Stock Code：2038

# HAI-KWANG ENTERPRISE CO., LTD.

## Parent Company Only Financial Statements with Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 entrusted by the Company 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, 2023. 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, 2023 are stated as follows：

<u>Authenticity of revenue recgonition</u>

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 2023, according to regulation of Statement of Auditing Standard, which presumes that there is significant risk in revenue, the authenticity of sales revenue recgonition of the aforementioned specific items is indentified as a key audit matter.

Accounting policies and disclosure information regarding revenue recognition are disclosed in Note 4 and 21 of the Parent Company Only financial statements.

The audit procedures for the sales revenue recgonition 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 on 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, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

<u>*Notice to Readers*</u>

*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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

| Assets | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|
| Current assets | | | | |
| Cash and cash equivalents（Note 4 and 6） | $ 176,075 | 2 | $ 167,687 | 2 |
| Current financial assets at fair value through profit or loss（Note 4 and 7） | 6,360 | - | 7,970 | - |
| Current financial assets at fair value through other comprehensive income（Note 4 and 8） | 38,380 | - | 38,548 | - |
| Notes receivables（Note 4 and 9） | 154,423 | 2 | 92,190 | 1 |
| Accounts receivables, net（Note 4, 9, and 27） | 1,044,931 | 12 | 934,843 | 11 |
| Other receivables | 7,234 | - | 3,224 | - |
| Other receivables－related parties（Note 27） | 300,646 | 3 | 150,556 | 2 |
| Current tax assets（Note 23） | 900 | - | 343 | - |
| Inventories（Note 4, 5, and 10） | 2,130,516 | 24 | 2,068,569 | 24 |
| Prepayments | 96,081 | 1 | 266,747 | 3 |
| Other financial assets－current（Note 4, 11, and 28） | 49,194 | 1 | 50,115 | 1 |
| Other current assets | 154 | - | 1,195 | - |
| Total current assets | 4,004,894 | 45 | 3,781,987 | 44 |
| Non-current assets | | | | |
| Non-current financial assets at fair value through other comprehensive income（Note 4 and 8） | 853,786 | 10 | 858,549 | 10 |
| Investments accounted for using equity method（Note 4 and 12） | 1,365,764 | 15 | 1,474,437 | 17 |
| Property, plant and equipment（Note 4, 13, 27 and 28） | 2,603,774 | 29 | 2,384,739 | 28 |
| Right-of-use assets（Note 4, 14 and 27） | 28,188 | - | - | - |
| Intangible assets（Note 4） | 6,763 | - | 6,576 | - |
| Deferred tax assets（Note 4 and 23） | 67,515 | 1 | 89,707 | 1 |
| Prepayments for equipment | - | - | 48,860 | - |
| Refundable deposits | 334 | - | 104 | - |
| Net defined benefit assets－non-current（Note 4 and 19） | 726 | - | 178 | - |
| Other non-current assets | 5,421 | - | 3,989 | - |
| Total non-current assets | 4,932,271 | 55 | 4,867,139 | 56 |
| Total assets | $ 8,937,165 | 100 | $ 8,649,126 | 100 |
| **Liabilities and equity** | | | | |
| Current Liabilities | | | | |
| Short-term borrowings（Note 15 and 28） | $ 1,702,311 | 19 | $ 1,921,169 | 22 |
| Short-term notes payables（Note 15） | 849,490 | 10 | 289,490 | 3 |
| Current financial liabilities at fair value through profit or loss（Note 4 and 7） | 23,784 | - | 23,396 | - |
| Current contract liabilities（Note 4 and 21） | 208,295 | 2 | 185,290 | 2 |
| Notes payables（Note 16 and 19） | 52,789 | 1 | 89,144 | 1 |
| Accounts payables（Note 16 and 27） | 518,365 | 6 | 475,514 | 6 |
| Other payables（Note 17 and 27） | 177,425 | 2 | 218,965 | 3 |
| Current provisions（Note 4 and 18） | 24,761 | - | 53,215 | 1 |
| Lease liabilities, current portion （Note 4, 14 and 27） | 1,114 | - | - | - |
| Long-term borrowings, current portion（Note 15 and 28） | 256,682 | 3 | 192,814 | 2 |
| Other current liabilities | 1,127 | - | 1,345 | - |
| Total current liabilities | 3,816,143 | 43 | 3,450,342 | 40 |
| Non-current liabilities | | | | |
| Long-term borrowings（Note 15 and 28） | 1,241,495 | 14 | 1,325,857 | 16 |
| Non-current provisions（Note 4 and 18） | 54,000 | 1 | 104,822 | 1 |
| Deferred tax liabilities（Note 4 and 23） | 99,293 | 1 | 114,402 | 1 |
| Non-current lease liabilities （Note 4, 14 and 27） | 27,165 | - | - | - |
| Guaranteed deposits received | 11 | - | 11 | - |
| Total non-current liabilities | 1,421,964 | 16 | 1,545,092 | 18 |
| Total liabilities | 5,238,107 | 59 | 4,995,434 | 58 |
| Equity（Note 20） | | | | |
| Ordinary shares | 1,903,277 | 21 | 1,812,645 | 21 |
| Capital surplus | 384,489 | 4 | 387,863 | 4 |
| Retained earnings | | | | |
| Legal reserve | 83,168 | 1 | 61,865 | 1 |
| Special reserve | 156,469 | 2 | 156,469 | 2 |
| Unappropriated earnings | 323,780 | 3 | 383,260 | 4 |
| Total retained earnings | 563,417 | 6 | 601,594 | 7 |
| Other equity | 847,875 | 10 | 851,590 | 10 |
| Total equity | 3,699,058 | 41 | 3,653,692 | 42 |
| Total liabilities and equity | $ 8,937,165 | 100 | $ 8,649,126 | 100 |

