, 9, and 26)	92,190	1	108,146	1
Accounts receivables, net (Note 4, 9, and 26)	934,843	11	1,016,834	12
Other receivables	3,224	-	290	-
Other receivables—related parties (Note 26)	150,556	2	-	-
Current tax assets (Note 22)	343	-	76	-
Inventories (Note 4, 5, and 10)	2,068,569	24	1,997,248	24
Prepayments (Note 26)	266,747	3	82,493	1
Other financial assets—current (Note 4, 11, and 27)	50,115	1	47,541	1
Other current assets	<u>1,195</u>	<u>-</u>	<u>2,947</u>	<u>-</u>
Total current assets	<u>3,781,987</u>	<u>44</u>	<u>3,435,774</u>	<u>42</u>
Non-current assets				
Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	858,549	10	756,486	9
Investments accounted for using equity method (Note 4 and 12)	1,474,437	17	1,510,717	18
Property, plant and equipment (Note 4, 13, 26 and 27)	2,384,739	28	2,244,736	27
Intangible assets (Note 4)	6,576	-	2,217	-
Deferred tax assets (Note 4 and 22)	89,707	1	144,919	2
Prepayments for equipment	48,860	-	149,859	2
Refundable deposits	104	-	104	-
Net defined benefit assets—non-current (Note 4 and 18)	178	-	-	-
Other non-current assets	<u>3,989</u>	<u>-</u>	<u>5,422</u>	<u>-</u>
Total non-current assets	<u>4,867,139</u>	<u>56</u>	<u>4,814,460</u>	<u>58</u>
Total assets	<u>\$ 8,649,126</u>	<u>100</u>	<u>\$ 8,250,234</u>	<u>100</u>
Liabilities and equity				
Current Liabilities				
Short-term borrowings (Note 14 and 27)	\$ 1,921,169	22	\$ 1,277,047	15
Short-term notes payables (Note 14)	289,490	3	709,351	9
Current financial liabilities at fair value through profit or loss (Note 4 and 7)	23,396	-	17,695	-
Current contract liabilities (Note 4 and 20)	185,290	2	358,408	4
Notes payables (Note 15 and 18)	89,144	1	80,476	1
Accounts payables (Note 15 and 26)	475,514	6	500,175	6
Other payables (Note 16, and 26)	218,965	3	231,103	3
Current provisions (Note 4 and 17)	53,215	1	91,144	1
Long-term borrowings, current portion (Note 14 and 27)	192,814	2	164,202	2
Other current liabilities	<u>1,345</u>	<u>-</u>	<u>921</u>	<u>-</u>
Total current liabilities	<u>3,450,342</u>	<u>40</u>	<u>3,430,522</u>	<u>41</u>
Non-current liabilities				
Long-term borrowings (Note 14 and 27)	1,325,857	16	997,356	12
Non-current provisions (Note 4 and 17)	104,822	1	100,383	1
Deferred tax liabilities (Note 4 and 22)	114,402	1	115,221	2
Net defined benefit liabilities (Note 4 and 18)	-	-	5,046	-
Guaranteed deposits received	<u>11</u>	<u>-</u>	<u>11</u>	<u>-</u>
Total non-current liabilities	<u>1,545,092</u>	<u>18</u>	<u>1,218,017</u>	<u>15</u>
Total liabilities	<u>4,995,434</u>	<u>58</u>	<u>4,648,539</u>	<u>56</u>
Equity (Note 19)				
Ordinary shares	<u>1,812,645</u>	<u>21</u>	<u>1,812,645</u>	<u>22</u>
Capital surplus	<u>387,863</u>	<u>4</u>	<u>386,681</u>	<u>5</u>
Retained earnings				
Legal reserve	61,865	1	15,995	-
Special reserve	156,469	2	156,469	2
Unappropriated earnings	<u>383,260</u>	<u>4</u>	<u>487,996</u>	<u>6</u>
Total retained earnings	<u>601,594</u>	<u>7</u>	<u>660,460</u>	<u>8</u>
Other equity	<u>851,590</u>	<u>10</u>	<u>741,909</u>	<u>9</u>
Total equity	<u>3,653,692</u>	<u>42</u>	<u>3,601,695</u>	<u>44</u>
Total liabilities and equity	<u>\$ 8,649,126</u>	<u>100</u>	<u>\$ 8,250,234</u>	<u>100</u>

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

HAI-KWANG ENTERPRISE CO., LTD.

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except EPS expressed in NTD)

	2022		2021	
	Amount	%	Amount	%
Operating revenue (Note 4, 20, and 26)				
Sales revenue	\$ 10,869,484	99	\$ 10,160,676	99
Service revenue	<u>90,100</u>	<u>1</u>	<u>72,771</u>	<u>1</u>
Total operating revenue	<u>10,959,584</u>	<u>100</u>	<u>10,233,447</u>	<u>100</u>
Operating costs (Note 4, 10, 21, and 26)				
Costs of goods sold	10,570,511	97	9,474,691	93
Service costs	<u>40,505</u>	<u>-</u>	<u>37,151</u>	<u>-</u>
Total operating costs	<u>10,611,016</u>	<u>97</u>	<u>9,511,842</u>	<u>93</u>
Net gross profit	348,568	3	721,605	7
Less : Unrealized gains from sales	<u>396</u>	<u>-</u>	<u>428</u>	<u>-</u>
Realized net operating profit	<u>348,172</u>	<u>3</u>	<u>721,177</u>	<u>7</u>
Operating expenses (Note 21 and 26)				
Selling expenses	66,581	-	51,568	-
Administrative expenses	87,170	1	99,278	1
Research and development expense	<u>354</u>	<u>-</u>	<u>788</u>	<u>-</u>
Total operating expenses	<u>154,105</u>	<u>1</u>	<u>151,634</u>	<u>1</u>
Net operating income	<u>194,067</u>	<u>2</u>	<u>569,543</u>	<u>6</u>
Non-operating income and expenses (Note 21 and 26)				
Interests revenue	3,415	-	1,037	-
Other revenue	47,404	-	39,211	-
Other gains and losses	123,870	1	31,586	-

(continued on next page)

(continued)

	2022		2021	
	Amount	%	Amount	%
Financial costs	(\$ 63,596)	(1)	(\$ 37,642)	-
Share of losses of subsidiaries accounted for using equity method	(40,405)	-	(29,097)	-
Total non-operating income and expenses	70,688	-	5,095	-
Profit before tax	264,755	2	574,638	6
Income tax expenses (Note 4 and 22)	53,925	-	114,926	1
Profit	210,830	2	459,712	5
Other comprehensive income (Note 18, 19, and 22)				
Items not to be reclassified into profit or loss				
Remeasurements of defined benefit plans	2,339	-	(1,263)	-
Unrealized valuation gains and losses from equity instrument investments measured at fair value through other comprehensive income	106,672	1	49,173	-
Share of other comprehensive income of subsidiaries accounted for using equity method	3,339	-	1,798	-
Income tax related to items of other comprehensive income not to be reclassified to profit or loss	(468)	-	252	-
Other comprehensive income (net of tax)	111,882	1	49,960	-
Total comprehensive income	\$ 322,712	3	\$ 509,672	5
Earnings per share (Note 23)				
Basic	\$ 1.16		\$ 2.54	
Diluted	\$ 1.16		\$ 2.53	

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

HAI-KWANG ENTERPRISE CO., LTD.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	Retained earnings						Other equity	
							Unrealized valuation gains and losses from equity instrument investments measured at fair value through other comprehensive income	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		
Balance at January 1, 2021	\$ 1,812,645	\$ 268,471	\$ -	\$ 132,443	\$ 159,948	\$ 292,391	\$ 690,938	\$ 3,064,445
Appropriation and distribution of 2020 earnings (Note 19)								
Legal reserve	-	-	15,995	-	(15,995)	-	-	-
Special reserve	-	-	-	24,026	(24,026)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(90,632)	(90,632)	-	(90,632)
	-	-	15,995	24,026	(130,653)	(90,632)	-	(90,632)
Profit of 2021	-	-	-	-	459,712	459,712	-	459,712
Other comprehensive income of 2021, net of tax	-	-	-	-	(1,011)	(1,011)	50,971	49,960
Total comprehensive income of 2021	-	-	-	-	458,701	458,701	50,971	509,672
Difference between consideration and carrying amount of subsidiaries acquired (Note 12)	-	118,210	-	-	-	-	-	118,210
Balance at December 31, 2021	1,812,645	386,681	15,995	156,469	487,996	660,460	741,909	3,601,695
Appropriation and distribution of 2021 earnings (Note 19)								
Legal reserve	-	-	45,870	-	(45,870)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(271,897)	(271,897)	-	(271,897)
	-	-	45,870	-	(317,767)	(271,897)	-	(271,897)
Profit of 2022	-	-	-	-	210,830	210,830	-	210,830
Other comprehensive income of 2022, net of tax	-	-	-	-	1,871	1,871	110,011	111,882
Total comprehensive income of 2022	-	-	-	-	212,701	212,701	110,011	322,712
Difference between consideration and carrying amount of subsidiaries acquired (Note 12)	-	1,182	-	-	-	-	-	1,182
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	330	330	(330)	-
Balance at December 31, 2022	\$ 1,812,645	\$ 387,863	\$ 61,865	\$ 156,469	\$ 383,260	\$ 601,594	\$ 851,590	\$ 3,653,692

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

HAI-KWANG ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities		
Profit before tax	\$ 264,755	\$ 574,638
Items of income and expense		
Depreciation expenses	213,011	182,590
Amortization expenses	9,822	9,789
Net losses (gains) on financial instruments at fair value through profit or loss	(300,228)	2,686
Financial costs	63,596	37,642
Interests revenue	(3,415)	(1,037)
Dividends revenue	(39,166)	(29,342)
Share of losses of subsidiaries accounted for using equity method	40,405	29,097
Loss (Gain) from disposal and scrap of property, plant and equipment	2,036	(415)
Inventory valuation losses	416	28,052
Increase in provisions	29,422	95,390
Others	396	428
Net changes in operating assets and liabilities		
Financial instruments mandatorily measured at fair value through profit or loss	307,472	6,228
Notes receivables	15,956	(85,467)
Accounts receivables	81,991	(320,466)
Other receivables (including related parties)	(2,910)	(207)
Inventories	(71,737)	454,732
Prepayments	(183,519)	(38,999)
Other current assets	1,752	(2,258)
Net defined benefit assets	(178)	-
Contract liabilities	(173,118)	146,293
Notes payables	2,958	22,736
Accounts payables	(24,661)	163,768
Other payables	(20,306)	82,888
Provisions	(62,912)	(71,718)
Other current liabilities	424	189
Net defined benefit liabilities	(2,707)	(17,558)

(continued on next page)

(continued)

	2022	2021
Cash inflows generated from operations	\$ 149,555	\$ 1,269,679
Interest received	3,126	1,044
Interest paid	(63,196)	(40,441)
Income taxes refund (paid)	(267)	(54)
Net cash inflow provided by operating activities	<u>89,218</u>	<u>1,230,228</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(242,660)	(278,388)
Proceeds from disposal of property, plant and equipment	1,491	800
Decrease (increase) in refundable deposits	-	2,086
Increase in other receivables — related parties	(150,291)	-
Acquisition of intangible assets	(5,841)	(733)
Increase in other financial assets	(2,574)	(20,712)
Increase in other non-current assets	(6,907)	(6,610)
Dividends received	<u>39,166</u>	<u>29,342</u>
Net cash outflows provided by investing activities	<u>(367,616)</u>	<u>(274,215)</u>
Cash flows from financing activities		
Increase in short-term borrowings	10,147,307	7,512,883
Decrease in short-term borrowings	(9,503,185)	(8,025,868)
Increase (Decrease) in short-term notes payables	(420,000)	430,000
Acquisition of equity of subsidiaries	-	(576,010)
Increase in long-term borrowings	1,020,000	529,156
Repayment of long-term borrowings	(662,887)	(675,069)
Decrease in guaranteed deposits received	-	(2,084)
Distribution of cash dividends	<u>(271,897)</u>	<u>(90,632)</u>
Net cash inflows (outflows) provided by financing activities	<u>309,338</u>	<u>(897,624)</u>
Increase (decrease) in cash and cash equivalents	30,940	58,389
Cash and cash equivalents at the beginning of period	<u>136,747</u>	<u>78,358</u>
Cash and cash equivalents at the end of period	<u>\$ 167,687</u>	<u>\$ 136,747</u>

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

HAI-KWANG ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements
For the Years Ended December 31, 2022 and 2021
(Except as indicated, Expressed in thousands of New Taiwan Dollars)

1. Company history

HAI-KWANG ENTERPRISE CO., LTD. (the “Company”) is established in 1969, and is principally engaged in the manufacture, processing, sales, and trade of billets and reinforcing steel bars.

The consolidated financial statements are expressed in the Company’s functional currency, “New Taiwan Dollar.”

2. Approval date and procedures of the parent company only financial statements

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2023.

3. New standards, amendments and interpretations adopted

- (1). The Company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (the “FSC”), and the first-time adoption incurs no significant impact to the accounting policies of the Company.

- (2). The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(3). The IFRSs issued by IASB but not yet endorsed by the FSC

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

Note 1 : Except as indicated, the abovementioned new, revised, or amended standards or interpretations are applicable since the annual reporting period beginning on or after the effective date per IASB.

Note 2 : The amendments to IFRS 16 are retrospectively applicable to sale and lease back contracts signed by the seller-lessor after the first-adoption of IFRS 16.

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

4. Summary of significant accounting policies

(1). Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRSs endorsed and issued into effect by the FSC.

(2). Basis of preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for defined benefit assets or liabilities, which are recognized by present value of defined benefit obligations net of the fair value of plan assets.

Fair value measurement can be categorized by the level of observability and significant into level 1 to level 3 :

1. Level 1 inputs : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date
2. Level 2 inputs : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (the prices) or indirectly (derive from the prices)
3. Level 3 inputs : unobservable inputs for the assets or liabilities

In preparing the parent company only financial statements, the investments in subsidiaries, associate or joint ventures are accounted for using equity method. In order to make the profit or loss during the period and other comprehensive income presented in parent company only financial reports the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, the differences of accounting treatment between the individual basis and the consolidated basis are adjusted by “investments accounted for using equity method,” share of profit or loss of subsidiaries accounted for using equity method ,“ ” share of other comprehensive income of subsidiaries accounted for using equity method “ and relevant equity items.

(3). Classification of non-current and current assets and liabilities
Current assets include :

1. the assets held primarily for the purpose of trading ;
2. the assets expected to be realized within twelve months after the balance sheet date ; and
3. cash and cash equivalents (excluding the assets restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.) °

Current liabilities include :

1. the liabilities held primarily for the purpose of trading ;
2. the liabilities due to be settled within twelve months after the balance sheet date , and
3. the liabilities of which the Company does not have an unconditional right to defer settlement for at least twelve months after the balance sheet date.

An asset or a liability that is not current shall be classified as a non-current asset or liability.

(4). Foreign currencies

In preparation the financial statements of each entity, transactions in currencies other than the entity's functional currency (foreign currencies) are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency.

At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate at the balance sheet date. Except the translation differences arising from hedging transactions for hedging part of the exchange rate risk, the exchange differences arising from settlement or translation of monetary items shall be recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure, and the exchange differences shall be recognized in profit or loss. When the profit or loss arising from exchange differences arising on the non-monetary

items are recognize in other comprehensive income, the exchange differences arising on the retranslation of such profit or loss are also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and shall not be translated again.

(5). Inventories

Inventories include raw materials, materials, work in process, goods and tailings. Inventories are valued at the lower of cost and net realizable value item by item, unless the inventories are in the same categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The costs of inventories are calculated by weighted-average method.

(6). Investments in subsidiaries

The Company accounts for investments in subsidiaries by equity method.

Subsidiaries are entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognized the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equity of associates. Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The differences between the carrying amount of the investments and the fair value of consideration paid or received are recognized in equity.

If the Company's share of losses of a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount of the investments in subsidiaries accounted for using equity method and other long-term interests in substance forming part of the Company's net investment in the subsidiaries) , the Company continues recognizing its share of further losses.

The Company evaluates impairment by taking consideration the cash-generating unit in the entire financial statements and compare the recoverable amount and the carrying amount. If the recoverable amount increases, the impairment loss shall be reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss ben recognized for the asset in prior years. Impairment losses attributable to goodwill may not be reversed subsequently.

If the Company loses control of a subsidiary, the Company shall measure the investment retained by fair value at the date that control is lost. The difference between the fair value of the investment retained with any consideration received and the carrying amount of the investment at the date that control is lost shall be recognized in profit or loss. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same

basis as would be required if the Company had directly disposed of the related assets or liabilities.

The unrealized gains or losses resulting from the downstream transactions between the Company and subsidiaries shall be eliminated in the parent company only financial statements. The gains or losses resulting from upstream and lateral transactions is recognized in the parent company only financial statements to the extent that are not related to the Company's interests in the subsidiaries.