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, 2023 and 2022

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Operating revenue（Note 4, 21, and 27） | | | | |
| Sales revenue | $ 9,144,056 | 99 | $ 10,869,484 | 99 |
| Service revenue | 113,188 | 1 | 90,100 | 1 |
| Total operating revenue | 9,257,244 | 100 | 10,959,584 | 100 |
| Operating costs（Note 4, 10, 22, and 27） | | | | |
| Costs of goods sold | 8,892,919 | 96 | 10,570,511 | 97 |
| Service costs | 49,911 | - | 40,505 | - |
| Total operating costs | 8,942,830 | 96 | 10,611,016 | 97 |
| Net gross profit | 314,414 | 4 | 348,568 | 3 |
| Less：Unrealized gains from sales | 102 | - | 396 | - |
| Add: Realized gains from sales | 139 | - | - | - |
| Realized net operating profit | 314,451 | 4 | 348,172 | 3 |
| Operating expenses（Note 22 and 27） | | | | |
| Selling expenses | 66,658 | 1 | 66,581 | - |
| Administrative expenses | 83,943 | 1 | 87,170 | 1 |
| Research and development expense | 531 | - | 354 | - |
| Total operating expenses | 151,132 | 2 | 154,105 | 1 |
| Net operating income | 163,319 | 2 | 194,067 | 2 |
| Non-operating income and expenses（Note 22 and 27） | | | | |
| Interest revenue | 7,707 | - | 3,415 | - |
| Other revenue | 72,066 | 1 | 47,404 | - |
| Other gains and losses | ( $ 9,574 ) | - | $ 123,870 | 1 |

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| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Financial costs | ($ 84,609) | (1) | ($ 63,596) | (1) |
| Share of losses of subsidiaries accounted for using equity method | (88,295) | (1) | (40,405) | - |
| Total non-operating income and expenses | (102,705) | (1) | 70,688 | - |
| Profit before tax | 60,614 | 1 | 264,755 | 2 |
| Income tax expenses（Note 4 and 23） | 7,298 | - | 53,925 | - |
| Profit | 53,316 | 1 | 210,830 | 2 |
| Other comprehensive income（Note 19, 20, and 23） | | | | |
| Items not to be reclassified into profit or loss | | | | |
| Remeasurements of defined benefit plans | (1,076) | - | 2,339 | - |
| Unrealized valuation gains and losses from equity instrument investments measured at fair value through other comprehensive income | (3,597) | - | 106,672 | 1 |
| Share of other comprehensive income of subsidiaries accounted for using equity method | (118) | - | 3,339 | - |
| Income tax related to items of other comprehensive income not to be reclassified to profit or loss | 215 | - | (468) | - |
| Other comprehensive income (net of tax) | (4,576) | - | 111,882 | 1 |
| Total comprehensive income | $ 48,740 | 1 | $ 322,712 | 3 |
| Earnings per share（Note 24） | | | | |
| Basic | $ 0.28 | | $ 1.11 | |
| Diluted | $ 0.28 | | $ 1.10 | |

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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

| | | | Retained earnings | | | | Other equity | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Unrealized valuation gains and losses from equity instrument investments measured at fair value through other comprehensive income | Total equity |
| Balance at January 1, 2022 | $ 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 20） | | | | | | | | |
| 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 |
| Appropriation and distribution of 2023 earnings（Note 20） | | | | | | | | |
| Legal reserve | - | - | 21,303 | - | ( 21,303 ) | - | - | - |
| Cash dividends of ordinary shares | 90,632 | - | - | - | ( 90,632 ) | ( 90,632 ) | - | - |
| | 90,632 | - | 21,303 | - | ( 111,935 ) | ( 90,632 ) | - | - |
| Profit of 2023 | - | - | - | - | 53,316 | 53,316 | - | 53,316 |
| Other comprehensive income of 2023, net of tax | - | - | - | - | ( 861 ) | ( 861 ) | ( 3,715 ) | ( 4,576 ) |
| Total comprehensive income of 2023 | - | - | - | - | 52,455 | 52,455 | ( 3,715 ) | 48,740 |
| Difference between consideration and carrying amount of subsidiaries acquired（Note 12） | - | ( 3,374 ) | - | - | - | - | - | ( 3,374 ) |
| Balance at December 31, 2023 | $ 1,903,277 | $ 384,489 | $ 83,168 | $ 156,469 | $ 323,780 | $ 563,417 | $ 847,875 | $ 3,699,058 |

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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | $ 60,614 | $ 264,755 |
| Items of income and expense | | |
| Depreciation expenses | 224,301 | 213,011 |
| Amortization expenses | 10,918 | 9,822 |
| Net gains on financial instruments at fair value through profit or loss | ( 23,286 ) | ( 300,228 ) |
| Financial costs | 84,609 | 63,596 |
| Interest revenue | ( 7,707 ) | ( 3,415 ) |
| Dividends revenue | ( 62,995 ) | ( 39,166 ) |
| Share of losses of subsidiaries accounted for using equity method | 88,295 | 40,405 |
| Loss from disposal and scrap of property, plant and equipment | - | 2,036 |
| Inventory valuation losses (reversal gains) | ( 28,159 ) | 416 |
| Increase in provisions | 12,610 | 29,422 |
| Others | ( 37 ) | 396 |
| Net changes in operating assets and liabilities | | |
| Financial instruments mandatorily measured at fair value through profit or loss | 25,284 | 307,472 |
| Notes receivables | ( 62,233 ) | 15,956 |
| Accounts receivables | ( 110,088 ) | 81,991 |
| Other receivables (including related parties) | ( 3,896 ) | ( 2,910 ) |
| Inventories | ( 33,788 ) | ( 71,737 ) |
| Prepayments | 170,781 | ( 183,519 ) |
| Other current assets | 1,041 | 1,752 |
| Net defined benefit assets | ( 1,624 ) | ( 178 ) |
| Contract liabilities | 23,005 | ( 173,118 ) |
| Notes payables | ( 26,959 ) | 2,958 |
| Accounts payables | 42,851 | ( 24,661 ) |
| Other payables | ( 43,579 ) | ( 20,306 ) |
| Provisions | ( 91,886 ) | ( 62,912 ) |
| Other current liabilities | ( 218 ) | 424 |
| Net defined benefit liabilities | - | ( 2,707 ) |