(7). Property, plant and equipment

Property, plant and equipment are initially recognized by acquisition cost, and are measured subsequently by the cost less any accumulated depreciation.

Property, plant and equipment under construction are recognized by cost, including the professional service expenses and the borrowing costs eligible for capitalization. While bringing an item of property, plant and equipment to the condition necessary for it to be capable of operating in the manner intended, samples produced when testing whether the asset is functioning properly shall be measured at the lower of cost and net realizable value, and the proceeds from selling such items, and the cost of those items shall be recognized in profit or loss. After the asset is completed and brought to the condition necessary for it to be capable of operating in the manner intended, it shall be classified in the appropriate category of property, plant and equipment, and depreciated.

The property, plant and equipment acquired by 1990 are depreciated by declining balance method, and those acquired after 1990 are depreciated by straight-line method over the useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The residual value and the useful life of an item of property, plant, and equipment shall be reviewed at least at each balance sheet date and, the changes shall be accounted for as a change in an accounting estimate and applied prospectively.

The gain or loss arising from the derecognition of an item of property, plant and equipment, which is the difference between the net disposal proceeds received and the carrying amount of the asset, shall be included in profit or loss when the item is derecognized.

(8). Intangible assets

1. Separately acquired

A separately acquired intangible asset with finite useful life shall be measured at its cost at initial recognition, and sequent measured by the cost less any accumulated amortization and any accumulated impairment losses. Intangible assets shall be depreciated over the useful life as follows by straight-line method. The estimated useful life, residual value and the amortization method shall be reviewed at the end of each reporting period. Any changes in estimates shall be applied prospectively.

2. Derecognition

The gain or loss arising from the derecognition of an item of intangible assets, which is the difference between the net disposal proceeds received and the carrying amount of the asset, shall be included in profit or loss when the item is derecognized.

(9). Impairment of property, plant and equipment and intangible assets
The Company shall assess at each balance sheet date whether there is any indication that an item of property, plant and equipment, and intangible asset may be impaired. If any indication is present, the Company shall assess the recoverable amount of the asset. If the Company are unable to assess the recoverable amount of the asset, the recoverable amount of the cash-generating unit that the asset belongs to shall be assessed. Impairment of corporate assets shall be allocated to cash-generating units by a reasonable and consistent basis.

Recoverable amount is the higher of the fair value less costs of disposal and its value in use. If the recoverable amount of an asset or a cash-generating unit is less than it carrying amount, the carrying amount of the asset or cash-generating unit shall be adjusted to its recoverable amount. The impairment losses shall be recognized in profit or loss.

When assessing the impairment of a cash-generating unit, impairment of inventories recognized due to contracts with customers shall be recognized first, then impairment losses shall be recognized by the amount of the difference between the carrying amount of relevant assets of the contract costs and the considerations expected to be received less the relevant costs, and the carrying amount of relevant assets of contract costs shall be recognized in the cash-generating unit.

When the impairment loss is reversed subsequently, the carrying amount of an asset, a cash-generating unit, or a relevant asset of contract cost shall be increased to the revised recoverable amount. However, the increased carrying amount of an asset, a cash-generating unit, or a relevant asset of contract cost attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss ben recognized for the asset in prior years. The reversal of impairment losses shall be recognized in profit or loss.

(10). Financial instruments

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

Financial assets or liabilities not measured at fair value through profit or loss, shall be measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities. The transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities at fair value through profit or loss, shall be recognized in profit or loss immediately.

1. Financial assets

A regular way purchase or sale of financial assets are recognized and derecognized, as applicable, using trade date accounting.

(a) Measurement types

The financial assets held by the Company can be classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

D. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include the investments in equity instruments designated measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value. The remeasurement gains or losses (including any dividend or interest from the financial assets) shall be recognized in profit or loss. Please refer to Note 25 for the determination of fair value.

E. Financial assets at amortized cost

A financial asset held by the Company is measured at amortized cost if both of the following conditions are met :

- a. The financial asset is held in a business model whose objective is achieved by collecting contractual cash flows ; and
- b. The cash flows occur at specific dates based on the contractual terms. The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, refundable deposits, and other financial assets) shall be measured after initial recognition at amortized cost calculated by total carrying amount determined by effective interest method minus the impairment loss. Any resulting foreign exchange differences shall be recognized in profit or loss.

A financial asset is credit-impaired when significant financial difficulty of the issuer or the borrower, a breach of contract occurs, or it is becoming probable that the borrower will enter bankruptcy or other financial reorganization, or an active market for that financial asset disappears because of financial difficulties.

F. Investments in equity instruments at fair value through other comprehensive income

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income shall be measured at fair value. Subsequent changes in fair value shall be recognized in other comprehensive income and accumulated in other equity. At disposal, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss, instead, directly to retained earnings.

Dividends on investments in equity instruments at fair value through other comprehensive income shall be recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

(b) Impairment of financial assets

At each reporting date, the Company shall assess the impairment losses of financial assets at amortized cost (including accounts receivables), by expected credit loss.

The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivables. If the credit risk on other financial assets has not increased significantly since initial recognition, the

Company shall measure the loss allowance for those financial assets at an amount equal to 12-month expected credit losses. If the credit risk on other financial assets has increased significantly since initial recognition, the Company shall measure the loss allowance for those financial assets at an amount equal to lifetime expected credit losses.

Expected credit losses are the weighted average credit losses with the probability of default as the weight. 12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit loss is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

For the purpose of internal credit risk management of the Company, without considering the collaterals held, the financial assets are defaulted if the circumstances as follows occur :

- A. Internal or external information indicates that it is not probable for the borrower to repay the debts.
- B. A financial asset is 150 days past due unless there is reasonable and supportable information to demonstrate that a lagging default criterion is more appropriate.

The impairment losses of financial assets decrease the carrying amount by allowances.

(c) Derecognition of financial assets

The Company shall derecognize the financial assets when the contractual rights to the cash flows from the financial assets expire, or the Company transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to others.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the carrying amount and the consideration received shall be recognized in profit or loss.

On derecognition of an investment in debt instruments at fair value through other comprehensive income in its entirety, the difference between the carrying amount and the consideration received plus accumulative profit or loss recognized in other comprehensive income shall be recognized in profit or loss.

On derecognition of an investment in equity instruments at fair value through other comprehensive income in its entirety, the accumulated profit or loss shall not be reclassified to profit or loss, instead, directly to retained earnings.

2. Equity instruments

The equity instruments issued by the Company are recognized by the consideration received less the costs directly attributable to issuance.

3. Financial liabilities

(a) Subsequent measurement

All the financial liabilities shall be measured at amortized cost by effective interest method, except the conditions as follows

Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading shall be measured at fair value. The remeasurement gains or losses shall be recognized in profit or loss. Please refer to Note 26 for the determination of fair value.

(b) Derecognition of financial liabilities

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

4. Derivative instruments

The derivative instruments that the Company involve are currency swap contracts, forward foreign exchange contracts, and foreign exchange option contracts, to management the Company' foreign exchange rate risk.

Derivative instruments shall be measured at fair value at initial recognition when signing the contracts, and subsequently remeasured at fair value at each balance sheet date. The remeasurement gains or losses shall be recognized in profit or loss. When the fair value of a derivative instrument is a positive value, it shall be recognized as a financial asset. If the fair value is a negative value, it shall be recognized as a financial liability.

(11). Provisions

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and in consideration of the risk and uncertainty of obligations. Provisions shall be measured by the expected cash flows to settle the present obligation.

Loss reserve for purchase contracts

For signed irrevocable raw materials purchase contracts, if the unavoidable costs for meeting the obligation under the contracts exceed the economic benefits expected to be received under the contracts, loss reserve for purchase contracts shall be accrued. The accrued losses shall be recognized under operating costs in the parent company only statements of comprehensive income.

Reserve for disposals of slags payables

The slags produced during the manufacturing process shall commission qualified waste clearance and disposal organizations to make the disposals. Provisions shall be accrued based on the disposal fee payables by reference to the quantities in stock and the quotation from the disposal suppliers. The accrued expenses shall be recognized under operating costs in the consolidated statements of comprehensive income, and transferred to other payables at occurrence. If there is change in the estimated disposal fees, the change in estimate shall adjust the profit or loss in the current year.

(12). Revenue recognition

The Company shall allocate the transaction price to each performance obligation after identifying performance obligations in the contracts with customers. Revenue shall be recognized at satisfaction of performance obligations

For contracts with length of time between the Company transfer the promised goods or services to the customer and when the customer pays for those goods or services within 1 year, the transaction prices shall not be adjusted for significant finance components.

1. Sales of goods

The Company shall recognize revenue when the customer obtains control of that asset. It's the time when goods are transferred to a customer (if it's a domestic transaction), the customer has the discretion to direct the price of goods and usage, and the risk of obsolescence is transferred to the customer. The Company shall recognize revenue and accounts receivables at the point of time. Receipts in advance of sales shall be recognized as contract liabilities.

In processing outsourced contracts, as the control of the ownership of the work in process to be processed is not transferred, revenue shall not be recognized when the work in process is transferred to suppliers.

2. Rendering services

Service revenue arises from rendering processing services, including rebar cutting, forming, etc., based on the contracts. Revenue shall be recognized after rendering the services.

(13). Lease

At inception of a contract, the Company shall assess whether the contract is (or contains) a lease.

The Company as the lessee

When the Company are the lessees under a lease contract, the Company shall recognize a right-of-use asset and a lease liability, unless the lease contract is a short-term lease or the underlying assets of the lease is of low value,

At the commencement date, the Company shall measure the right-of-use asset at cost (which comprises the amount of the initial measurement of the lease liability). After the commencement date, the Company shall measure the right-of-use asset by cost less any accumulated depreciation and any accumulated impairment losses. The Company shall recognize the

amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company shall depreciate the right-of-use asset over the shorter of the useful life or the lease term.

At the commencement date, the Company shall measure the lease liability at the present value of the lease payments. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate.

The Company shall amortize the lease liabilities by effective interest rate method, and recognize interest expense over the lease term.

(14). Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset shall be capitalized as part of the costs of the assets, until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

If the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Except the conditions aforementioned, other borrowing costs are recognized as an expense in the period of occurrence.

(15). Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

For defined contribution plans, the contributions shall be recognized as pension expenses during the period employees rendering services.

Defined obligation costs (including service costs, net interests, and remeasurement) of defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. Service costs (including current service costs) and net interests of net defined benefit liabilities shall be recognized as employee benefits expenses as incurred. Remeasurement (including return on plan assets calculated by actuarial gains and losses less interests) shall be recognized in other comprehensive income as incurred and stated in retained earnings. Remeasurement will not be classified to profit or loss subsequently.

Net defined benefit liabilities are determined by the amount of the deficit of the defined benefit plans.

(16). Income tax

The tax expense for the period comprises current and deferred income tax.

1. Current income tax

The Company shall determine the current profit (loss) in accordance with the rules established in R.O.C., and calculate income tax payables (recoverable) based on the profit (loss).

An additional tax on unappropriated earnings is recognized in the year the shareholders' meeting approves the distribution of earnings.

Adjustments to income tax payables of prior years are included in current income tax.

2. Deferred income tax

Deferred income tax is determined by the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability shall be generally recognized for all taxable temporary differences. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized

Carrying amount of deferred tax assets shall be reassessed at each balance sheet date. For the deferred tax assets recognized when it has become not probable that future taxable profit will allow the deferred tax assets to be recovered, decrease the carrying amount. The Company shall reassess unrecognized deferred tax assets, and shall recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered entirely or partially.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred income tax shall be recognized in profit or loss. However, the current and deferred income tax related to the items recognized in other comprehensive income or directly recognized in equity shall be recognized in other comprehensive income or directly in equity.

5. Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

When the Company adopts accounting policies, for information that is not available from other sources, the management has to make relevant judgments, estimates, and assumptions based on historical experiences and other relevant factors. The actual result may be different from the estimates.

The Company takes into consideration the economic impact from the Covid-19 pandemic. The management will keep assessing estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of uncertainty arising from accounting estimates and assumptions – impairment of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The estimates are based on the current market condition and the historical sales experiences of similar products. Changes in market condition may significantly affect the results of estimates.

6. Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 487	\$ 196
Demand deposits	156,232	127,174
Checking deposits	<u>10,968</u>	<u>9,377</u>
	<u>\$167,687</u>	<u>\$136,747</u>

7. Current financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
<u>Non-derivative financial assets</u>		
Stocks of domestic listed companies	<u>\$ 7,970</u>	<u>\$ 9,513</u>

(Continued on next page)

(Brought forward)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Non-derivative instruments (not designated as hedging instruments)		
Foreign exchange option contracts	\$ 1,300	\$ -
Forward exchange agreements	5,335	13,956
Currency swap contracts	<u>16,761</u>	<u>3,739</u>
	<u>\$ 23,396</u>	<u>\$ 17,695</u>

As of the balance sheet date, the currency swap contracts that are not applicable to hedge accounting and not expired are as follows :

	<u>Currently</u>	<u>Maturity period</u>	<u>Contract amount (in thousands)</u>
<u>December 31, 2022</u>			
Currency swap contracts	NTD to USD	September, 2023~November, 2023	NTD442,370／USD14,300
<u>December 31, 2021</u>			
Currency swap contracts	NTD to USD	October, 2022~December, 2022	NTD937,737／USD33,850

As of the balance sheet date, the forward exchange agreements that are not applicable to hedge accounting and not expired are as follows :

	<u>Currently</u>	<u>Maturity period</u>	<u>Contract amount (in thousands)</u>
<u>December 31, 2022</u>			
Pre-purchases of forward exchange	NTD to USD	February, 2023~March, 2023	NTD242,667／USD7,900

As of the balance sheet date, the foreign exchange option contracts s that are not applicable to hedge accounting and not expired are as follows :

	<u>Currently</u>	<u>Maturity period</u>	<u>Contract amount (in thousands)</u>
<u>December 31, 2022</u>			
Sales of foreign exchange options	USD to NTD	January, 2023~April, 2023	USD22,000／NTD669,000
<u>December 31, 2021</u>			
Sales of foreign exchange options	USD to NTD	January, 2022~July, 2022	USD40,000／NTD1,106,350

Currency swap contracts, forward exchange agreements, and foreign exchange option contracts held by the Company does not qualify for the effective hedge conditions, they are not eligible for hedge accounting.

8. Investments in equity instrument at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic investments		
Stocks of listed companies	<u>\$ 38,548</u>	<u>\$ 33,939</u>
<u>Non-current</u>		
Domestic investments		
Stocks of listed companies	\$853,071	\$751,074
Stocks of unlisted companies	<u>5,478</u>	<u>5,412</u>
	<u>\$858,549</u>	<u>\$756,486</u>

The Company invested in the stock of domestic companies for mid to long-term strategic purposes, and expects to earn profits by long-term investments. As the management of the Company considers that recognizing the short-term fair value fluctuations in profit or loss conflicts with the aforementioned long-term investment planning, those investments were designated as measured at fair value through other comprehensive income.

9. Notes receivables and accounts receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables		
Resulting from operations	<u>\$ 92,190</u>	<u>\$ 108,146</u>
Accounts receivables		
At amortized cost		
Total carrying amount at		
amortized cost	\$ 934,843	\$1,016,834
Less : loss allowances	<u>-</u>	<u>-</u>
	<u>\$ 934,843</u>	<u>\$1,016,834</u>

The average credit period of the sales of goods is 30 days ~ 90 days. The policies adopted by the Company are only trading with counterparties with good credit quality, and acquiring sufficient collaterals to decrease the risk of financial losses due to default. In order to decrease the credit risk, the management of the Company and subsidiaries is responsible for the determination of the credit lines, approval of extending credit, and other monitor procedures, to ensure the overdue accounts receivables have been taken appropriate actions for recovery. In addition, the Company and subsidiaries review the recoverable amounts of accounts receivables one by one, to ensure that appropriate impairment losses have been recognized for uncollectible accounts receivables. As a result, the management considers that the credit risk of the Company and subsidiaries has significantly decreased.

The Company recognizes the loss allowance for s receivables at an amount equal to the lifetime expected credit loss. The lifetime expected credit loss is evaluated based on the default records of customers, and current financial, industrial, and economic conditions. Based on the

historical experiences of credit loss, as there is no significant difference in the types of losses among different groups of customers, the Company does not further classify groups of customers, and only determines expected credit loss by the days of overdue of accounts receivables.