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| | 2023 | 2022 |
|---|---|---|
| Cash inflows generated from operations | $ 247,854 | $ 149,555 |
| Interest received | 7,503 | 3,126 |
| Interest paid | ( 88,734 ) | ( 63,196 ) |
| Income taxes refund (paid) | ( 557 ) | ( 267 ) |
| Net cash inflow provided by operating activities | 166,066 | 89,218 |
| Cash flows from investing activities | | |
| Refund of paid-up capital from financial assets at fair value through other comprehensive income | 1,334 | - |
| Acquisition of property, plant and equipment | ( 397,357 ) | ( 242,660 ) |
| Proceeds from disposal of property, plant and equipment | - | 1,491 |
| Increase in refundable deposits | ( 230 ) | - |
| Increase in other receivables－related parties | ( 150,000 ) | ( 150,291 ) |
| Acquisition of intangible assets | ( 2,088 ) | ( 5,841 ) |
| Decrease (increase) in other financial assets | 921 | ( 2,574 ) |
| Increase in other non-current assets | ( 10,449 ) | ( 6,907 ) |
| Dividends received | 62,995 | 39,166 |
| Net cash outflows provided by investing activities | ( 494,874 ) | ( 367,616 ) |
| Cash flows from financing activities | | |
| Increase in short-term borrowings | 6,859,276 | 10,147,307 |
| Decrease in short-term borrowings | ( 7,078,134 ) | ( 9,503,185 ) |
| Increase (Decrease) in short-term notes payables | 560,000 | ( 420,000 ) |
| Increase in long-term borrowings | 178,000 | 1,020,000 |
| Repayment of long-term borrowings | ( 198,494 ) | ( 662,887 ) |
| Repayment of principal of lease liabilities | ( 375 ) | - |
| Distribution of cash dividends | - | ( 271,897 ) |
| Disposals of shares of subsidiaries (not resulting in loss of control) | 16,923 | - |
| Net cash inflows provided by financing activities | 337,196 | 309,338 |
| Increase (decrease) in cash and cash equivalents | 8,388 | 30,940 |
| Cash and cash equivalents at the beginning of period | 167,687 | 136,747 |
| Cash and cash equivalents at the end of period | $ 176,075 | $ 167,687 |

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

( 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 12, 2024.

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) (collectively "IFRS accounting standards") 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 IFRS accounting standards endorsed and issued into effect by the FSC

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

Note 1： Unless stated otherwise, the above new, amended, or revised IFRS accounting standards are effective for annual periods beginning on or after their respective effective dates.

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

Note 3： Part of the disclosure regulations is exempt at first-time adoption of the modification.

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

(3). The IFRS accounting standards issued by IASB but not yet endorsed by the FSC

| New, Revised, or Amended Standards or Interpretations | Effective date per 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 17 “Insurance Contract” | Jan. 1, 2023 |
| Amendments to IFRS 17 | Jan. 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information" | Jan. 1, 2023 |
| Amendments to IAS 21 “Lack of Exchangeability” | January 1, 2025（Note 2） |

Note 1： Unless stated otherwise, the above new, amended or revised IFRS standards are effective for annual periods beginning on or after their respective effective dates.

Note 2： The amendments apply to annual reporting periods beginning on or after 1 January 2025. The consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

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 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 estimate values 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, right-of-use assets, 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, right-of-use assets, 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.

   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 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 Company 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 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.

<u>Loss reserve for purchase contracts</u>

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 rending 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 assets are determined by the amount of the surplus 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.

When the Company and subsidiaries develop significant estimate values, the management will keep assessing estimates and basic assumptions.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and revolving funds | $ 166 | $ 487 |
| Demand deposits | 173,407 | 156,232 |
| Checking deposits | 2,502 | 10,968 |
| | $176,075 | $167,687 |

7. Current financial instruments at fair value through profit or loss

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Non-derivative financial assets | | |
| Stocks of domestic listed companies | $ 6,360 | $ 7,970 |
| | | |
| Financial liabilities mandatorily measured at fair value through profit or loss | | |
| Non-derivative instruments（not designated as hedging instruments） | | |
| Foreign exchange option contracts | $ 16,199 | $ 1,300 |
| Forward exchange agreements | 5,132 | 5,335 |
| Currency swap contracts | 2,453 | 16,761 |
| | $ 23,784 | $ 23,396 |

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

| | Currently | Maturity period | Contract amount（in thousands） |
|---|---|---|---|
| December 31, 2023 | | | |
| Currency swap contracts | NTD to USD | February, 2024～June, 2024 | NTD129,107／USD4,150 |
| December 31, 2022 | | | |
| Currency swap contracts | NTD to USD | September, 2023～November, 2023 | NTD442,370／USD14,300 |