The age and loss allowances of receivables are as follows :

December 31, 2022

	Within 60 days	61~150 days	Over 150 days	Total
Expected loss rate (%)	-	-	100	
Total carrying amount	\$ 951,686	\$ 75,347	\$ -	\$ 1,027,033
Loss allowances (lifetime expected credit loss)	-	-	-	-
Amortized cost	<u>\$ 951,686</u>	<u>\$ 75,347</u>	<u>\$ -</u>	<u>\$ 1,027,033</u>

December 31, 2021

	Within 60 days	61~150 days	Over 150 days	Total
Expected loss rate (%)	-	-	100	
Total carrying amount	\$ 1,096,178	\$ 28,802	\$ -	\$ 1,124,980
Loss allowances (lifetime expected credit loss)	-	-	-	-
Amortized cost	<u>\$ 1,096,178</u>	<u>\$ 28,802</u>	<u>\$ -</u>	<u>\$ 1,124,980</u>

The information on changes in loss allowances of receivables (only 2021) is as follows :

	2021
Beginning balance	\$ 2,331
Write-offs	(2,331)
Ending balance	<u>\$ -</u>

10. Inventories

	December 31, 2022	December 31, 2021
Work in process	\$ 1,266,306	\$ 529,453
Finished goods	421,016	599,586
Raw materials	229,030	630,348
Materials	143,228	149,913
Merchandises	4,757	83,826
Tailings	<u>4,232</u>	<u>4,122</u>
	<u>\$ 2,068,569</u>	<u>\$ 1,997,248</u>

The sales costs related to inventories amounted to NT\$10,570,511 thousand and NT\$9,474,691 thousand for the years ended December 31, 2022 and 2021, respectively, which include :

		2022	2021
	Inventory valuation losses	<u>\$ 416</u>	<u>\$ 28,052</u>
11.	<u>Other financial assets – current</u>		
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Time deposits pledge as collaterals (Note 27)	\$ 49,773	\$ 47,540
	Reserve account (Note 27)	<u>342</u>	<u>1</u>
		<u>\$ 50,115</u>	<u>\$ 47,541</u>
12.	<u>Investments accounted for using equity method</u>		
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
	Investments in subsidiaries		
	E CHANG IRON STEEL WORKS CO., LTD. (E CHANG)	\$ 1,453,658	\$ 1,465,041
	ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. CO., LTD. (ZHENG TUNG)	<u>20,779</u>	<u>45,676</u>
		<u>\$ 1,474,437</u>	<u>\$ 1,510,717</u>

Please refer to Note 5 for the information on investees.

Subsidiary	Main business	Percentage of ownership		Note
		December 31, 2022	December 31, 2021	
E CHANG	Manufacture, processing and trading of various iron and steel products	84.1	84.1	Note 1
ZHENG TUNG	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	34.77	42.5	Note 2, 3

Note 1 : As the Company acquired part of the equity of E CHANG in May and June, 2021, and the Company did not subscribe additional shares at a percentage of its existing ownership percentage in August, 2021, the ownership percentage increased from 64.14% to 84.1%. The amount recognized in capital surplus- difference between consideration and carrying amount of subsidiaries acquired for the aforementioned transactions is NT\$117,658 thousand. Please refer to Note 12 and 24 to the consolidated financial statements for the relevant equity transactions.

Note 2 : The Company gave up the subscription of the cash capital increase of ZHENG TUNG in July, 2021. The part given up by the Company was subscribed by E CHANG entirely. Therefore, the Company's percentage of ownership to ZHENG TUNG decreased from 51% to 42.5%. The amount recognized in capital surplus- difference between consideration and carrying amount of subsidiaries acquired for the aforementioned transactions is

NT\$552 thousand. Please refer to Note 12 and 24 to the consolidated financial statements for the relevant equity transactions.

Note 3 : The Company gave up the subscription of the cash capital increase of ZHENG TUNG in May, 2022. The part given up by the Company was subscribed by E CHANG entirely. Therefore, the Company's percentage of ownership to ZHENG TUNG decreased from 42.5% to 34.77%. The amount recognized in capital surplus- difference between consideration and carrying amount of subsidiaries acquired for the aforementioned transactions is NT\$1,182 thousand. Please refer to Note 12 and 24 to the consolidated financial statements for the relevant equity transactions.

13. Property, plant and equipment 2022

Cost	Self-owned land	Buildings and structures	Machinery equipment	Power equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2022	\$ 1,114,255	\$ 620,719	\$ 4,023,858	\$ 386,057	\$ 100,043	\$ 44,980	\$ 64,892	\$ 6,718	\$ 6,361,522
Additions	-	23,209	275,051	3,712	21,784	280	12,570	19,935	356,541
Disposals	-	-	(24,080)	(375)	(14,878)	-	(1,009)	-	(40,342)
Balance as of December 31, 2022	<u>1,114,255</u>	<u>643,928</u>	<u>4,274,829</u>	<u>389,394</u>	<u>106,949</u>	<u>45,260</u>	<u>76,453</u>	<u>26,653</u>	<u>6,677,721</u>
Accumulated depreciation									
Balance as of January 1, 2022	-	436,232	3,261,676	266,982	69,757	40,578	41,561	-	4,116,786
Depreciation expenses	-	25,879	161,293	12,834	6,626	1,091	5,288	-	213,011
Disposals	-	-	(20,956)	(375)	(14,878)	-	(606)	-	(36,815)
Balance as of December 31, 2022	-	<u>462,111</u>	<u>3,402,013</u>	<u>279,441</u>	<u>61,505</u>	<u>41,669</u>	<u>46,243</u>	-	<u>4,292,982</u>
Net amount as of December 31, 2022	<u>\$ 1,114,255</u>	<u>\$ 181,817</u>	<u>\$ 872,816</u>	<u>\$ 109,953</u>	<u>\$ 45,444</u>	<u>\$ 3,591</u>	<u>\$ 30,210</u>	<u>\$ 26,653</u>	<u>\$ 2,384,739</u>

2021

Cost	Self-owned land	Buildings and structures	Machinery equipment	Power equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2021	\$ 1,114,255	\$ 590,809	\$ 3,813,900	\$ 384,630	\$ 91,974	\$ 43,458	\$ 58,079	\$ -	\$ 6,097,105
Additions	-	29,910	209,964	1,427	9,871	1,524	6,813	6,718	266,227
Disposals	-	-	(6)	-	(1,802)	(2)	-	-	(1,810)
Balance as of December 31, 2021	<u>1,114,255</u>	<u>620,719</u>	<u>4,023,858</u>	<u>386,057</u>	<u>100,043</u>	<u>44,980</u>	<u>64,892</u>	<u>6,718</u>	<u>6,361,522</u>
Accumulated depreciation									
Balance as of January 1, 2021	-	412,130	3,126,410	254,366	65,482	39,246	37,987	-	3,935,621
Depreciation expenses	-	24,102	135,272	12,616	5,692	1,334	3,574	-	182,590
Disposals	-	-	(6)	-	(1,417)	(2)	-	-	(1,425)
Balance as of December 31, 2021	-	<u>436,232</u>	<u>3,261,676</u>	<u>266,982</u>	<u>69,757</u>	<u>40,578</u>	<u>41,561</u>	-	<u>4,116,786</u>
Net amount as of December 31, 2021	<u>\$ 1,114,255</u>	<u>\$ 184,487</u>	<u>\$ 762,182</u>	<u>\$ 119,075</u>	<u>\$ 30,286</u>	<u>\$ 4,402</u>	<u>\$ 23,331</u>	<u>\$ 6,718</u>	<u>\$ 2,244,736</u>

Depreciation expenses are recognized by a straight-line basis over the useful lives as follows :

Buildings and structures

Main building of office buildings	55~60 years
Main building of plant	5~45 years
Building improvements	15~22 years
Pipe arrangements and decoration works	2~15 years

Machinery equipment

Main equipment of production	20~40 years
Main equipment systems and auxiliary equipment	10~25 years
Equipment parts and maintenances	2~10 years

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(Brought forward)

Power equipment	2~25 years
Transportation equipment	2~15 years
Office equipment	2~20 years
Other equipment	2~36 years

Please refer to Note 27 for the amount of property, plant and equipment pledged as collaterals for short-term borrowings.

The non-cash investing activities for the years ended December 31, 2022 and 2021 are as follows :

	<u>2022</u>	<u>2021</u>
Investing activities affect both cash and non-cash items		
Increase in property, plant and equipment	\$356,541	\$266,227
Increase (decrease) in prepayments for equipment	(100,264)	2,582
Decrease (increase) in notes payables	(5,710)	5,005
Decrease (increase) in other payables — for equipment	(5,829)	6,468
Interests capitalized	(2,078)	(1,894)
Cash paid	<u>\$242,660</u>	<u>\$278,388</u>

14. Borrowings

(1). Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured bank loans (Note 27)	\$ 529,032	\$ -
Unsecured bank loans	<u>1,392,137</u>	<u>1,277,047</u>
	<u>\$1,921,169</u>	<u>\$1,277,047</u>

The interest rates of the bank loans as of December 31, 2022 and 2021 are 1.700% ~ 2.2087% and 0.866% ~ 1.353% respectively.

(2). Short-term notes payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payables	\$290,000	\$710,000
Less : Unamortized discounts	<u>510</u>	<u>649</u>
	<u>\$289,490</u>	<u>\$709,351</u>

The interest rates of the short-term notes payables as of December 31, 2022 and 2021 are 2.058%~2.098% and 1.328%~1.338%, respectively, The acceptance and guarantee institutions include DAH CHUNG BILLS, MEGA BILLS, Grand Bills, Ta Ching Bills, China Bills, and International Bills.

(3). Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured bank loans	\$1,519,994	\$1,163,330
Less : land establishment fee	<u>1,323</u>	<u>1,772</u>
	1,518,671	1,161,558
Less : current portion	<u>192,814</u>	<u>164,202</u>
	<u>\$1,325,857</u>	<u>\$ 997,356</u>

Long-term borrowings from bank are explained as follows :

1. The Company borrowed bank loan which is not available for revolving use from Union Bank of Taiwan, and provided plant and self-owned land as collaterals (Please refer to Note 27). Chairman of the Company also provided joint guarantee (Please refer to Note 26). The loan period is from September, 2021 to September, 2026. Principal shall be repaid by installments at the rate of 3% quarterly. The loan has been fully repaid in advance in August, 2022.
As of December 31, 2021, the interest rate of the loan is 1.395%.
2. The Company borrowed bank loan which is not available for revolving use from O-Bank, and provided plant and self-owned land as collaterals (Please refer to Note 27). Chairman of the Company also provided joint guarantee (Please refer to Note 26). The loan period is from June, 2020 to June, 2025. Principal shall be repaid by 19 installments quarterly
Except for relevant regulations, the Company committed that during the loan period, the Company shall maintain certain financial ratios and amounts in the first half and yearly consolidated financial statements. The financial ratios and amounts in the consolidated financial statements for the years ended December 31, 2022 and 2021 did not violate the restrictions. As of December 31, 2022 and 2021, the interest rates of the aforementioned loan are 2.3549% and 1.5646%.
3. The Company borrowed bank loan which is not available for revolving use from O-Bank, and provided plant and self-owned land as collaterals (Please refer to Note 27). Chairman of the Company also provided joint guarantee (Please refer to Note 26). The loan period is from June, 2022 to December, 2026. Principal shall be repaid by 7 installments every 6 month. The first to the sixth installment shall repay 4% of the principal, and the balance shall be repaid in the last installment.
Except for relevant regulations, the Company committed that

during the loan period, the Company shall maintain certain financial ratios and amounts in the first half and yearly consolidated financial statements. The financial ratios and amounts in the consolidated financial statements for the years ended December 31, 2022 and 2021 did not violate the restrictions. As of December 31, 2022, the interest rate of the aforementioned loan is 2.2508%.

4. The Company borrowed bank loan which is not available for revolving use from Union Bank of Taiwan, and provided plant and self-owned land as collaterals (Please refer to Note 27). Chairman of the Company also provided joint guarantee (Please refer to Note 26). The loan period is from August, 2022 to August, 2027. Principal shall be repaid by installments at the rate of 3% quarterly, and the balance shall be repaid at maturity.

As of December 31, 2022, the interest rate of the loan is 1.895%.

15. Notes payables and accounts payables

The credit period of purchases of merchandises is within 3.5 months. As the Company has financial risk management policies to guarantee all the payables are repaid within the agreed credit period, interests shall be not accrued.

16. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables on power	\$ 57,787	\$ 59,527
Payroll and bonus payables	43,967	59,741
Payables on equipment	17,840	12,011
Employees' and directors' remuneration payables	16,900	30,145
Maintenance fee payables	16,843	19,900
Disposal fee of slags and furnace dusts payables	16,525	11,756
Import sundry charges payables	13,530	10,380
Pollution charges payables	9,481	15,578
Others	<u>26,092</u>	<u>12,065</u>
	<u>\$218,965</u>	<u>\$231,103</u>

17. Provisions

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Reserve for disposals of slags payables	\$ 53,215	\$ 50,689
Onerous contracts	<u>-</u>	<u>40,455</u>
	<u>\$ 53,215</u>	<u>\$ 91,144</u>
<u>Non-current</u>		
Reserve for disposals of slags payables	<u>\$104,822</u>	<u>\$100,383</u>

	Reserve for disposals of slags payables	Onerous contracts	Total
Balance as of January 1, 2022	\$ 151,072	\$ 40,455	\$ 191,527
Appropriation (Reversal)	69,877	(40,455)	29,422
Amounts paid	(62,912)	-	(62,912)
Balance as of December 31, 2022	<u>\$ 158,037</u>	<u>\$ -</u>	<u>\$ 158,037</u>
Balance as of January 1, 2021	\$ 167,855	\$ -	\$ 167,855
Appropriation	54,935	40,455	95,390
Amounts paid	(71,718)	-	(71,718)
Balance as of December 31, 2021	<u>\$ 151,072</u>	<u>\$ 40,455</u>	<u>\$ 191,527</u>

18. Post-employments benefit plans

(1). Defined contribution plans

The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Pursuant to the plan, the Company and domestic subsidiaries make monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts.

(2). Defined benefit plans

The Company has a defined benefit pension plan for part of the employees managed by the government in accordance with the Labor Standards Act. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to a specific ratio of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement of employees who are eligible for retirement in the following year by the aforementioned method, the Company and domestic subsidiaries are required to fund the deficit in one appropriation before the end of next March. As the fund is managed by the Bureau of Labor Funds, the Group has no right to participate in affecting the investment management strategies of pension fund. The amounts presented in the parent company only balance sheets arising from the obligations incurred by the defined benefit plans are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 37,341	\$ 39,428
Fair value of plan assets	(37,519)	(34,382)
Net defined benefit liabilities (assets)	<u>(\$ 178)</u>	<u>\$ 5,046</u>

The changes in net defined benefit liabilities (assets) are as follows :

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
<u>2022</u>			
Balance as of January 1, 2022	<u>\$ 39,428</u>	<u>(\$ 34,382)</u>	<u>\$ 5,046</u>
Service cost			
Current service cost	93	-	93
Interest expenses (revenue)	<u>237</u>	<u>(207)</u>	<u>30</u>
Recognized in profit or loss	<u>330</u>	<u>(207)</u>	<u>123</u>
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	(2,802)	(2,802)
Actuarial gains — changes in financial assumptions	(936)	-	(936)
Actuarial losses — experience adjustment	<u>1,399</u>	<u>-</u>	<u>1,399</u>
Recognized in other comprehensive income	<u>463</u>	<u>(2,802)</u>	<u>(2,339)</u>
Funding by the employer	<u>-</u>	<u>(128)</u>	<u>(128)</u>
Benefits paid	<u>(2,880)</u>	<u>-</u>	<u>(2,880)</u>
Balance as of December 31, 2022	<u>\$ 37,341</u>	<u>(\$ 37,519)</u>	<u>(\$ 178)</u>
<u>2021</u>			
Balance as of January 1, 2021	<u>\$ 60,938</u>	<u>(\$ 39,597)</u>	<u>\$ 21,341</u>
Service cost			
Current service cost	290	-	290
Interest expenses (revenue)	<u>183</u>	<u>(120)</u>	<u>63</u>
Recognized in profit or loss	<u>473</u>	<u>(120)</u>	<u>353</u>
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	(602)	(602)
Actuarial gains — changes in financial assumptions	(590)	-	(590)
Actuarial losses — experience adjustment	<u>2,455</u>	<u>-</u>	<u>2,455</u>
Recognized in other comprehensive income	<u>1,865</u>	<u>(602)</u>	<u>1,263</u>
Funding by the employer	<u>-</u>	<u>(425)</u>	<u>(425)</u>

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(Brought forward)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Benefits paid	<u>(\$ 23,848)</u>	<u>\$ 6,362</u>	<u>(\$ 17,486)</u>
Balance as of December 31, 2021	<u>\$ 39,428</u>	<u>(\$ 34,382)</u>	<u>\$ 5,046</u>

The amounts of defined benefit plans recognized in profit or loss by function are as follows :

	2022	2021
Operating costs	<u>\$123</u>	<u>\$351</u>
Operating expenses	<u>-</u>	<u>2</u>
	<u>\$123</u>	<u>\$353</u>

The Company is exposed to the risks below because of the pension system of the “Labor Standards Act.” :

1. Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc., by self-utilization and conducting the mandated management by the Bureau of Labor Funds. The distributable amount of the plan asset shall not be lower than the return calculated by the interest rate for a two-year time deposit with local banks.