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） |
|---|---|---|---|
| December 31, 2023 | | | |
| Pre-purchases of forward exchange | NTD to USD | January, 2024～March, 2024 | NTD486,096／USD15,336 |
| December 31, 2022 | | | |
| 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：

| | Currently | Maturity period | Contract amount（in thousands） |
|---|---|---|---|
| December 31, 2023 | | | |
| Put options of foreign exchange | USD to NTD | January, 2024 | USD4,000／NTD128,800 |
| December 31, 2022 | | | |
| Put options of foreign exchange | USD to NTD | January, 2023～April, 2023 | USD22,000／NTD669,000 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current | | |
| Domestic investments | | |
| Stocks of listed companies | $ 38,380 | $ 38,548 |
| Non-current | | |
| Domestic investments | | |
| Stocks of listed companies | $849,362 | $853,071 |
| Stocks of unlisted companies | 4,424 | 5,478 |
| | $853,786 | $858,549 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivables | | |
| Resulting from operations | $ 154,423 | $ 92,190 |
| Accounts receivables | | |
| At amortized cost | | |
| Total carrying amount at amortized cos | $1,044,931 | $ 934,843 |
| Less：loss allowances | - | - |
| | $1,044,931 | $ 934,843 |

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 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 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 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 after the entry dates of accounts receivables.

The age and loss allowances of receivables based on the entry dates are as follows：

December 31, 2023

| | Within 60 days | 61～150 days | Over 150 days | Total |
|---|---|---|---|---|
| Expected loss rate（%） | - | - | 100 | |
| Total carrying amount | $ 1,160,838 | $ 38,516 | $ - | $ 1,199,354 |
| Loss allowances（lifetime expected credit loss） | - | - | - | - |
| Amortized cost | $ 1,160,838 | $ 38,516 | $ - | $ 1,199,354 |

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 | $ 951,686 | $ 75,347 | $ - | $ 1,027,033 |

10. Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Work in process | $1,084,437 | $1,266,306 |
| Finished goods | 611,657 | 421,016 |
| Raw materials | 296,777 | 229,030 |
| Materials | 136,604 | 143,228 |
| Merchandises | - | 4,757 |
| Tailings | 1,041 | 4,232 |
| | $2,130,516 | $2,068,569 |

The sales costs related to inventories amounted to NT$8,892,919 thousand and NT$10,570,511 thousand for the years ended December 31, 2023 and 2022, respectively, which include：

| | 2023 | 2022 |
|---|---|---|
| Inventory valuation losses (reversal gains) | ($28,159) | $ 416 |

The reversal of the net realizable value of inventories resulted from out-sourced billet steel with low cost lowering the average cost per unit, and delivery of orders with low unit prices increasing the average order amount.

11. Other financial assets－current

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Time deposits pledge as collaterals （Note 28） | $ 49,194 | $ 49,773 |
| Reserve account （Note 28） | - | 342 |
| | $ 49,194 | $ 50,115 |

12. Investments accounted for using equity method

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investments in subsidiaries | | |
| E CHANG IRON STEEL WORKS CO., LTD. （E CHANG） | $ 1,365,764 | $ 1,453,658 |
| ZHENG TUNG ENVIRONMENTAL PROTECTION TECH. （ZHENG TUNG） | - | 20,779 |
| | $ 1,365,764 | $ 1,474,437 |

Please refer to Note 5 for the information on investees.

| Subsidiary | Main business | Percentage of ownership December 31, 2023 | Percentage of ownership December 31, 2022 | Note |
|---|---|---|---|---|
| E CHANG | Manufacture, processing and trading of various iron and steel products | 84.1 | 84.1 | - |
| ZHENG TUNG | Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products | - | 34.77 | Note 1, 2 |

Note 1：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 12 and 25 in the consolidated financial statements for the aforementioned shares transaction.

Note 2: ZHENG TUNG implemented capital decrease to cover up accumulated deficit and cash capital increase in April,

2023. The Company gave up the subscriptions of the shares of the cash capital increase, and the portion given up was subscribed by E CHANG in full; in addition, the Company has resolved to sell all the shares of ZHENG TUNG held to E CHANG by the board of directors in May, 2023. Please refer to Note 12 and 25 in the consolidated financial statements for the aforementioned shares transaction.

13. Property, plant and equipment

2023

| | Self-owned land | 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, 2023 | $ 1,114,255 | $ 643,928 | $ 4,274,829 | $ 389,394 | $ 106,949 | $ 45,260 | $ 76,453 | $ 26,653 | $ 6,677,721 |
| Additions | - | 36,559 | 147,595 | 13,349 | 1,130 | - | 228,750 | 15,487 | 442,870 |
| Disposals | - | ( 93,449 ) | ( 461,796 ) | ( 37,429 ) | - | ( 27,884 ) | ( 12,232 ) | - | ( 632,790 ) |
| Balance as of December 31, 2023 | 1,114,255 | 587,038 | 3,960,628 | 365,314 | 108,079 | 17,376 | 292,971 | 42,140 | 6,487,801 |
| Accumulated depreciation | | | | | | | | | |
| Balance as of January 1, 2023 | $ - | $ 462,111 | $ 3,402,013 | $ 279,441 | $ 61,505 | $ 41,669 | $ 46,243 | $ - | $ 4,292,982 |
| Depreciation expenses | - | 27,038 | 166,924 | 13,893 | 7,795 | 963 | 7,222 | - | 223,835 |
| Disposals | - | ( 93,449 ) | ( 461,796 ) | ( 37,429 ) | - | ( 27,884 ) | ( 12,232 ) | - | ( 632,790 ) |
| Balance as of December 31, 2023 | - | 395,700 | 3,107,141 | 255,905 | 69,300 | 14,748 | 41,233 | - | 3,884,027 |
| Net amount as of December 31, 2023 | $ 1,114,255 | $ 191,338 | $ 853,487 | $ 109,409 | $ 38,779 | $ 2,628 | $ 251,738 | $ 42,140 | $ 2,603,774 |