2. Interest rate risk

A decrease in the government bond interest rates and corporate bond interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the plan assets’ investments in debt instruments.

3. Salary risk

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

The actuarial valuation of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuations at the measurement date were as follows :

	December 31, 2022	December 31, 2021
Discount rate (%)	1.2	0.6
Rate of expected future salary increase (%)	1.0	1.0

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.1%	<u>(\$150)</u>	<u>(\$192)</u>
Decrease by 0.1%	<u>\$152</u>	<u>\$195</u>
Rate of expected future salary increase		
Increase by 0.1%	<u>\$131</u>	<u>\$170</u>
Decrease by 0.1%	<u>(\$130)</u>	<u>(\$169)</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contribution within 1 year	<u>\$336</u>	<u>\$144</u>
Average maturity of defined benefit obligations	4 years	4.6 years

The Company negotiated with part of the employees applicable for defined benefit plans to settle the seniorities under the old Labor Retirement Reserve Fund in 2022 and 2021. As of December 31, 2022 and 2021, the unpaid amounts are NT\$2,880 thousand and NT\$3,786 thousand, respectively (recognized under notes payables).

19. Equity

(1). Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of authorized shares (thousand)	<u>350,000</u>	<u>350,000</u>
Authorized capital	<u>\$3,500,000</u>	<u>\$3,500,000</u>
Number of fully-paid shares issued (thousand)	<u>181,265</u>	<u>181,265</u>
Share capital issued	<u>\$1,812,645</u>	<u>\$1,812,645</u>

The par value of ordinary shares issued is NT\$10. A shareholder shall have one voting power in respect of each share in his/her/its possession and the right to receive dividends.

(2). Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to write off accumulated losses, distribute cash, or capitalized (Note 1)		
Additional paid-in capital in excess of par	\$207,608	\$207,608
Conversion premiums of corporate bonds	59,319	59,319
Treasury shares transactions	966	966
Difference between consideration and carrying amount of subsidiaries acquired	119,796	118,614
May only be used to write off accumulated losses		
Changes in ownership interests in subsidiaries (Note2)	<u>174</u>	<u>174</u>
	<u>\$387,863</u>	<u>\$386,681</u>

Note 1 : Where a company incurs no loss, it may distribute cash dividends or capitalize by this type of capital surplus. However, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed a specific ratio of paid-in capital.

Note 2 : This type of capital surplus is resulting from changes in ownership interests in subsidiaries when not actually acquiring or disposing of equity of subsidiaries', or the changes in subsidiaries' capital surplus recognized by equity method.

(3). Retained earnings and dividend policies

According to the earnings distribution regulation of the Company, if there is any net profit after closing of a fiscal year, the Company shall first pay income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, and then set aside or reverse a special reserve in accordance with regulations. If there is still remaining balance, the Company shall set aside with accumulated retained earnings-unappropriated for shareholders' dividends. The Board of Directors shall draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution or changes of the dividend.

As the industry where the Company operates in is mature, unless there is funding requirement of improving the financial structure and significant capital expenditures, the ratio of cash dividend shall not be lower than 50% of total distribution

Allocation of legal reserve is required until the accumulated legal reserve is equivalent to the total paid-in capital amount of the Company. The legal reserve may be used except for making good the deficit. If the Company incurs no loss, the legal reserve may be capitalized or distributable by cash, for the portion in excess of 25% of the paid-in capital.

The shareholders' meetings resolved the distribution of earnings for 2022 and 2021 in June, 2022 and July, 2021 as follows :

	Earnings distribution		Dividend per share	
	2021	2020	2021	2020
Appropriation to legal reserve	\$ 45,870	\$ 15,995		
Appropriation to special reserve	-	24,026		
Cash dividend of ordinary shares	<u>271,897</u>	<u>90,632</u>	\$ 1.5	\$ 0.5
	<u>\$ 317,767</u>	<u>\$ 130,653</u>		

The Board of Directors proposed the distribution of earnings for 2022 in March, 2023 as follows :

	2022	Dividend per share
Appropriation to legal reserve	\$ 21,303	
Stock dividend of ordinary shares	<u>90,632</u>	\$ 0.5
	<u>\$ 111,935</u>	

The distribution of earnings for 2022 shall be resolved by the shareholders' meeting held in June, 2023.

(4). Special reserve

As the increase in retained earnings was not enough to be appropriated to special reserve for first-time adoption of IFRS, the Company only set aside NT\$156,469 thousand, resulting from the increase in retained earnings for first-time adoption of IFRS of NT\$189,395 thousand less the amount reversed for disposal of NT\$32,926 thousand, for special reserve. As NT\$24,026 of the amount was used to write off the accumulated losses in 2019, the Company set aside special reserve in 2021 by the amount used to write off the accumulated losses.

(5). Unrealized valuation gains and losses from financial assets measured at fair value through other comprehensive income

	2022	2021
Beginning balance	\$ 741,909	\$ 690,938
Incurred in current period		
Equity		
instruments — unrealized gains or losses	106,672	49,173
Shares of subsidiaries accounted for using equity method	3,339	1,798
Accumulated gains or losses resulting from disposal of equity instruments transferred to retained earnings.	(330)	-
Ending balance	<u>\$ 851,590</u>	<u>\$ 741,909</u>

20. Operating revenue

(1). Balances of contracts

	December 31, 2022	December 31, 2021	January 1, 2021
Receivables (Note 9)	<u>\$1,027,033</u>	<u>\$1,124,980</u>	<u>\$ 719,047</u>
Current contract liabilities			
Sales of goods	<u>\$ 185,290</u>	<u>\$ 358,408</u>	<u>\$ 212,115</u>

The changes in contract liabilities mainly result from the differences between the time point of fulfilling the contractual obligations and the time point of the payment.

The revenue arising from the contract liabilities in the beginning of the period recognized in 2022 and 2021 amounted to NT\$352,217 thousand and NT\$206,354 thousand, respectively.

(2). Classification of revenue from contracts with customers

	2022	2021
Sales revenue		
Deformed steel bar	\$ 10,864,968	\$ 10,050,884
Others	4,516	109,792
Service revenue	<u>90,100</u>	<u>72,771</u>
	<u>\$ 10,959,584</u>	<u>\$ 10,233,447</u>

21. Profit before tax

Profit before tax includes the items as follows :

(1). Interest revenue

	2022	2021
Loans to related parties (Note 26)	\$ 1,916	\$ 604
Bank deposits	<u>1,499</u>	<u>433</u>
	<u>\$ 3,415</u>	<u>\$ 1,037</u>

(2). Other revenue

	2022	2021
Dividend revenue	\$ 39,166	\$ 29,342
Revenue from sales of scrapped ironware and containers	3,063	3,302
Others	<u>5,175</u>	<u>6,567</u>
	<u>\$ 47,404</u>	<u>\$ 39,211</u>

(3). Other gains and losses

	2022	2021
Gains (losses) on financial instruments (liabilities) at fair value through profit or loss	\$ 300,228	(\$ 2,686)
Net foreign exchange gains (losses)	(152,133)	38,304
Others	(24,225)	(4,032)
	<u>\$ 123,870</u>	<u>\$ 31,586</u>

Net foreign exchange gains (losses) include the following items :

	2022	2021
Total foreign exchange gains	\$ 26,171	\$ 47,328
Total foreign exchange losses	(178,304)	(9,024)
Net gains (losses)	(\$ 152,133)	\$ 38,304

(4). Financial costs

	2022	2021
Interests of bank loans	\$ 61,802	\$ 37,616
Interests of short-term notes payables	<u>3,872</u>	<u>1,920</u>
Interest expenses of financial liabilities not measured at fair value through profit or loss	65,674	39,536
Less : amounts eligible for assets capitalization	<u>2,078</u>	<u>1,894</u>
	<u>\$ 63,596</u>	<u>\$ 37,642</u>

The information on interests eligible for capitalization is as follows :

	2022	2021
Amounts of interests capitalized	\$ 2,078	\$ 1,894
Interest capitalization rate (%)	1.37~2.38	1.29~1.37

(5). Depreciation and amortization

	2022	2021
Property, plant and equipment	\$213,011	\$182,590
Intangible assets	1,482	736
Property, plant and equipment	<u>8,340</u>	<u>9,053</u>
	<u>\$222,833</u>	<u>\$192,379</u>

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(Brought forward)

	2022	2021
Depreciation expenses by function		
Operating costs	\$206,813	\$177,136
Operating expenses	<u>6,198</u>	<u>5,454</u>
	<u>\$213,011</u>	<u>\$182,590</u>
Amortization expenses by function		
Operating costs	\$ 8,340	\$ 9,053
Operating expenses	<u>1,482</u>	<u>736</u>
	<u>\$ 9,822</u>	<u>\$ 9,789</u>
(6). Employee benefits expenses		
	2022	2021
Short-term employee benefits		
Payroll and bonuses	\$271,423	\$293,125
Labor and health insurance	25,682	24,147
Others	<u>7,458</u>	<u>6,450</u>
	<u>304,563</u>	<u>323,722</u>
Post-employment benefits		
Defined contribution plans	9,560	9,447
Defined benefit plans (Note 18)	<u>123</u>	<u>353</u>
	<u>9,683</u>	<u>9,800</u>
	<u>\$314,246</u>	<u>\$333,522</u>
Summarized by function		
Operating costs	\$242,088	\$245,686
Operating expenses	<u>72,158</u>	<u>87,836</u>
	<u>\$314,246</u>	<u>\$333,522</u>

(7). Employee's remuneration and directors' and supervisors' remuneration

According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 2% ~ 3% of profit before tax without deducting employee's remuneration and directors' and supervisors' remuneration, and to directors and supervisors at the rate of no higher than 3% of profit before tax without deducting employee's remuneration and directors' and supervisors' remuneration during the period.

The amounts of employees', directors', and supervisors' remuneration (all by cash) for the years ended December 31, 2022

and 2021 resolved by the Board of Directors in March 2023 and 2022 are as follows :

	2022	2021
Employees' remuneration	\$ 8,450	\$ 15,118
Directors' remuneration	<u>8,450</u>	<u>18,048</u>
	<u>\$ 16,900</u>	<u>\$ 33,166</u>

If there is any change in the amount after the date of authorizing the consolidated financial statements of the year for issue, it will be treated as a change in accounting estimates, and adjusted in the financial statement of the next year.

The amounts of employees', directors', and supervisors' remuneration (all by cash) for the years ended December 31, 2021 and 2020 resolved by the Board of Directors in March 2022 and 2021 and recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020 are as follows :

	2021		2020	
	Employees' remuneration	Directors' remuneration	Employees' remuneration	Directors' remuneration
Distribution amounts resolved by the Board of Directors (all paid by cash)	<u>\$ 15,118</u>	<u>\$ 18,048</u>	<u>\$ 4,737</u>	<u>\$ 4,738</u>
Amounts recognized in the parent company only financial statements of the year	<u>\$ 12,097</u>	<u>\$ 18,048</u>	<u>\$ 4,737</u>	<u>\$ 4,738</u>

If the actual distribution amount in 2021 is different from the amount recognized in the consolidated financial statements, the difference shall adjust the profit or loss in 2022.

The information about the employees', directors', and supervisors' compensation resolved by the Board of Directors is available at the Market Observation Post System website of TWSE.

22. Income tax

(1). Composition of income tax expenses recognized in profit or loss

	2022	2021
Current income tax		
Adjustments relating to current income tax in prior years	\$ -	(\$ 2)
Deferred income tax		
Incurrent in current period	<u>53,925</u>	<u>114,928</u>
	<u>\$ 53,925</u>	<u>\$ 114,926</u>

A reconciliation between the accounting income and the income tax expenses is as follow :

	2022	2021
Profit before tax	<u>\$ 264,755</u>	<u>\$ 574,638</u>
Income tax expenses calculated by profit before tax multiplying the enacted tax rates	\$ 52,951	\$ 114,928

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(Brought forward)

	<u>2022</u>	<u>2021</u>
Permanent differences	\$ 974	(\$ 2)
Unrecognized temporary differences	-	2
Adjustments relating to current income tax in prior years	<u>-</u>	<u>(2)</u>
	<u>\$ 53,925</u>	<u>\$114,926</u>

(2). Current tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax assets		
Income tax refund receivables	<u>\$343</u>	<u>\$ 76</u>

(3). Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows :
2022

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowances for inventory valuation losses	\$ 19,665	(\$ 8,008)	\$ -	\$ 11,657
Loss carryforwards	96,419	(50,413)	-	46,006
Unrealized disposals of slags payables	19,646	1,393	-	21,039
Others	<u>9,189</u>	<u>2,284</u>	<u>(468)</u>	<u>11,005</u>
	<u>\$144,919</u>	<u>(\$ 54,744)</u>	<u>(\$ 468)</u>	<u>\$ 89,707</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 98,902	\$ -	\$ -	\$ 98,902
Book-tax differences of depreciation expenses	15,830	(519)	-	15,311
Others	<u>489</u>	<u>(300)</u>	<u>-</u>	<u>189</u>
	<u>\$115,221</u>	<u>(\$ 819)</u>	<u>\$ -</u>	<u>\$114,402</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowances for inventory valuation losses	\$ 5,964	\$ 13,701	\$ -	\$ 19,665
Loss carryforwards	223,636	(127,217)	-	96,419
Defined benefit plans	4,524	(3,011)	252	1,765
Unrealized disposals of slags payables	23,002	(3,356)	-	19,646
Others	<u>6,071</u>	<u>1,353</u>	<u>-</u>	<u>7,424</u>
	<u>\$263,197</u>	<u>(\$118,530)</u>	<u>\$ 252</u>	<u>\$144,919</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 98,902	\$ -	\$ -	\$ 98,902
Book-tax differences of depreciation expenses	15,211	619	-	15,830
Others	<u>4,710</u>	<u>(4,221)</u>	<u>-</u>	<u>489</u>
	<u>\$118,823</u>	<u>(\$ 3,602)</u>	<u>\$ -</u>	<u>\$115,221</u>

(4). Information on unused loss carryforwards

As of December 31, 2022, the information on loss carryforward is as follows :

<u>Uneducated balance</u>	<u>Last deductible year</u>
<u>\$ 230,028</u>	2029

(5). Verification of income tax

The declaration of the Company's profit-seeking enterprise income tax has been verified by the tax collection authority until 2020.

23. Earnings per share

Profit and weighted average number of ordinary shares outstanding used to calculate earnings per share are as follows :

	<u>2022</u>	<u>2021</u>
Profit	<u>\$210,830</u>	<u>\$459,712</u>

Number of shares

	Unit : thousands of shares	
	2022	2021
Weighted average number of ordinary shares outstanding used to calculate basic and diluted earnings per share	181,265	181,265
Add : Diluted potential ordinary shares — employees' remuneration	<u>478</u>	<u>403</u>
Diluted weighted average number of ordinary shares outstanding (thousand)	<u>181,743</u>	<u>181,668</u>

The Company may distribute the employees' remuneration in stock or in cash. Therefore, when calculating the diluted earnings per share, assume the employees' remunerations to be paid in stock, and add the diluted potential ordinary shares into the calculation of diluted weighted average number of ordinary shares outstanding to calculate the diluted earnings per share. In calculating the diluted earnings per share in the next year before distribution of employees' remuneration, the Company shall keep considering the dilution of the potential ordinary shares.

24. Capital risk management

The Company manages capital to maximize the return on shareholders' equity by optimize the balances of debts and equity, under the premise of ensuring the capability of continuous operation of the Company. The entire strategies of the Company in 2022 did not change.

The capital structure of the Company comprises bank loans and equity. Except explained in Note 14, the Company does not have to abide by other external capital regulations. °

25. Financial instruments

- (1). Fair value information — financial instruments not measured at fair value

The management of the Company and subsidiaries considers that the carrying value of financial assets and financial liabilities not measured at fair value approach the fair value, or the fair value cannot be measured reliably.