2022

| | Self-owned land | 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 | $ 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 | 1,114,255 | 643,928 | 4,274,829 | 389,394 | 106,949 | 45,260 | 76,453 | 26,653 | 6,677,721 |
| 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 | - | 462,111 | 3,402,013 | 279,441 | 61,505 | 41,669 | 46,243 | - | 4,292,982 |
| Net amount as of December 31, 2022 | $ 1,114,255 | $ 181,817 | $ 872,816 | $ 109,953 | $ 45,444 | $ 3,591 | $ 30,210 | $ 26,653 | $ 2,384,739 |

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 | |
| Production equipment systems and auxiliary equipment | 10~40 years |
| Equipment parts and maintenances | 2~10 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, 2023 and 2022 are as follows：

| | 2023 | 2022 |
|---|---|---|
| Investing activities affect both cash and non-cash items | | |
| Increase in property, plant and equipment | $442,870 | $356,541 |
| Decrease in prepayments for equipment | ( 48,745) | ( 100,264) |
| Decrease (increase) in notes payables | $ 9,396 | ($ 5,710) |
| Increase in other payables－for equipment | ( 2,572) | ( 5,829) |
| Interests capitalized | ( 3,592) | ( 2,078) |
| Cash paid | $397,357 | $242,660 |

14. Lease agreements

(1).Right-of-use assets

| | December 31, 2023 |
|---|---|
| Carrying amount of right-of-use assets | |
| Buildings and structures | $ 28,188 |

| | 2023 |
|---|---|
| Additions to right-of-use assets | $ 28,654 |
| Depreciation expenses of right-of-use assets | |
| Buildings and structures | $ 466 |

(2).Lease liabilities

| | December 31, 2023 |
|---|---|
| Carrying amount of lease liabilities | |
| Current | $ 1,114 |
| Non-current | $ 27,165 |

The interval of the discount rate of lease liabilities is as follows:

| | December 31, 2023 |
|---|---|
| Buildings and structures | 2.14 |

(3).Significant lease activities and terms

The Company rent plant from THE ENVOY ENTERPRISE CO., LTD. to set up photovoltaics system for generating electricity. The lease term is 20 years. Rents shall be paid monthly in accordance with the lease contract. The Company has no bargain purchase price option to the underlying buildings and structures of the lease.

(4).Other information on leases

| | 2023 |
|---|---|
| Expenses of short-term leases and leases of low-value assets | $9,169 |
| Total cash outflows of leases | $9,742 |

The Company and subsidiaries have elected to apply for the recognition exemption to short-term lease and leases for which the underlying assets are of low value and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. Borrowings

(1). Short-term borrowings

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Secured bank loans（Note 28） | $ - | $ 529,032 |
| Unsecured bank loans | 1,702,311 | 1,392,137 |
| | $1,702,311 | $1,921,169 |
| | | |
| Interest rate interval (%) | | |
| Secured bank loans | - | 2.03～2.11 |
| Unsecured bank loans | 1.98～2.25 | 1.70～2.21 |

(2). Short-term notes payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Commercial paper payables | $850,000 | $290,000 |
| Less：Unamortized discounts | 510 | 510 |
| | $849,490 | $289,490 |

The interest rates of the short-term notes payables as of December 31, 2023 and 2022 are 2.13%～2.14% and 2.06%～2.10%, respectively, The acceptance and guarantee institutions include O-Bank Bills, DAH CHUNG BILLS, MEGA BILLS, Grand Bills, Ta Ching Bills, China Bills, and International Bills.

(3). Long-term borrowings

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Secured bank loans | $1,499,078 | $1,519,994 |
| Less：land establishment fee | 901 | 1,323 |
| | 1,498,177 | 1,518,671 |
| Less：current portion | 256,682 | 192,814 |
| | $1,241,495 | $1,325,857 |

As of December 31, 2023 and 2022, the interest rates for long-term borrowings are 2.15%～2.32% and 1.90%～2.36%, respectively.

Long-term borrowings from bank are explained as follows：

The Company borrowed bank loan which is not available for revolving use from banks, and provided property, plant and equipment as collaterals (Please refer to Note 28.). Chairman of the Company also provided joint guarantee (Please refer to Note 27.).

In addition, according to the contract of loans signed with O-Bank, the Company promised the current ratio, debt ratio, net worth of tangible assets, and average deposit balance of the Group shall conform certain percentages in the consolidated financial statements for the first half and the year during the loan period. The financial ratios and amounts in the consolidated financial statements for the years ended December 31, 2023 and 2022 did not violate the restrictions.

16. 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.

17. Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Payables on power | $ 53,252 | $ 57,787 |
| Payroll and bonus payables | 29,731 | 43,967 |
| Payables on equipment | 20,412 | 17,840 |
| Maintenance fee payables | 16,457 | 16,843 |
| Disposal fee of slags and furnace dusts payables | 14,070 | 16,525 |
| Payables on fire compensation | 11,617 | 9,539 |
| Import sundry charges payables | 4,864 | 13,530 |
| Employees’ and directors’ remuneration payables | 3,868 | 16,900 |
| Others | 23,154 | 26,034 |
| | $177,425 | $218,965 |

18. Provisions

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current | | |
| Reserve for disposals of slags payables | $ 24,761 | $ 53,215 |
| Non-current | | |
| Reserve for disposals of slags payables | $ 54,000 | $104,822 |

| | Reserve for disposals of slags payables | Onerous contracts | Total |
|---|---|---|---|
| Balance as of January 1, 2023 | $ 158,037 | $ - | $ 158,037 |
| Appropriation | 12,610 | - | 12,610 |
| Amounts paid | ( 91,886 ) | - | ( 91,886 ) |
| Balance as of December 31, 2023 | $ 78,761 | $ - | $ 78,761 |
| | | | |
| 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 | $ 158,037 | $ - | $ 158,037 |

19. 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：

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | $ 37,230 | $ 37,341 |
| Fair value of plan assets | ( 37,956 ) | ( 37,519 ) |
| Net defined benefit assets | ( $ 726 ) | ( $ 178 ) |

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) |
|---|---|---|---|
| 2023 | | | |
| Balance as of January 1, 2023 | $ 37,341 | ($ 37,519) | ($ 178) |
| Service cost | | | |
| Current service cost | 98 | - | 98 |
| Interest expenses (revenue) | 448 | ( 452) | ( 4) |
| Recognized in profit or loss | 546 | ( 452) | 94 |
| Remeasurement | | | |
| Return on plan assets (excluding the amount included in net interest) | - | ( 342) | ( 342) |
| Actuarial losses－changes in financial assumptions | 134 | - | 134 |
| Actuarial losses－experience adjustment | 1,284 | - | 1,284 |
| Recognized in other comprehensive income | 1,418 | ( 342) | 1,076 |
| Funding by the employer | - | ( 100) | ( 100) |
| Benefits paid | ( 2,075) | 457 | ( 1,618) |
| Balance as of December 31, 2023 | $ 37,230 | ($ 37,956) | ($ 726) |
| 2022 | | | |
| Balance as of January 1, 2022 | $ 39,428 | ($ 34,382) | $ 5,046 |
| Service cost | | | |
| Current service cost | 93 | - | 93 |
| Interest expenses (revenue) | 237 | ( 207) | 30 |
| Recognized in profit or loss | 330 | ( 207) | 123 |
| 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 | 1,399 | - | 1,399 |
| Recognized in other comprehensive income | 463 | ( 2,802) | ( 2,339) |
| Funding by the employer | - | ( 128) | ( 128) |
| Benefits paid | ($ 2,880) | $ - | ($ 2,880) |
| Balance as of December 31, 2022 | $ 37,341 | ($ 37,519) | ($ 178) |

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

| | 2023 | 2022 |
|---|---|---|
| Operating costs | $ 94 | $ 123 |

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, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate（%） | 1.1 | 1.2 |
| 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：

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | | |
| Increase by 0.1% | ($ 134) | ($ 150) |
| Decrease by 0.1% | $ 135 | $ 152 |
| Rate of expected future salary increase | | |
| Increase by 0.1% | $ 114 | $ 131 |
| Decrease by 0.1% | ($ 113) | ($ 130) |

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.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Expected contribution within 1 year | $ - | $336 |
| Average maturity of defined benefit obligations | 4.1 years | 4 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 2023 and 2022. As of December 31, 2023 and 2022, the unpaid amounts are NT$0 thousand and NT$2,880 thousand, respectively (recognized under notes payables).

20. Equity

(1). Ordinary shares

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Number of authorized shares（thousand） | 350,000 | 350,000 |
| Authorized capital | $3,500,000 | $3,500,000 |
| Number of fully-paid shares issued（thousand） | 190,328 | 181,265 |
| Share capital issued | $1,903,277 | $1,812,645 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| 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 | 116,422 | 119,796 |
| May only be used to write off accumulated losses | | |
| Changes in ownership interests in subsidiaries (Note2) | 174 | 174 |
| | $384,489 | $387,863 |

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, 2023 and June, 2022 as follows：

| | Earnings distribution | | Dividend per share | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Appropriation to legal reserve | $ 21,303 | $ 45,870 | | |
| Stock dividend of ordinary shares | 90,632 | - | $ 0.5 | $ - |
| Cash dividend of ordinary shares | - | 271,897 | - | 1.5 |
| | $ 111,935 | $ 317,767 | | |

The Board of Directors proposed no distribution of earnings for the year ended December 31, 2023 in March, 2024.

The distribution of earnings for 2023 shall be resolved by the shareholders' meeting held in June, 2024.

(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.

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

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | $851,590 | $741,909 |
| Incurred in current period | | |
| Equity instruments－unrealized gains or losses | ( 3,715) | 110,011 |
| Share of subsidiaries accounted for using equity method | ( 118) | 3,339 |
| Accumulated gains or losses resulting from disposal of equity instruments transferred to retained earnings. | - | ( 330) |
| Ending balance | $847,875 | $851,590 |

## 21. Operating revenue

(1). Balances of contracts

| | December 31, 2023 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|
| Receivables（Note 9） | $1,199,354 | $1,027,033 | $1,124,980 |
| Current contract liabilities | | | |
| Sales of goods | $ 208,295 | $ 185,290 | $ 358,408 |

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 2023 and 2022 amounted to NT$182,694 thousand and NT$352,217 thousand, respectively.