- (2). Fair value information — financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Stocks of domestic listed companies	<u>\$ 7,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,970</u>

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(Brought forward)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Stocks of domestic listed companies	\$ 891,619	\$ -	\$ -	\$ 891,619
Stocks of domestic unlisted companies	-	-	5,478	5,478
	<u>\$ 891,619</u>	<u>\$ -</u>	<u>\$ 5,478</u>	<u>\$ 897,097</u>
Financial liabilities at fair value through profit or loss				
Foreign exchange option contracts	\$ -	\$ 5,335	\$ -	\$ 5,335
Forward exchange agreements	-	1,300	-	1,300
Currency swap contracts	-	16,761	-	16,761
	<u>\$ -</u>	<u>\$ 23,396</u>	<u>\$ -</u>	<u>\$ 23,396</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Stocks of domestic listed companies	<u>\$ 9,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,513</u>
Financial assets at fair value through other comprehensive income				
Stocks of domestic listed companies	\$ 785,013	\$ -	\$ -	\$ 785,013
Stocks of domestic unlisted companies	-	-	5,412	5,412
	<u>\$ 785,013</u>	<u>\$ -</u>	<u>\$ 5,412</u>	<u>\$ 790,425</u>
Financial liabilities at fair value through profit or loss				
Foreign exchange option contracts	\$ -	\$ 13,956	\$ -	\$ 13,956
Currency swap contracts	-	3,739	-	3,739
	<u>\$ -</u>	<u>\$ 17,695</u>	<u>\$ -</u>	<u>\$ 17,695</u>

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

2. A reconciliation of financial assets in the scope of level 3 fair value measurement

	Financial assets at fair value through other comprehensive income	
	2022	2021
Beginning balance	\$ 5,412	\$ 5,667
Recognized in other comprehensive income	66	(255)
Ending balance	<u>\$ 5,478</u>	<u>\$ 5,412</u>

3. Valuation techniques and inputs of level 2 fair value measurement

<u>Types of financial instruments</u>	<u>Valuation techniques and inputs</u>
Derivative instruments	For derivative instruments with quoted prices in an active market, the fair value shall be the quoted prices in an active market. If there is no market price for reference, fair value shall be estimated by valuation methods. The estimates and assumptions used in the valuation methods used by the Company are consistent with the information on estimates and assumptions used by market participants in pricing financial instruments, and the information is available for the Company. The Company calculates the fair value of individual contract by the foreign exchange rate indicated in the quotation systems of correspondent banks and the forward rates at maturity of individual currency swap contracts and forward exchange agreements. The fair value of option derivative instruments is calculated by option pricing model.

4. Valuation techniques and inputs of level 3 fair value measurement

The fair value of stocks of domestic unlisted companies are estimated by reference to the net value in the most recent period or the transaction prices of investees.

(3). Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Mandatorily measured at fair value	\$ 7,970	\$ 9,513
Current and non-current financial assets at fair value through other comprehensive income	897,097	790,425
Financial assets at amortized cost (Note 1)	1,398,719	1,309,662
<u>Financial liabilities</u>		
Mandatorily measured at fair value	23,396	17,695
Measured at amortized cost (Note 2)	4,512,964	3,959,721

Note 1 : The balances include cash, notes receivables, accounts receivables, other receivables (including related parties), other financial assets—current and refundable deposits, etc. which are financial assets at amortized cost.

Note 2 : The balances include short-term borrowings, short-term notes payables, notes payables, accounts payables, other payables, long-term borrowings (including current portion) and guaranteed deposits received, etc., which are financial liabilities at amortized cost.

(4). Financial risk management purposes and policies

The financial instruments of the Company primarily include equity investments, accounts receivables, accounts payables, short-term notes payables, and long-term and short-term bank loans. The financial management department of the Company services for each operating unit, overall management the funds and exchange procurement, and monitors and manage the financial risk relating to operations of the Company by the internal risk report of analysis of exposure to risks based on the extent and scope of risks. The risks include market risk (including foreign currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The Company hedges the risks by derivative financial instruments, to decrease the impact by the risks. The utilization of derivative instruments is regulated by the policies approved by the Board of Directors, which are the written principles of foreign exchange risk, interest rate risk, the utilization of derivative financial instruments and the investments of residual working capital. Internal auditors continuously review the compliance to the policies and the exposure amount based on the audit plans. The Company does not trade financial instruments (including derivative financial instruments) by speculative purposes.

1. Market risk

The Company's exposure to financial risks, including risk of changes in foreign exchange rate and changes in interest rates, result from operating activities. The Company decreases the foreign exchange risk resulting from borrowings denominated in foreign currencies and purchase commitments in foreign currencies by currency swap contracts, forward exchange agreements and foreign exchange option contracts.

There is no change in the exposure to market risk of financial instruments and the management and measurement to the exposure.

(a) Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the borrowings and purchases denominated in foreign currencies. Please refer to Note 29 for the carrying amounts of monetary assets and liabilities denominated in different currencies from the functional currency as of the balance sheet date.

The carrying amounts of derivatives exposed to foreign currency risk as of the balance sheet date are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liabilities	\$ 23,396	\$ 17,695

Sensitivity analysis

The Company is mainly affected by the fluctuations of the exchange rate of USD.

The table below is the analysis under the circumstances of a strengthening/weakening of 1% of the functional currency against the USD. 1% is the sensitivity rate used for the Company to report foreign currency risk to key management, and also the evaluation of possible reasonable variation range.

The sensitivity analysis only includes the outstanding monetary items denominated in foreign currencies. Scenario 1 below is the impact to the Company's profit or loss under the circumstance of a strengthening of 1% of the functional currency against the USD; Scenario 2 below is the impact to the Company's profit or loss under the circumstance of a weakening of 1% of the functional currency against the USD :

	<u>Increase in profit before tax (decrease) (Note)</u>	
	<u>2022</u>	<u>2021</u>
Profit or loss under scenario 1	(\$ 309)	\$ 11,361
Profit or loss under scenario 2	309	(11,361)

Note : Primarily originated from the outstanding bank deposits and borrowings denominated in USD as of the balance sheet date.

(b) Interest rate risk

As the Company acquires fund from both financial liabilities at fixed inters rates (including short-term notes payables) and financial liabilities at floating interest rates (including long-term and short-term borrowings), the Company is exposed to interest rate risk. The Company manages interest rate risk by determination of borrowing financial liabilities at fixed or floating inters rates based on the market interest rates of various financing instruments.

The carrying amounts of financial assets and financial liabilities exposed to interest rate risk at the balance sheet date are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
With fair value		
interest rate risk		
Financial assets	\$ 50,115	\$ 47,541
Financial		
liabilities	289,490	709,351
With cash flow		
interest rate risk		
Financial assets	156,232	127,174
Financial		
liabilities	3,439,840	2,438,605

Sensitivity analysis

The sensitivity analysis below is determined by the exposure to interest rate risk of the aforementioned financial instruments at the balance sheet date. The analysis is based on the assumption that the amounts of outstanding assets and liabilities at the balance sheet date are outstanding during the reporting period. An increase or decrease of 1% is the rate used for the Company to report interest rates to key management, and also the evaluation of possible reasonable variation range.

If all other variables were to remain constant, an increase of 1% in the interest rate would have decreased the profit before tax by NT\$32,836 thousand and NT\$23,114 thousand for the years ended December 31, 2022 and 2021, respectively. This is primarily resulting from the exposure to cash flow interest rate risk of the borrowings and bank deposits with floating interest rates held by the Company.

(c) Other price risk

The Company's exposure to equity price risk results from the investments in stocks of domestic listed and unlisted companies.

A decrease/increase of 1% in the prices of the equity instrument, would have decreased/increased the profit before tax for the years ended December 31, 2022 and 2021 by NT\$80 thousand and NT\$95 thousand, respectively, because of the decrease/increase in the fair value of financial assets at fair value through profit or loss, and would have decreased/increased other comprehensive income by NT\$8,971 thousand and NT\$7,904 thousand, respectively, because of the decrease/increase in the fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company. As of the balance sheet date, the max exposure to credit risk due to financial losses resulted from default on the contractual obligations is primarily from. :

- (a) Carrying amounts of financial assets recognized in the parent company only balance sheets
- (b) The contingencies resulting from financial guarantees provided by the Company. The Company provided performance endorsements and guarantees for the financing of subsidiaries. Please refer to Note 26 and Table 2 for the off-balance sheet max exposure to credit risk resulting from the guarantees.

The policies of the Company are rating main customers by other public available financial information and transaction records and acquiring receipts in advance or irrevocable L/C with sufficient amount as guarantees, to decrease the risk due to financial losses resulted from default. The Company controls credit risk subsequently by monitoring exposure to credit risk continuously and credit ratings of counterparties. As the counterparties of the derivative financial instruments transactions are domestic large financial institutions, the credit risk is not high.

The credit risk of the Company is significantly concentrated in customers as follows. The reason of the significant concentration of credit risk is the characteristic of the industry. The balances of notes receivables and accounts receivables from the customers with significant concentration of credit risk are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts receivables		
Company A	\$192,439	\$144,104
Company B	<u>43,376</u>	<u>193,346</u>
	<u>\$235,815</u>	<u>\$337,450</u>

As of December 31, 2022 and 2021, the ratios from the aforementioned customers are 23% and 30%, respectively.

3. Liquidity risk

The Company manages and maintain sufficient cash for operating use and decreasing the impact from the fluctuations of cash flows.

As of December 31, 2022 and 2021, the unused credit lines of long-term and short-term bank loans amounted to NT\$2,969,831 thousand and NT\$2,425,013 thousand, respectively.

Liquidity risk table

The table below analyzed the residual contracts of non-derivative financial liabilities with agreed repayment periods by maturity, which is based on the earliest date on which repayment may be required, and prepared by the undiscounted cash flows of financial liabilities, including the cash flows of interests and principals.

The bank loans of the Company that may be required to repay immediately are listed in the earliest period of the table below, without considering the possibility that the banks enforce the right immediately. The maturity analysis of other non-derivative financial liabilities is prepared by the agreed repayment date.

As the agreed repaid periods of short-term borrowings are close to for the balance sheet date, the cash flows of the interests paid by floating interest rates, the undiscounted interest amounts are accrued the actual interest rates of the correspondent banks as of the balance sheet date; the interest rates of long-term borrowings are based on the interest rates of Chunghwa Post Co. plus a fixed rate. As the Company assesses that the impact of the changes in future interest rates is not significant, the amounts of undiscounted interest are accrued by the interest rates in the most recent period.

	Within 3 months	3 months to 1 year	Over 1 year	Total
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Liabilities without bearing interests	\$ 783,623	\$ -	\$ 11	\$ 783,634
Instruments with fixed interest rates	290,000	-	-	290,000
Instruments with floating interest rates	1,004,814	1,153,252	1,388,627	3,546,693
Financial guarantee liabilities	<u>90,000</u>	<u>-</u>	<u>114,470</u>	<u>204,470</u>
	<u>\$ 2,168,437</u>	<u>\$ 1,153,252</u>	<u>\$ 1,503,108</u>	<u>\$ 4,824,797</u>
<u>December 31, 2021</u>				
Non-derivative financial liabilities				
Liabilities without bearing interests	\$ 810,115	\$ 1,639	\$ 11	\$ 811,765
Instruments with fixed interest rates	710,000	-	-	710,000
Instruments with floating interest rates	646,909	812,486	1,034,924	2,494,319
Financial guarantee liabilities	<u>80,500</u>	<u>24,593</u>	<u>78,000</u>	<u>183,093</u>
	<u>\$ 2,247,524</u>	<u>\$ 838,718</u>	<u>\$ 1,112,935</u>	<u>\$ 4,199,177</u>

The amounts of the aforementioned non-derivative liabilities with floating interest rates may change because of the differences between the floating interest rates and the estimated interest rates at the balance sheet date.

The table below explains the liquidity analysis of derivative financial instruments. The amounts of derivative financial instruments by net settlement are prepared by the undiscounted net cash inflows and outflows of the contracts. The amounts of derivative instruments by gross settlement are prepared by the undiscounted total cash inflows and outflows. When the payable amounts are not fixed, the disclosed amounts shall refer to the average exchange rate at the balance sheet date.

	Required to repay immediately or within 1 month	1 to 3 months	3 months to 1 year
<u>December 31, 2022</u>			
Net settlement			
Foreign exchange option contracts	(\$ 477)	(\$ 2,095)	(\$ 2,763)
Gross settlement			
Currency swap contracts			
Inflows	\$ -	\$ -	\$ 425,609
Outflows	-	-	(442,370)
	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 16,761)</u>
Forward exchange agreements			
Inflows	\$ -	\$ 241,367	\$ -
Outflows	-	(242,667)	-
	<u>\$ -</u>	<u>(\$ 1,300)</u>	<u>\$ -</u>
<u>December 31, 2021</u>			
Net settlement			
Foreign exchange option contracts	(\$ 292)	(\$ 2,097)	(\$ 11,567)
Gross settlement			
Currency swap contracts			
Inflows	\$ -	\$ -	\$ 933,998
Outflows	-	-	(937,737)
	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 3,739)</u>

26. Related party transactions

(1). Related party names and relationships

<u>Name of related party</u>	<u>Relationship</u>
TAIWAN STEEL UNION CO., LTD. (TAIWAN STEEL UNION)	The Company is the legal person director.
Huang, Wei-Han	Chairman of the Company
PASSION TRADING CO., LTD. (PASSION TRADING)	Substantive related party
E CHANG IRON STEEL WORKS CO., LTD. (E CHANG)	Subsidiary
ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. CO., LTD. (ZHENG TUNG)	Subsidiary

(2). Transactions in operations

1. Sales

<u>Type of related party</u>	<u>2022</u>	<u>2021</u>
Substantive related party	\$ 6,620	\$ 8,825
Subsidiary	<u>1,926</u>	<u>20,240</u>
	<u>\$ 8,546</u>	<u>\$ 29,065</u>

2. Purchases

<u>Type of related party</u>	<u>2022</u>	<u>2021</u>
Substantive related party	\$ 13,143	\$ 6,528
Subsidiary	<u>2,244</u>	<u>-</u>
	<u>\$ 15,387</u>	<u>\$ 6,528</u>

The transaction prices of purchases and sales with related parties are based general transaction conditions, and the payment terms are the same as general customers (suppliers).

(3). Receivables from related parties

<u>Account</u>	<u>Type of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables	Substantive related party	<u>\$ -</u>	<u>\$ 459</u>
Accounts receivables	Substantive related party	\$ 1,387	\$ 537
	Subsidiary	<u>-</u>	<u>1,358</u>
		<u>\$ 1,387</u>	<u>\$ 1,895</u>
Other receivables	Subsidiary	<u>\$ 150,556</u>	<u>\$ 253</u>

(4). Payables to related parties

<u>Account</u>	<u>Type of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Substantive related party	<u>\$ 869</u>	<u>\$ 28</u>
Other payables	Substantive related party	\$ 262	\$ -
	Subsidiary	2,367	996
	The Company is the legal person director.	<u>428</u>	<u>145</u>
		<u>\$ 3,057</u>	<u>\$ 1,141</u>

The balances of outstanding payables to related parties are not guaranteed and will be repaid by cash.

(5). Prepayments

Account	Type of related party	December 31, 2022	December 31, 2021
Other prepayments	Subsidiary	<u>\$ -</u>	<u>\$ 3,531</u>

(6). Property, plant and equipment acquired

Type of related party	Considerations paid	
	December 31, 2022	December 31, 2021
Subsidiary	<u>\$ 706</u>	<u>\$ 706</u>

(7). Other related party transactions

1. Manufacturing expenses

Account	Type of related party	2022	2021
Disposal fee of furnace dusts	The Company is the legal person director.	<u>\$ 1,886</u>	<u>\$ 1,202</u>

2. Operating lease

The Company rent land and plant from subsidiaries for operating use. The lease term is terminated in December, 2022. The rental expenses for the years ended December 31, 2022 and 2021 amounted to NT\$7,630 thousand and NT\$11,000 thousand, respectively (recognized under operating costs and operating expenses).

The rentals and payments between the Company and subsidiaries are in accordance with the agreements in the contracts.

3. Rendering services

The Company transferred employees from subsidiaries for operating use. The service expenses for the years ended December 31, 2022 and 2021 amounted to NT\$33,021 thousand and NT\$20,394 thousand, respectively (recognized under operating costs and operating expenses).

4. Guarantees

The Chairman, Huang, Wei-Han provided joint guarantees for the long-term and short-term borrowings as of December 31, 2022 and 2021.

(8). Loans to related parties

The Company provided loans to ZHENG TUNG in 2022. The interests of the loan are calculated by the average interest rates of short-term borrowings from financial institutions. The loan is unsecured. After assessment, no impairment loss shall be recognized for the loan.

The Company provided loans to E CHANG in 2021. The interests of the loan are calculated by the average interest rates of short-term borrowings from financial institutions. The loan is unsecured and has been repaid fully by the end of 2021.