(2). Classification of revenue from contracts with customers

| | 2023 | 2022 |
|---|---|---|
| Sales revenue | | |
| Deformed steel bar | $ 9,114,987 | $ 10,864,968 |
| Others | 29,069 | 4,516 |
| Service revenue | 113,188 | 90,100 |
| | $ 9,257,244 | $ 10,959,584 |

## 22. Profit before tax

Profit before tax includes the items as follows：

(1). Interest revenue

| | 2023 | 2022 |
|---|---|---|
| Loans to related parties（Note 27） | $ 4,548 | $ 1,916 |
| Bank deposits | 3,159 | 1,499 |
| | $ 7,707 | $ 3,415 |

(2). Other revenue

| | 2023 | 2022 |
|---|---|---|
| Dividend revenue | $ 62,995 | $ 39,166 |
| Revenue from sales of scrapped ironware and containers | 4,286 | 3,063 |
| Others | 4,785 | 5,175 |
| | $ 72,066 | $ 47,404 |

(3). Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Net gains on financial instruments (liabilities) at fair value through profit or loss | $ 23,286 | $300,228 |
| Net foreign exchange gains (losses) | ( 28,756 ) | ( 152,133 ) |
| Others | ( 4,104 ) | ( 24,225 ) |
| | ( $ 9,574 ) | $123,870 |

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

| | 2023 | 2022 |
|---|---|---|
| Total foreign exchange gains | $ 10,428 | $ 26,171 |
| Total foreign exchange losses | ( 39,184 ) | ( 178,304 ) |
| Net gains (losses) | ( $ 28,756 ) | ( $152,133 ) |

(4). Financial costs

| | 2023 | 2022 |
|---|---|---|
| Interests of bank loans | $ 78,897 | $ 61,802 |
| Lease liabilities | 198 | - |
| Interests of short-term notes payables | 9,106 | 3,872 |
| Interest expenses of financial liabilities not measured at fair value through profit or loss | 88,201 | 65,674 |
| Less：amounts eligible for assets capitalization | 3,592 | 2,078 |
| | $ 84,609 | $ 63,596 |

The information on interests eligible for capitalization is as follows：

| | 2023 | 2022 |
|---|---|---|
| Amounts of interests capitalized | $ 3,592 | $ 2,078 |
| Interest capitalization rate （%） | 2.07～2.21 | 1.37～2.38 |

(5). Depreciation and amortization

| | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment | $223,835 | $213,011 |
| Right of use assets | 466 | - |
| Intangible assets | 1,901 | 1,482 |
| Property, plant and equipment | 9,017 | 8,340 |
| | $235,219 | $222,833 |

（Continued on next page）

(Brought forward)

| | 2023 | 2022 |
|---|---|---|
| Depreciation expenses by function | | |
| Operating costs | $217,220 | $206,813 |
| Operating expenses | 7,081 | 6,198 |
| | $224,301 | $213,011 |
| Amortization expenses by function | | |
| Operating costs | $ 9,017 | $ 8,340 |
| Operating expenses | 1,901 | 1,482 |
| | $ 10,918 | $ 9,822 |

(6). Employee benefits expenses

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | | |
| Payroll and bonuses | $265,962 | $271,423 |
| Labor and health insurance | 27,437 | 25,682 |
| Others | 8,050 | 7,458 |
| | 301,449 | 304,563 |
| Post-employment benefits | | |
| Defined contribution plans | 10,205 | 9,560 |
| Defined benefit plans (Note 19) | 94 | 123 |
| | 10,299 | 9,683 |
| | $311,748 | $314,246 |
| Summarized by function | | |
| Operating costs | $246,017 | $242,088 |
| Operating expenses | 65,731 | 72,158 |
| | $311,748 | $314,246 |

(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, 2023 and 2022 resolved by the Board of Directors in March 2023 and 2022 are as follows：

| | 2023 | 2022 |
|---|---|---|
| Employees' remuneration | $ 1,934 | $ 8,450 |
| Directors' remuneration | 1,934 | 8,450 |
| | $ 3,868 | $ 16,900 |

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, 2022 and 2021 resolved by the Board of Directors in March 2023 and 2022 and recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021 are as follows：

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Employees' remuneration | Directors' remuneration | Employees' remuneration | Directors' remuneration |
| Distribution amounts resolved by the Board of Directors（all paid by cash） | $ 8,450 | $ 8,450 | $ 15,118 | $ 18,048 |
| Amounts recognized in the parent company only financial statements of the year | $ 8,450 | $ 8,450 | $ 12,097 | $ 18,048 |

If the actual distribution amount in 2021 is different from the amount recognized in the parent company only 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.

23. Income tax

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

| | 2023 | 2022 |
|---|---|---|
| Deferred income tax | | |
| Incurrent in current period | $ 7,298 | $ 53,925 |

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

| | 2023 | 2022 |
|---|---|---|
| Profit before tax | $ 60,614 | $ 264,755 |
| | | |
| Income tax expenses calculated by profit before tax multiplying the enacted tax rates | $ 12,123 | $ 52,951 |
| Permanent differences | ( 4,825 ) | 974 |
| | $ 7,298 | $ 53,925 |

(2). Current tax assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current tax assets | | |
| Income tax refund receivables | $900 | $343 |

(3). Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows：

2023

| Deferred tax assets | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Allowances for inventory valuation losses | $ 11,657 | ($ 5,631) | $ - | $ 6,026 |
| Loss carryforwards | 46,006 | ( 226) | - | 45,780 |
| Unrealized disposals of slags payables | 21,039 | ( 15,855) | - | 5,184 |
| Others | 11,005 | ( 480) | - | 10,525 |
| | $ 89,707 | ($ 22,192) | $ - | $ 67,515 |

| Deferred tax liabilities | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Reserve for land value increment tax | $ 98,902 | $ - | $ - | $ 98,902 |
| Book-tax differences of depreciation expenses | 15,311 | ( 15,311) | - | - |
| Others | 189 | 417 | ( 215) | 391 |
| | $114,402 | ($ 14,894) | ($ 215) | $ 99,293 |

2022

| Deferred tax assets | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| 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 | 9,189 | 2,284 | ( 468) | 11,005 |
| | $144,919 | ($ 54,744) | ($ 468) | $ 89,707 |

（Continued on next page）

(Brought forward)

| | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Reserve for land value increment tax | $ 98,902 | $ - | $ - | $ 98,902 |
| Book-tax differences of depreciation expenses | 15,830 | ( 519) | - | 15,311 |
| Others | 489 | ( 300) | - | 189 |
| | $115,221 | ($ 819) | $ - | $114,402 |

(4). Information on unused loss carryforwards

As of December 31, 2023, the information on loss carryforward is as follows：

| Uneducated balance | Last deductible year |
|---|---|
| $ 228,903 | 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 2021.