Interest revenue for the aforementioned loans is as follows :

Interest revenue

<u>Type of related party</u>	<u>2022</u>	<u>2021</u>
Subsidiary	<u>\$ 1,916</u>	<u>\$ 604</u>

(9). Endorsements and guarantees

The Company provided guarantees for subsidiary, ZHENG TUNG's financing :

<u>Purpose of guarantee</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Guarantees for financing		
Guaranteed amount	\$319,470	\$226,470
Amount of actual usage	204,470	183,093

(10). Information on key management personnel compensation

Total compensation of the directors and other key management are as follows :

	<u>2022</u>	<u>2021</u>
Short-term employee benefits (including payrolls, remunerations, and bonuses)	\$ 24,020	\$ 33,137
Post-employment benefits	<u>470</u>	<u>432</u>
	<u>\$ 24,490</u>	<u>\$ 33,569</u>

27. Pledged assets

The assets pledge as collaterals for bank guarantees, margins of derivative instruments, and bank financing provided by the Company for the Company and subsidiaries are as follows :

	<u>Carrying amount</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment		
Land (including appraisal increments)	\$1,114,255	\$1,114,255

(Continued on next page)

(Brought forward)

	Carrying amount	
	December 31, 2022	December 31, 2021
Buildings and structures	\$ 100,355	\$ 108,661
Machinery equipment	41,466	48,840
Other financial assets — current		
Negotiable certificates of deposits	49,773	47,540
Reserve accounts	342	1
	<u>\$1,306,191</u>	<u>\$1,319,297</u>

28. Significant contingencies and unrecognized contract commitments

As of December 31, 2022, the significant contingencies and unrecognized contract commitments of the Company are as follows :

- (1). The balance of the unused issued L/C for purchasing raw materials amounted to NT\$196,093 thousand.
- (2). The unpaid amount of the contract signed with suppliers for purchasing assets and equipment maintenance of the Company and subsidiaries amounted to NT\$242,953 thousand.
- (3). The purchase commitments not performed amounted to NT\$1,852,249 thousand, which are irrevocable purchase contracts.
- (4). Currency swap contracts, forward exchange agreements and exchange option contracts not expired : Please refer to Note 7.

29. Information on foreign-currency-denominated assets and liabilities that have significant influence

The information below is stated by the foreign currencies other than the functional currency of each entity of the Company. The exchange rates disclosed are the exchange rates of the translations between the currencies and the functional currency. The information on foreign-currency-denominated assets and liabilities that have significant influence is as follows :

Unit : foreign currencies / NTD in thousands ; exchange rates in NTD

	December 31, 2022	Foreign currency	Exchange rate	Carrying amount
Financial assets which are monetary items				
USD	\$ 1,003	30.760		\$ 30,852
Financial assets which are monetary items				
USD	1,227	27.73		34,029
Financial liabilities which are monetary items				
USD	42,197	27.73		1,170,136

Net foreign exchange gains (losses) (including realized and unrealized) for the year ended December 31, 2022 and 2021 amounted to

NT\$(152,133) thousand and NT\$38,304 thousand, respectively. As there are many types of foreign currency transaction amounts, it is not possible to disclose the exchange gains and losses by foreign currencies without significant influence.

30. Other disclosures

- (1). Information on significant transactions and (2) Information on investees
 1. Loans to others : Please refer to Table 1.
 2. Provision of endorsements and guarantees to others : Please refer to Table 2.
 3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries) : Please refer to Table 3.
 4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more : None.
 5. Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
 6. Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
 7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
 8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : Please refer to Table 4.
 9. Trading in derivative instruments : Please refer to Note 7.
 10. Information on investees : Please refer to Table 5.
- (3). Information on investees in Mainland China : The Company does not have investees in Mainland China.
- (4). Information on major shareholders : names, number and percentage of shares held of the shareholders with over 5% of percentage of ownership : Table 6

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Loans to others
For the Year Ended December 31, 2022

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Table 1

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Interests rate interval (%)	Nature of financing	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. CO., LTD.	Other receivables — related parties	Yes	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 150,000</u>	TAIBOR+1.15%	Note 1	<u>\$ —</u>	The operating capital required for building plant and the beginning of mass production	<u>\$ —</u>	-	<u>\$ —</u>	<u>\$ 365,369</u>	<u>\$ 730,739</u>	Note 2

Note 1 : In need of short-term financing
 Note 2 : According to the “Operational Procedures for Loaning of Company Funds,” the amount loaned to single recipient shall not exceed the amount of 10% of the net worth in financial statements of the most recent period, and the total amount loaned shall not exceed the amount of 20% of the net worth in financial statements of the most recent period.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Provision of endorsements and guarantees to others
For the Year Ended December 31, 2022

Table 2

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No.	Name of guarantor and endorser	Guarantee and endorsee		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements, end of year	Actual usage amount	Property pledged for guarantee and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (%)	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/guarantees for subsidiary	Subsidiary endorsements/guarantees for the parent company	Endorsements/guarantees for companies in Mainland China
		Company name	Relation ship										
0	The Company	ZHENG TUNG	The Company directly or indirectly holds more than 50% of voting shares of the subsidiary	<u>\$365,369</u>	<u>\$319,470</u>	<u>\$319,470</u>	<u>\$204,470</u>	<u>\$126,470</u>	<u>8.74</u>	<u>\$730,739</u>	Y	N	N

Note 1 : According to the “Operational Procedures for Provision of Endorsements and Guarantees,” the amount of endorsements and guarantees provided for a single enterprise shall not exceed the amount of 10% of the net worth in audited or reviewed financial statements of the most recent period, and the total amount of endorsements and guarantees provided by the Company and subsidiaries as a whole for a single enterprise shall not exceed the amount of 20% of the net worth in audited or reviewed financial statements of the most recent period.

Note 2 : According to the “Operational Procedures for Provision of Endorsements and Guarantees,” the total amount of endorsements and guarantees provided shall not exceed the amount of 20% of the net worth in audited or reviewed financial statements of the most recent period, and the total amount of endorsements and guarantees provided by the Company and subsidiaries as a whole shall not exceed the amount of 30% of the net worth in audited or reviewed financial statements of the most recent period.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Holding of marketable securities at the end of the period
December 31, 2022

Table 3

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Name of holder	Category and name of security	Relationship with the Company	Account	Ending balance				Note
				Number of shares	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Stock Taiwan Steel Union Co., Ltd.	The Company is the legal person director.	Current financial assets at fair value through other comprehensive income	419,000	<u>\$ 38,548</u>	0.4	<u>\$ 38,548</u>	
			Non-current financial assets at fair value through other comprehensive income	9,272,512	\$853,071	8.3	\$853,071	
	Shiao Kang Warehousing Corp.		Non-current financial assets at fair value through other comprehensive income	533,253	5,478	4.4	5,478	
					<u>\$858,549</u>		<u>\$858,549</u>	
	Shin Kong Financial Holding Co., Ltd. — preferred B share		Current financial assets at fair value through profit or loss	222,000	<u>\$ 7,970</u>	0.1	<u>\$ 7,970</u>	
E CHANG	Stock Taiwan Steel Union Co., Ltd.	The Company is the legal person director.	Current financial assets at fair value through other comprehensive income	351,000	<u>\$ 32,292</u>	0.3	<u>\$ 32,292</u>	
	Beneficiary certificates of fund Shin Kong Environmental Sustainability Bond Fund		Current financial assets at fair value through profit or loss	500,000	<u>\$ 4,114</u>	-	<u>\$ 4,114</u>	
	Financial bonds HSBC 4.375		Current financial assets at fair value through profit or loss	500,000	<u>\$ 14,616</u>	-	<u>\$ 14,616</u>	

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Table 4

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

The Company recognizing receivables	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate (%)	Overdue receivables from related parties		Amounts of receivables from related parties collected in subsequent period	Allowance for bad debt	Note
					Amount	Collection status			
The Company	ZHENG TUNG	Subsidiary	\$150,556	-	\$ -	-	\$ -	\$ -	Note

Note : Other receivables are not applicable to the calculation of turnover rate. The transactions between the parent and subsidiaries are eliminated at preparing the consolidated financial statements.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Information on investees
For the Year Ended December 31, 2022

Table 5

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Investor company	Investee company	Location	Main business	Original investment amount		Ownership as of December 31, 2022			Profit (loss) of investees in the current period	Gain (loss) of investees recognized in the current period	Note
						Number of shares	Percentage (%)	Carrying amount			
				December 31, 2022	December 31, 2021						
The Company	E CHANG	Taiwan	Manufacture, processing and trading of various iron and steel products	\$ 1,223,892	\$ 1,223,892	18,502,495	84.10	\$ 1,453,658	(\$ 10,019)	(\$ 8,426)	Subsidiary
The Company	ZHENG TUNG	Taiwan	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	76,500	76,500	7,650,000	34.77	20,779	(86,683)	(31,979)	Subsidiary
E CHANG	ZHENG TUNG	Taiwan	Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products	79,700	51,300	7,970,000	36.23	22,037	(86,683)	(29,566)	

Note : The transactions between the parent and subsidiaries are eliminated at preparing the consolidated financial statements.

Table 6

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

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HAI-KWANG ENTERPRISE CO., LTD.

Statements of cash

December 31, 2022

Statement 1

Expressed in thousands of New

Taiwan Dollars

(Except as indicated)

Item	Amount
Cash on hand and revolving funds	\$ 487
Bank deposits	
Demand deposits	150,852
Foreign currency deposits (USD142,501, JPY3,640,531, EURO4,050, and CNY2,220) (Note)	5,380
Checking deposits	<u>10,968</u>
	<u>\$167,687</u>

Note : USD is translated by the exchange rate of US\$1 = 30.76.

JPY is translated by the exchange rate of ¥1 = 0.234.

EURO is translated by the exchange rate of EUR\$1 = 32.92.

CNY is translated by the exchange rate of CNY\$1 = 4.433.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of financial assets at fair value through profit or loss
December 31, 2022

Statement 2 Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Financial instrument	Number of share	Acquisition cost	Fair value		Note
			Unit price (NTD)	Total amount	
Current					
Stock of listed companies					
Shin Kong Financial Holding Co., Ltd.	222,000	\$ 9,990	\$ 35.90	\$ 7,970	
Add : valuation adjustments		(<u>2,020</u>)		<u>-</u>	
		<u>\$ 7,970</u>		<u>\$ 7,970</u>	

HAI-KWANG ENTERPRISE CO., LTD.

Statements of financial assets at fair value through other comprehensive income
December 31, 2022

Statement 3

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Financial instrument	Number of share	Acquisition cost	Fair value		Note
			Unit price (NTD)	Total amount	
Current					
Stocks of listed companies					
Taiwan Steel Union Co., Ltd.	419,000	\$ 2,026	\$ 92.00	\$ 38,548	
Add : valuation adjustments		<u>36,522</u>		<u>-</u>	
		<u>\$ 38,548</u>		<u>\$ 38,548</u>	
Non-current					
Stocks of listed companies					
Taiwan Steel Union Co., Ltd.	9,272,512	\$ 44,848	92.00	\$ 853,071	
Add : valuation adjustments		<u>808,223</u>		<u>-</u>	
		<u>853,071</u>		<u>853,071</u>	
Stocks of unlisted companies					
Shiao Kang Warehousing Corp.	533,253	5,546	10.27	5,478	
Add : valuation adjustments		(<u>68</u>)		<u>-</u>	
		<u>5,478</u>		<u>5,478</u>	
		<u>\$ 858,549</u>		<u>\$ 858,549</u>	

HAI-KWANG ENTERPRISE CO., LTD.

Statements of notes receivables

December 31, 2022

Statement 4

Expressed in thousands of New
Taiwan Dollars

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>
SHUNHUI CONSTRUCTION CO., LTD.	Receivables from sales	\$ 41,189
FU TSU CONSTRUCTION CO., LTD.	Receivables from sales	24,827
CHIH SHENG STEEL & SHIPPING CORPORATION	Receivables from sales	9,456
JILONG STEEL CORPORATION	Receivables from sales	5,835
Others (Note)		<u>10,883</u>
		<u>\$ 92,190</u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of accounts receivables
December 31, 2022

Statement 5 Expressed in thousands of New
Taiwan Dollars

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>
KEN YI ENTERPRISE CO., LTD.	Receivables from sales	\$192,439
TA CHEN CONSTRUCTION & ENGINEERING CORP.	Receivables from sales	88,208
Others (Note)		<u>654,196</u>
		<u>\$934,843</u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.

Statements of inventories

December 31, 2022

Statement 6

Expressed in thousands of New Taiwan Dollars

Item	Amount	
	Carrying amount	Net realizable value
Finished goods	\$ 421,016	\$ 421,016
Work in process	1,266,306	1,266,306
Raw materials	229,030	229,030
Materials	143,228	143,228
Merchandises	4,757	5,752
Tailings	<u>4,232</u>	<u>4,232</u>
	<u>\$2,068,569</u>	<u>\$2,069,564</u>

Note : Carrying amount is the amount after deducting allowances for inventory valuation losses. Please refer to Note 4 for explanation.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of prepayments
December 31, 2022

Statement 7 Expressed in thousands of New
Taiwan Dollars

Item	Amount
Prepayments to suppliers	\$208,797
Tax overpaid retained for offsetting the future tax payables	55,710
Others (Note)	<u>2,240</u>
	<u>\$266,747</u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of changes in investment accounted for using equity method
December 31, 2022

Statement 8

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Investee	Beginning balance		Additions		Deductions		Ending balance			Net worth of equity	Collateral or guarantee provided
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of ownership (%)	Amount		
Unlisted companies											
E CHANG (investment in subsidiaries)	18,502,495	\$1,465,041	-	\$ -	-	\$ 11,383	18,502,495	84.10	\$1,453,658	\$1,453,658	None
ZHENG TUNG (investment in subsidiaries)	7,650,000	<u>45,676</u>	-	<u>-</u>	-	<u>24,897</u>	7,650,000	34.77	<u>20,779</u>	<u>20,779</u>	None
		<u>\$1,510,717</u>		<u>\$ -</u>		<u>\$ 36,280</u>			<u>\$1,474,437</u>	<u>\$1,474,437</u>	

Note : Deductions in the current year are gains and losses on investments recognized by equity method, unrealized sales gross profit and relevant adjustment items of equity.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of short-term borrowings
December 31, 2022

Statement 9

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Types of borrowing and creditors	Ending balance	Laon period	Annual interest rate (%)	Credit line	Collateral or guarantee
Unsecured loans					
Bank of Kaohsiung Cisian Branch	\$ 40,000	December 30, 2022～January 19, 2023	1.9750	US\$ 7,000	None
Land Bank of Taiwan Sanmin Branch	50,000	November 21, 2022～March 20, 2023	1.9000	NT\$ 200,000	None
Taiwan Business Bank Kaohsiung Branch	100,000	October 6, 2022～April 6, 2023	2.0750	NT\$ 200,000	None
Taiwan Cooperative Bank Kuanghua Branch	203,063	October 19, 2022～December 14, 2023	1.9010	NT\$ 282,000	None
CTBC Bank Minzu Branch	28,321	December 31, 2022～June 28, 2023	2.2087	NT\$ 100,000	None
First Commercial Bank Xiaogang Branch	191,546	October 26, 2022～December 27, 2023	1.7000～2.1250	NT\$ 300,000	None
Far Eastern International Bank	60,000	December 29, 2022～March 29, 2023	1.8900	NT\$ 100,000	None
Mega International Commercial Bank Kaohsiung Branch	169,207	September 20, 2022～June 21, 2023	1.9250	NT\$ 200,000	None
Union Bank of Taiwan Chiayi Branch	300,000	December 2, 2022～December 26, 2023	1.9000～2.0250	NT\$ 300,000	None
Yuanta Commercial Bank Linya Branch	250,000	December 2, 2022～January 31, 2023	1.9000	NT\$ 250,000	None
Secured loans					
O-Bank Kaohsiung Branch	400,000	December 16, 2022～January 16, 2023	2.0283	NT\$ 400,000	Yes
Bangkok Bank Kaohsiung Branch	<u>129,032</u>	October 26, 2022～June 27, 2023	1.9700～2.1100	US\$ 8,000	Yes
	<u>\$1,921,169</u>				

HAI-KWANG ENTERPRISE CO., LTD.

Statements of notes payables

December 31, 2022

Statement 10

Expressed in thousands of New
Taiwan Dollars

Supplier name	Summary	Amount
XIE DA Co., Ltd.	Payment for goods	\$ 19,038
EXCELCO CORPORATION	Payment for goods	13,456
CHOYNG JIH ENTERPRISE CO., LTD.	Payment for goods / Payment for equipment	11,799
RUEN YU MATERIALS TRADING CO., LTD.	Payment for goods	8,894
ZENGYANG ENTERPRISE CO., LTD.	Payment for goods / Payment for equipment	7,626
YIHO INTERNATIONAL ENERGY CO., LTD.	Payment for equipment	6,297
SHENGYI LOGISTICS CO., LTD.	Payment for goods	6,094
Others (Note)		<u>15,940</u>
		<u>\$ 89,144</u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.

Statements of accounts payables

December 31, 2022

Statement 11

Expressed in thousands of New
Taiwan Dollars

<u>Supplier name</u>	<u>Summary</u>	<u>Amount</u>
BLUE BAY METALS DMCC	Payment for goods	\$ 56,903
HSIN IN METAL CO., LTD.	Payment for goods	53,441
CLEAN UP ENVIRONMENTAL TECHNOLOGY CO., LTD.	Payment for goods	44,101
LI JINN ENTERPRISE CO., LTD.	Payment for goods	40,733
QUTSTANDING ENVIRONMENT CO., LTD.	Payment for goods	22,890
Others (Note)		<u>257,446</u>
		<u>\$475,514</u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of current contract liabilities
December 31, 2022

Statement 12

Expressed in thousands of New
Taiwan Dollars

Customer name	Amount
Receipts in advance	
SHUNHUI CONSTRUCTION CO., LTD.	\$ 53,796
SAN TAI STEEL CO., LTD.	23,265
TOONG RONG IRON & STEEL ENTERPRISE CORP.	19,421
DAH CHAU IRON AND STEEL INDUSTRY CO., LTD.	14,528
OKUMURA CORPORATION TAIWAN BRANCH (JP)	13,373
LIANTING CONSTRUCTION CO., LTD.	12,623
XINGYIYI STEEL CORPORATION	9,794
Others (Note)	<u>38,490</u>
	<u><u>\$185,290</u></u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of long-term borrowings
December 31, 2022

Statement 13

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Creditor	Loan period and repayment	Annual interest rate (%)	Amount		Total	Collateral or guarantee
			Due within 1 year	Due over 1 year		
Secured bank loans						
O-Bank	Note 1	2.2508~2.3549	\$ 134,136	\$ 385,858	\$ 519,994	Note 2
Union Bank of Taiwan	Note 1	1.895	59,100	940,900	1,000,000	Note 2
Less : land establishment fee			<u>422</u>	<u>901</u>	<u>1,323</u>	
			<u>\$ 192,814</u>	<u>\$1,325,857</u>	<u>\$1,518,671</u>	

Note 1 : Please refer to the explanation in Note 14.

Note 2 : The Company provided plant and self-owned land as collaterals. Chairman of the Company, Huang, Wei-Han, also provided joint guarantee.

Statements of net operating revenue
For the Year Ended December 31, 2022

Expressed in thousands of New
Taiwan Dollars
(Except as indicated)

Note : Service revenue arises from processing revenue, including customizing based on customers' requirements and cutting, etc.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of operating costs
For the Year Ended December 31, 2022

Statement 15

Expressed in thousands of New
Taiwan Dollars

Item	Amount
Costs of goods sold of self-produced products	
Direct raw material	
Beginning raw material	\$ 630,348
Raw material purchased in current period	3,698,272
Ending raw materials	(247,636)
Others (Note 1)	<u>152,798</u>
	4,233,782
Direct labor	176,447
Manufacturing expenses	<u>2,056,662</u>
Production costs	6,466,891
Add : beginning work in process	529,453
Work in process purchased in current period	4,542,676
Less : others (Note 2)	(478,144)
Ending work in process	<u>(1,266,306)</u>
Costs of finished goods	9,794,570
Add : beginning finished goods	599,586
Finished goods purchased in current period	112,417
Less : Ending finished goods	<u>(432,594)</u>
Costs of goods produced and sole	<u>10,073,979</u>
Costs of purchased goods sold	
Beginning merchandises	83,826
Add : merchandises purchased in current period	18,730
Add : others (Note 3)	325,282
Ending merchandises	<u>(4,757)</u>
	<u>423,081</u>
Service costs	<u>40,505</u>
Idle capacity losses	<u>73,451</u>
	<u>\$ 10,611,016</u>

Note 1 : The scrapped iron during the production process used to production.

Note 2 : The costs of billets returned to scrapped iron during the production process.

Note 3 : Primarily self-produced billets outsourced for processing.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of operating expenses
For the Year Ended December 31, 2022

Statement 16

Expressed in thousands of New
Taiwan Dollars

Item	Selling expenses	Administrativ e expenses	Research and development expenses	Total
Payroll expenses (including pension expenses and directors' remuneration)	\$ 8,820	\$ 55,617	\$ 294	\$ 64,731
Freights	49,352	126	-	49,478
Service expenses	1,161	6,149	-	7,310
Depreciation expenses	967	5,231	-	6,198
Insurance expenses	914	5,184	38	6,136
Employee benefits	384	1,453	22	1,859
Others (Note)	<u>4,983</u>	<u>13,410</u>	<u>-</u>	<u>18,393</u>
	<u>\$ 66,581</u>	<u>\$ 87,170</u>	<u>\$ 354</u>	<u>\$ 154,105</u>

Note : The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.

Employee benefits, depreciation, depletion and amortization expenses
categorized by function

For the Years Ended December 31, 2022 and 2021

Statement 17

Expressed in thousands of New Taiwan
Dollars

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Payroll	\$ 209,105	\$ 53,669	\$ 262,774	\$ 213,478	\$ 61,326	\$ 274,804
Labor and health insurance	20,325	5,357	25,682	19,896	4,251	24,147
Pension	7,270	2,413	9,683	7,594	2,206	9,800
Directors' remuneration	-	8,649	8,649	-	18,321	18,321
Others	<u>5,388</u>	<u>2,070</u>	<u>7,458</u>	<u>4,718</u>	<u>1,732</u>	<u>6,450</u>
	<u>\$ 242,088</u>	<u>\$ 72,158</u>	<u>\$ 314,246</u>	<u>\$ 245,686</u>	<u>\$ 87,836</u>	<u>\$ 333,522</u>
Depreciation expenses	\$ 206,813	\$ 6,198	\$ 213,011	\$ 177,136	\$ 5,454	\$ 182,590
Amortization expenses	8,340	1,482	9,822	9,053	736	9,789

Note 1 : The average numbers of employees are 388 and 391 for the years ended December 31, 2022 and 2021, respectively. Among them, the numbers of directors not serving as employees are both 5.

Note 2 : Information below is also disclosed :

1. The average employee benefit expenses amounted to NT\$798 thousand ("Total amount of employee benefits expenses of the current year-total amount of directors' remuneration"/"number of employees of the current year-number of directors not serving as employees") and NT\$817 thousand ("Total amount of employee benefits expenses of the prior year-total amount of directors' remuneration"/"number of employees of the prior year-number of directors not serving as employees") in 2022 and 2021, respectively.
2. The average payroll expenses amounted to NT\$686 thousand ("Total amount of payroll expenses of the current year"/"number of employees of the current year-number of directors not serving as employees") and NT\$712 thousand ("Total amount of payroll expenses of the prior year"/"number of employees of the current year-number of directors not serving as employees") in 2022 and 2021, respectively.
3. The rate of changes in average payroll expenses is -3.65% ("Average payroll expenses of the current year-average payroll expenses of the prior year"/ average payroll expenses of the prior year).

(Continued on next page)

(Brought forward)

4. The payroll and remuneration policies of the Company are as follows (including directors, supervisors, managers and employees) :

I. Directors' payroll and remuneration policies

The policies shall be implemented based on the Articles of Incorporation and the distribution procedures of directors' remuneration. Directors' payroll and remuneration shall be proposed by the remuneration committee, and resolved by the Board of Directors.

- 1) According to Article 23 of the Company's Articles of Incorporation, if the Company incurs no loss in the period, the Company shall allocate remuneration to employees at the rate of 2%~3% of annual profits, and to directors at the rate of no higher than 3% of annual profits during the period. The employees' remuneration shall be distributed in stock or cash, which may include eligible employees of affiliated companies. The directors' remuneration shall be only distributed in cash.
- 2) Independent directors' remuneration : The Company pays a fixed compensation, without paying aforementioned directors' remuneration and expenses for implementing business operation.
- 3) Expenses for implementing business operation : When directors attend boards meeting or shareholders' meetings, the Company pays for the traveling expenses by pay-per-view principal. If directors go business trip, the traveling expenses for the business trip will be paid as well.

II. Managers' payroll and remuneration policies

The compensation of managers shall be proposed by the human resource department based on the level in the same industry, position, academic and experience background, and determined by the remuneration committee, which is composed of 3 independent directors who are approved by the Board of Directors. The bonuses and remuneration shall be determined by the remuneration committee based on the performance evaluation system, and review of performance evaluation results.

III. Employees' payroll and remuneration policies

Employees' compensation includes basic salaries, bonuses and employees' remuneration. The salaries are determined by positions and responsibilities. The standard of employees' salaries shall be determined by referring to the level paid in the same industry, basic level of salaries, operation, production and sales condition of the Company, and organizational structure. Bonuses and employees' remuneration shall be reflected to the compensation of employees based on the profitability of the year, and is correlated to employees' personal performances. Each employee has two salary increase opportunities and one promotion opportunity in a year. Salary increases and promotion are highly correlated to performance result.

6.6 If the Company and Its Affiliates Encounter any Financial Difficulties in the Past Year and as of the Publication Date of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed: None.

VII. Review and Analysis of Financial Status and Financial Performance and Risk Management

7.1 Financial Status

Unit: NT\$ thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	4,020,454	3,831,718	188,736	5%
Property, Plant and Equipment	4,367,792	4,012,574	355,218	9%
Intangible Assets	6,576	2,217	4,359	197%
Other Assets	1,004,707	1,135,810	-131,103	-12%
Total Assets	9,399,529	8,982,319	417,210	5%
Current Liabilities	3,680,850	3,648,018	32,832	1%
Noncurrent Liabilities	1,771,310	1,423,248	348,062	24%
Total Liabilities	5,452,160	5,071,266	380,894	8%
Capital Stock	1,812,645	1,812,645	0	0%
Capital Surplus	387,863	386,681	1,182	0%
Retained Earnings	601,594	660,460	-58,866	-9%
Other Equity	851,590	741,909	109,681	15%
Non-controlling Interest	293,677	309,358	-15,681	-5%
Total Equity	3,947,369	3,911,053	36,316	1%
Analysis of changes in financial ratios (changes of 20% and above NT\$10,000 thousand):				
1. Noncurrent liabilities: Increased by NT\$ 348,062 thousand, mainly for the purpose of improving financial structure, borrowing long-term loans of NT\$ 450 million (within the original limit of NT\$1 billion of Union Bank of Taiwan Mid-term loans) to repay short-term loans.				

7.2 Financial Performance

Unit: NT\$ thousand

	2022	2021	Increase (Decrease) Amount	Percentage Change (%)
Net Operating Revenues	\$11,044,978	\$10,225,130	819,848	8%
Operating Costs	<u>10,735,906</u>	<u>9,492,301</u>	1,243,605	13%
Gross Profit (Loss)	309,072	732,829	-423,757	-58%
Operating Expenses	<u>207,819</u>	<u>211,930</u>	-4,111	-2%
Net Profit (Loss) from Operations	101,253	520,899	-419,646	-81%
Non-operating Income and Expenses	<u>136,820</u>	<u>36,989</u>	99,831	270%
Profit (Loss) Before Income Tax	238,073	557,888	-319,815	-57%
Income Tax (Expense) Benefit	<u>-53,974</u>	<u>-114,928</u>	60,954	-53%
Profit (Loss) after Income Tax	<u>\$184,099</u>	<u>\$442,960</u>	-258,861	-58%
Analysis of changes in financial ratios:				
1. Gross profit/Net profit from operations: The gross profit for the entire year decreased by NT\$423,757 thousand (-58%), mainly due to the decrease in the profit per ton of steel bars. In 2022, the average purchase price of steel billets was relatively high due to the impact of the Russo-Ukrainian War and the continuous interest rate hikes in the United States. In addition, the overall material prices and electricity rates increased, resulting in higher production costs and compressed profit per ton of steel bars.				
2. Non-operating income and expenses: This is mainly due to the valuation gains and losses of financial assets and exchange gains and losses affected by exchange rates. In 2022, the United States raised interest rates several times to curb inflation, with each increase ranging from 2 to 3				

digits, which caused the NT dollar to depreciate significantly, from NT\$27.7 in December of 2021 to NT\$30.76. As the Company had a high demand for foreign currency loans to purchase a large amount of steel billets, the positions of forward exchange contracts, SWAP, and foreign currency options resulted in valuation gains of financial assets exceeding the exchange losses due to the depreciation of foreign currency loans.	
3.	Profit before income tax and profit after income tax: For the reasons for increase, please refer to the reasons and analysis for the increase in gross profit.
4.	Income tax expense: The decrease was due to the decrease in profit before income tax in 2022.
5.	Estimated sales quantity for next year and its basis: In order to control inflation, the United States continues to raise interest rates, and the global real estate market is gradually declining, leading to a continuous downward revision of domestic real estate demand. The ongoing conflict between Russia and Ukraine continues to significantly limit the export volume of the two countries. Even if the two countries call an end to the war and enter the reconstruction phase in the future, the demand for steel will be enormous. Turkey is also a major producer of electric furnace steel and construction steel in the international market. The losses caused by the earthquake and the demand for post-disaster reconstruction also affect the global supply and demand of steel. In the case of international shortage of steel billets supply and the increasing global environmental protection costs, it is feared that international billet prices will not be lower than the self-production cost. The outlook for domestic steel prices remains optimistic for the next year, but sales volumes are expected to be conservative.
7.	Possible impacts on the Company's future financial operations and corresponding plans Due to environmental protection issues, production costs will only rise instead of fall, and steel bar prices will also be maintained at a certain level. In the coming year, the Company will continue to focus on increasing production capacity to reduce idle losses and reduce inventory levels to minimize loss on market price drops. At the same time, the Company needs to accurately judge the domestic and international billet prices, and when a reasonable price difference appears, it will purchase a large amount in the short term to reduce the cost of imported billets.

7.3 Cash Flow

1. Analysis of Changes in Cash Flow for the Current Year

Unit: NT\$ thousands						
Cash, Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investment Activities	Net Cash Flow from Financing Activities	Cash Surplus (Deficit)	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
446,128	45,670	-473,260	342,314	360,852	N/A	N/A

Analysis of change in cash flow:

- (1) Operating activities: The net cash inflow from operating activities is mainly due to the operating profit in the current year.
 - (2) Investment activities: The net cash outflow from investment activities is mainly due to the acquisition of property, plant and equipment.
 - (3) Financing activities: The net cash outflow from financing activities is mainly due to the long-term borrowings.
2. Corrective Measures to be Taken in response to Illiquidity: Not applicable.

(1) Liquidity Analysis for the Latest 2 Years

Item \ Year	2022	2021	Variance (%)
Cash Flow Ratio (%)	1.24	32.48	-31.24
Cash Flow Adequacy Ratio (%)	21.85	-15.65	37.5
Cash Reinvestment Ratio (%)	-2.25	11.59	-13.84

(1) The above table shows the consolidated ratio.

(2) Analysis of financial ratio change:
The net cash inflow from operating activities in 2022 decreased by NT\$1,139,222 thousand compared to 2021 (2022: NT\$45,670 thousand; 2021: NT\$1,184,892 thousand). This was mainly due to a large amount of low-priced foreign steel billets purchased in the third quarter of 2022, resulting in an increase in inventory and short-term letter of credit borrowings. Additionally, the overall production costs significantly increased in 2022 due to the impact of the Russo-Ukrainian War and the US interest rate hike. Although there was a slight increase in revenue, this still caused a significant decrease in profit before income tax.

3. Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Cash Surplus (Deficit) + -	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
360,852	-54,057	95,603	402,398	N/A	N/A
Analysis of change in cash flow for 2023 (data source: annual budget for 2023): Operating activities: It is estimated that in the coming year, international steel prices will rise more than fall, coupled with increasing environmental protection costs that will increase production costs. As a result, a net cash outflow is expected for operating activities in 2023. Investment activities: The main investments will be in the improvement of equipment at the Company and the payment of the investments in factory buildings and equipment for subsidiaries E Chang and Fastener World. Financing activities: The increase in raw material costs will lead to an increase in short-term letter of credit loans and revolving loans.					

7.4 Impact of Major Capital Expenditure in the Most Recent Year on the Financial Status: None.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

1. Investment Policy in the Last Year:

In September 2016, the Company invested in the establishment of a subsidiary, Zheng Tung Environmental Protection Tech. Co. Ltd. (“Fastener World”), specializing in the surface treatment and heat treatment of fasteners, with a registered capital of NT\$10 million. The Company held a 60% stake at the time and as of the first quarter of 2023, the paid-in capital of Zheng Tung has reached NT\$220 million. The total shares held by the Company were 34.77%. As of the end of 2022, Fastener World’s accumulated losses had reached half of its paid-in capital. To improve the financial structure and future development, Zheng Tung will carry out a capital reduction according to the relevant provisions of the Company Act to offset the losses, and then proceed with a cash capital increase to raise funds for the equipment required for plant operation. Through direct investment and indirect investment via another subsidiary – E Chang Iron Steel Works Co., Ltd. (“E Chang”), the Company holds 71% of Fastener World’s stake in total.

The subsidiary, E Chang, has almost completed the construction of its wastewater treatment plant and is currently renting out its factory to Zheng Tung for subcontracting services in the fastener manufacturing process.

In addition, the Company has invested in Taiwan Steel Union Co., Ltd. and Xiaogang Storage Co., Ltd. for many years, for whose waste disposal and waste steel loading and unloading businesses are related to the Company’s operations. The investments are not aimed at operating control.

2. Main Causes for Profits or Losses: In 2022, the Company recognized investment losses of NT\$8,426 thousand and NT\$31,979 thousand for E Chang and Fastener World, respectively, and received a dividend income of NT\$38,766 thousand from Taiwan Steel Union Co., Ltd.
3. Improvement Plans: None.
4. Investment Plans for the Coming Year:
 - (1) Subsidiary- Zheng Tung plans to actively pursue orders and increase production capacity utilization in the coming year. At the same time, it will accelerate the application for wastewater treatment operations and will continue to increase capital to meet operational needs. The Company will also indirectly invest through its subsidiary, E Chang.
 - (2) The Company's future investment plan will continue to focus on improving processes, reducing costs, and enhancing efficiency. In addition, construction has begun on the solar power generation system and the expansion of plant facilities. It is expected that within the next two years, five solar power generation systems will be installed.

7.6 Analysis of Risk Management in the Most Recent Year and as of the Publication Date of the Annual Report

Risk Item		Impact on the Company	Future Response Measures
1. The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.	Interest rate	The rise in interest rates will lead to an increase in interest expenses for the Company.	The US Federal Reserve has been promoting a monetary tightening policy to reduce inflationary pressures. In 2022, the Fed raised interest rates several times, with each increase ranging from 2 to 3 digits. The Taiwan Central Bank also followed suit with rate hikes, making it difficult to maintain the previous low interest rate level. In the coming year, there may still be rate hikes, and the Company will use interest rate swaps to reduce the financial pressure caused by the increase in interest rates.
	Exchange rate	The Company borrows in USD for the purchase of some imported scrap iron raw materials and semi-finished products. Therefore, the appreciation of the NTD benefits the Company, while depreciation is unfavorable.	The Company will use foreign exchange forward contracts, foreign currency options, and currency swap to mitigate risks.
	Inflation rate	Inflation will cause a relative increase in both the Company's related book costs and income, but it will not have a significant impact on the Company's earnings.	None
2. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.		The Company has provided subsidiary, Fastener World, with endorsement guarantee for NT\$319,470 thousand and a loan of NT\$150 million. The subsidiary is engaged in surface treatment of fasteners related to the steel industry of the Company to provide stable processing services to diversify the risks of volatile business operations.	The Company's Articles of Incorporation stipulate that funds shall not be loaned or endorsed by any person or entity other than its subsidiaries. In addition, the current "Procedures for Acquiring and Disposing of Assets" only allow for forward foreign exchange and limited authorized trading of currency options by the board of directors.
3. Research and development work to be carried out in the future, and further expenditures expected for research and development work.		Improvement in the efficiency of rebar production in the steelmaking and rolling mills, increasing the degree of automation, and implementing energy-saving and cost-reducing plans.	An investment of NT\$80 million is expected.

4. Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.	Since China announced the "dual carbon" (peak carbon dioxide emissions by 2030 and carbon neutrality by 2060) target in September 2020, it has started implementing carbon reduction measures. On February 15, 2023, the Environmental Protection Administration of the Executive Yuan renamed the "Greenhouse Gas Reduction and Management Act" to the "Climate Change Response Act" and included the "net zero emissions" target in the regulation, as well as added a carbon tax collection mechanism.	It is imperative to levy a carbon tax. The Company will invest in solar energy and improve energy consumption by upgrading equipment.
5. Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.	For information on industrial change, please refer to 5.2 Market and Sales Overview for further explanations.	Please refer to the "Competitive Advantage" and "Development Prospects" sections for details.
6. Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response.	None	None
7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.	None	None
8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken.	None	None
9. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.	The Company's revenue is not concentrated on any specific customer, and those with close business relationships are long-term, high-quality customers. The procurement of goods is based on production needs and price considerations, and they are not related parties of the Company.	The Company will evaluate the creditworthiness of its customers and take measures such as requiring advance payments or obtaining irrevocable letters of credit to mitigate the credit risk of concentrated sales.
10. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.	None	None
11. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.	None	None
12. Litigious and non-litigious matters.	None	None
13. Other important risks, and mitigation measures being or to be taken: cyber security risks	Cybersecurity threats such as hacking, distributed denial-of-service attacks, computer viruses, and data breaches can cause business interruption.	The company has appointed a cybersecurity manager and dedicated personnel, installed firewalls, implemented access control measures, and established contingency plans for recovery and backup.

7.7 Other Important Matters:

1. Evaluation basis and foundation for the provision of asset and liability valuation items

(1) Derecognition of financial assets

The Company only derecognizes financial assets when the contractual rights to cash flows from the financial asset expire or when the Company transfers the financial asset and has transferred substantially all risks and rewards of ownership of the asset to another entity. Prior to 2017, when a financial asset was derecognized as a whole, the difference between the carrying amount and the consideration received, plus any cumulative gain or loss recognized in other comprehensive income, was recognized in the income statement. Since 2018, when a financial asset is derecognized as a whole measured at amortized cost, the difference between the carrying amount and the consideration received is recognized in the income statement. When an equity investment measured at fair value through other comprehensive income is derecognized as a whole, the accumulated gain or loss is directly transferred to retained earnings and not reclassified to profit or loss.

(2) Impairment of tangible assets

The Company assesses on each balance sheet date whether there is any indication that a tangible asset may be impaired. If any impairment indicator exists, the recoverable amount of the asset is estimated, which is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an individual asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Reversals of impairment losses are recognized in the income statement.

(3) Inventory

In addition to the provisions of International Accounting Standard 2 “Inventories”, the valuation and presentation of the Company's inventory also refer to the “Inventory Provision Policy” established by International Financial Reporting Standards. The evaluation is carried out according to the following three methods:

A. Inventory: Valued based on the net realizable value by sales location, production location, and inventory category. If the book value is lower than the net realizable value, the difference is provided for as loss on inventory price decline. Net realizable value refers to the estimated selling price under normal circumstances minus the cost of completion and selling expenses.

Item	Valuation Basis
Raw materials and work-in-progress	Valued based on the net realizable value (NRV) after deducting the selling expense rate and processing cost from the market price or contract price of the finished goods as of the balance sheet date.
Finished goods	Valued based on the NRV after deducting the selling expense rate from the market price or contract price of the finished goods as of the balance sheet date.
Materials	Valued based on the market price as of the balance sheet date, or if not available, based on the most recent average purchase cost.
Purchase contracts	Valued based on the NRV after deducting the selling expense rate and processing cost from the market price or contract price of the finished goods as of the balance sheet date.

B. Obsolete and slow-moving inventories: Primarily for items such as electrode rods, ferrosilicon, dolomite, coke, and refractory materials, an allowance for obsolete and slow-moving inventories is provided based on the net realizable value and the age of the inventory.

Age of Inventory	Over 1 year but less than 5 years	5 to10 years	Over 10 years
Provision rate	10%	50%	100%

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loss on Purchase Contracts: For irrevocable raw material purchase contracts, when the unavoidable costs of fulfilling the contractual obligations exceed the expected economic benefits from the contract, a provision for loss on purchase contracts payable is estimated.

2. Key performance indicators for the steel industry's special characteristics:

There are two main performance indicators used to measure the performance of the electric arc furnace steel-making process in the Company's steel industry: the first one is the recovery rate, and the second one is the processing fee;

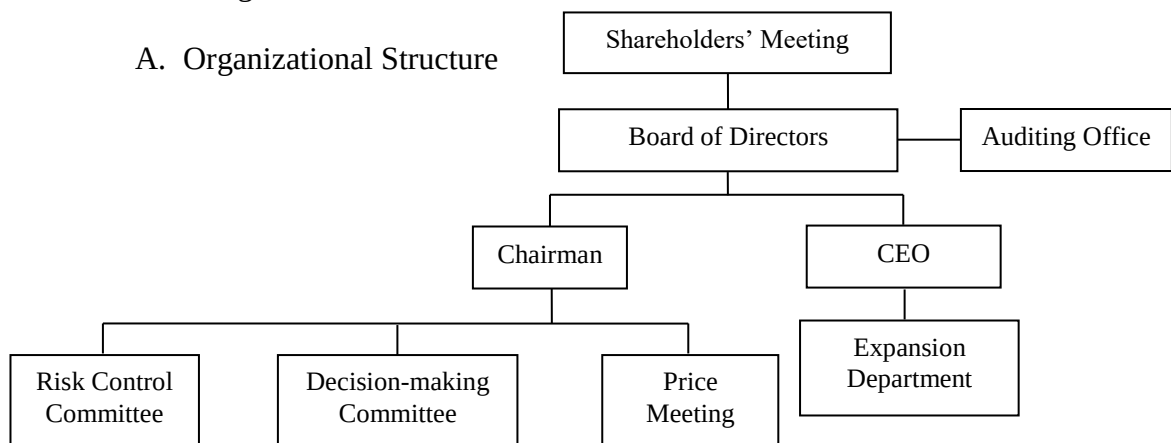
(1) The recovery rate refers to the ratio of producing steel billets or steel bars from scrap steel or steel billets input.

(2) The processing fee refers to the labor, materials, and manufacturing costs required in the production process.

The Company's research and development direction is mainly focused on how to improve the recovery rate and reduce processing fee to reduce production costs.

3. Policy and Organizational Structure for Risk Management

The Company's products are mainly sold domestically, but domestic steel prices are influenced by international steel prices, which are beyond the control of domestic manufacturers. Additionally, the cost of raw materials, including scrap steel, accounts for approximately 60% to 75% of the cost of goods sold. Therefore, the Company's major risk lies in the impact of international scrap steel price fluctuations on its operations. The timing, price, and quantity of scrap steel purchases have a decisive effect on the Company's gross profit margin. To manage this risk, the Company has established the "Regulations for Raw Material Procurement and Inventory Management" and formed a "Decision-making Committee" and a "Risk Control Committee." The Company also regularly convenes "Price Meeting" attended by the Chairman, CEO, President, Sales and Finance Departments to consider economic conditions, steel market trends, inventory changes, exchange rate fluctuations, and formulate the price and quantity for expected steel bar sales and procurement of raw materials, the hedging quotas and exchange rates for forward foreign exchange and foreign currency options. The steel industry to which the Company belongs is a capital-intensive industry. The funding requirements for expanding production capacity and equipment renovation are large and closely related to the Company's long-term profitability and financial structure. To prudently manage these risks, the Company has set up an "Expansion Department." The management units and their functions related to the Company's risk management are shown in the table below:



B. Organizational Functions

Risk Organization	Responsibilities
Auditing Office	Planning, setting up, executing, and auditing all internal control operations.
Price Meeting	Summarizing the latest market dynamics and inventory status each week to formulate weekly sales and procurement plans.
Expansion Dept.	Evaluating the capacity and equipment expansion and renovation of the steelmaking plant, rolling mill, and subsidiaries.
Decision-Making Committee	Responsible for making significant decisions, such as financing, fundraising, derivative products, credit policy, adjustment of business proportion, and production utilization rate, proposed by the finance, sales, and production departments.
Risk Management Committee	Consists of three members who manage all types of risks comprehensively and develop risk management rules and regulations. Any relevant risk management matters planned and executed by the Company's board of directors will be reported regularly to the board and timely reflected to the board on the implementation of risk management.

4. Valuation techniques and assumptions used to measure fair value:

For financial instruments with standard terms and conditions and actively traded in markets, fair value is determined based on market quotes. If market prices are not available, estimation methods are used. The estimates and assumptions used by the consolidated company in the valuation methods are consistent with the information used by market participants when pricing financial instruments.

5. Endorsement guarantees, financing provided to others, and transaction information on derivative products involving related parties:

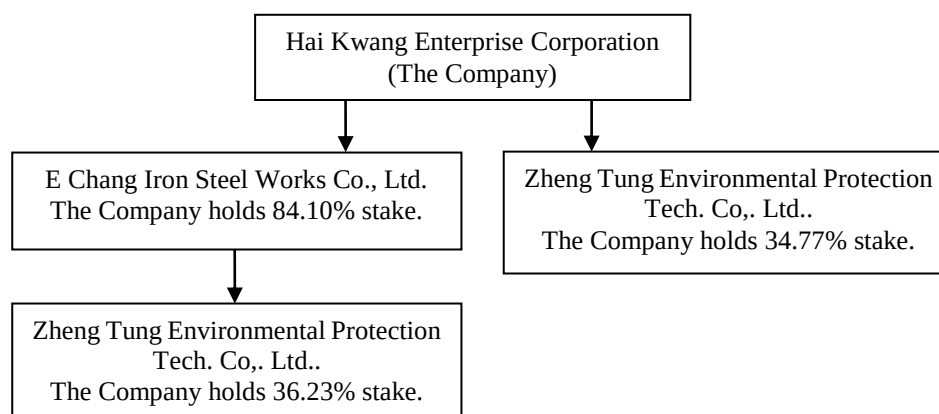
The Company's subsidiaries, E Chang Iron Steel Works Co., Ltd. and Zheng Tung Environmental Protection Tech. Co. Ltd., are not involved in endorsement guarantees, financing provided to others, or transactions involving derivative products.

VIII. Special Disclosures:

8.1 Information related to the Company's affiliates: the consolidated business report compiled in accordance with the FSC's Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations for the most recent year.

8.1.1 Summary of Affiliated Companies

1. Organization Chart



2. Basic Information of Affiliated Companies

Unit: NT\$ thousands

Company Name	Date Founded	Address	Paid-in Capital	Main Business Activities
E Chang Iron Steel Works Co., Ltd.	June 1969	No. 2, Yongguang St., Xiaogang Dist., Kaohsiung City	220,000	Manufacturing, processing, and sales of various steel products.
Zheng Tung Environmental Protection Tech. Co. Ltd.	September 2016	No. 2, Yongguang St., Xiaogang Dist., Kaohsiung City	220,000	Manufacturing, heat treatment, and surface treatment of steel wire, steel cable, and metal wire products.

3. Information About Same Shareholders of Entities that Are Presumed to Have a Relationship of Control or Subordination: None.

4. Business Scope and Relationships of Affiliated Companies: E Chang invests in the upstream process of the fastener industry - wire drawing subcontracting services, and Zheng Tung invests in the midstream and downstream process of the fastener industry - surface treatment subcontracting services.

5. Directors, Supervisors and Presidents of Affiliated Companies

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
E Chang Iron Steel Works Co., Ltd.	Chairman	Hai-Kwang Enterprise Co., Ltd (Representative: Huang, Wei-Han)	18,502,495	84.10%
	Director	Hai-Kwang Enterprise Co., Ltd (Representative: Huang, Tsan-Ming)		
	Director	Hai-Kwang Enterprise Co., Ltd (Representative: Qi, Mei-Song)		
	Director	Hai-Kwang Enterprise Co., Ltd (Representative: Wu, Yong-Ci)		
	Director	Liu, Ming-Tan	-	-
	Director	Wang, Han-Chang	-	-
	Director	Yang, Chien-Chang	-	-
	Director	Huang, Xiao-Wen	-	-
	Director	Huang, Yi-Zhen	-	-
	Supervisor	Chen, Shi-Cheng	-	-
	President	Huang, Tsan-Ming	-	-
Zheng Tung Environmental Protection Tech. Co. Ltd.	Chairman	Hai-Kwang Enterprise Co., Ltd (Representative: Huang, Wei-Han)	7,650,000	34.77%
	Director	E Chang Iron Steel Works Co., Ltd. (Representative: Huang, Tsan-Ming)	7,970,000	36.23%
	Director	You Ming Investment Co., Ltd. (Representative: Huang, Xiao-Wen)	5,220,000	23.73%
	Supervisor	Qi, Mei-Song	-	-
	President	Huang, Tsan-Ming	-	-

8.1.2 Operating Overview of Affiliated Companies for 2022

Unit: NT\$ thousands,
Earnings (Losses) Per Share: NT\$

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenues	Operating Profit (Loss)	Net Profit (Loss) (After Tax)	Earnings (Losses) Per Share
E Chang Iron Steel Works Co., Ltd.	220,000	1,300,567	207,242	1,093,325	26,575	(8,654)	(10,019)	(0.5)
Zheng Tung Environmental Protection Tech. Co. Ltd.	220,000	565,761	504,930	60,831	87,320	(84,863)	(86,682)	(3.9)

8.1.3 The Companies that should be included in the preparation of affiliated enterprises' consolidated financial statements according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and the companies that should be included in the preparation of parent-subsidiary relationship companies' consolidated financial statements according to "International Financial Reporting Standards No. 10," are the same. Moreover, related information that should be disclosed in the affiliated enterprises' consolidated financial statements have all already been disclosed in the above-mentioned parent-subsidiary relationship companies' consolidated financial statements. Thus, affiliated enterprises' consolidated financial statements will not be separately prepared. The Company has placed its Declaration on the first page of the parent-subsidiary relationship companies' consolidated financial statements.

- 8.2 Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the Company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None
- 8.3 Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- 8.4 Other matters that require additional description: None.
- 8.5 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.

HAI-KWANG ENTERPRISE CO., LTD

Chairman Huang, Wei-Han