24. Earnings per share

When calculating earnings per share, the effect of stock dividend distribution has been adjusted retrospectively. The base date of the stock dividend distribution is on September 3, 2023. Due to the retrospective adjustment, the basic and diluted earnings per share have changed as follows:

Unit: NTD per share

| | Before retrospective adjustment | After retrospective adjustment |
|---|---|---|
| Basic earnings per share | $ 1.16 | $ 1.11 |
| Diluted earnings per share | $ 1.16 | $ 1.10 |

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

| | 2023 | 2022 |
|---|---|---|
| Profit attributable to owners of the Company | $ 53,316 | $210,830 |

Number of shares

Unit：thousands of shares

| | 2023 | 2022 |
|---|---|---|
| Weighted average number of ordinary shares outstanding used to calculate basic and diluted earnings per share | 190,328 | 190,328 |
| Add：Diluted potential ordinary shares－employees' remuneration | 175 | 478 |
| Diluted weighted average number of ordinary shares outstanding (thousand) | 190,503 | 190,806 |

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.

25. 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 2023 did not change.

The capital structure of the Company comprises bank loans and equity.

Except explained in Note 15, the Company does 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 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, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Stocks of domestic listed companies | $ 6,360 | $ - | $ - | $ 6,360 |

( Continued on next page )

(Brought forward)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through other comprehensive income | | | | |
| Stocks of domestic listed companies | $ 887,742 | $ - | $ - | $ 887,742 |
| Stocks of domestic unlisted companies | - | - | 4,424 | 4,424 |
| | $ 887,742 | $ - | $ 4,424 | $ 892,166 |
| Financial liabilities at fair value through profit or loss | | | | |
| Foreign exchange option contracts | $ - | $ 5,132 | $ - | $ 5,132 |
| Forward exchange agreements | - | 16,199 | - | 16,199 |
| Currency swap contracts | - | 2,453 | - | 2,453 |
| | $ - | $ 23,784 | $ - | $ 23,784 |

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Stocks of domestic listed companies | $ 7,970 | $ - | $ - | $ 7,970 |
| 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 |
| | $ 891,619 | $ - | $ 5,478 | $ 897,097 |
| 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 |
| | $ - | $ 23,396 | $ - | $ 23,396 |

During the years ended December 31, 2023 and 2022, 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 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 5,478 | $ 5,412 |
| Recognized in other comprehensive income | ( 1,054 ) | 66 |
| Ending balance | $ 4,424 | $ 5,478 |

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 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 investee.

(3). Types of financial instruments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Mandatorily measured at fair value | $ 6,360 | $ 7,970 |
| Current and non-current financial assets at fair value through other comprehensive income | 892,166 | 897,097 |
| Financial assets at amortized cost( Note 1 ) | 1,732,837 | 1,398,719 |
| Financial liabilities | | |
| Mandatorily measured at fair value | 23,784 | 23,396 |
| Measured at amortized cost （Note 2） | 4,798,568 | 4,512,964 |

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, long-term and short-term bank loans, and lease liabilities. 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 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' exposure to foreign currency risk relates primarily to the 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：

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Liabilities | $ 23,784 | $ 23,396 |

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' 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' profit or loss under the circumstance of a weakening of 1% of the functional currency against the USD：

| | Increase in profit before tax（decrease）（Note） | |
|---|---|---|
| | 2023 | 2022 |
| Profit or loss under scenario 1 | ( $ 403 ) | ( $ 309 ) |
| Profit or loss under scenario 2 | 403 | 309 |

Note： Primarily originated from the outstanding bank deposits 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 lease liabilities) 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：

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| With fair value interest rate risk | | |
| Financial assets | $ 49,194 | $ 50,115 |
| Financial liabilities | 877,769 | 289,490 |
| | | |
| With cash flow interest rate risk | | |
| Financial assets | 173,407 | 156,232 |
| Financial liabilities | 3,200,488 | 3,439,840 |

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$30,271 thousand and NT$32,836 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 by NT$64 thousand and NT$80 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$8,922 thousand and NT$8,971 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 27 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：

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes and accounts receivables | | |
| Company A | $119,775 | $192,439 |

As of December 31, 2023 and 2022, the ratios from the aforementioned customers are 10% and 19%, respectively.

3. Liquidity risk

The Company manages and maintains sufficient cash for operating use and decreasing the impact from the fluctuations of cash flows.

As of December 31, 2023 and 2022, the unused credit lines of long-term and short-term bank loans amounted to NT$2,495,419 thousand and NT$2,969,831 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 |
|---|---|---|---|---|
| December 31, 2023 | | | | |
| Non-derivative financial liabilities | | | | |
| Liabilities without bearing interests | $ 748,579 | $ - | $ 11 | $ 748,590 |
| Lease liabilities | 440 | 1,320 | 32,868 | 34,628 |
| Instruments with fixed interest rates | 850,000 | - | - | 850,000 |
| Instruments with floating interest rates | 980,544 | 1,019,934 | 1,290,672 | 3,291,150 |
| Financial guarantee liabilities | - | 2,850 | 48,550 | 51,400 |
| | $ 2,579,563 | $ 1,024,104 | $ 1,372,101 | $ 4,975,768 |
| December 31, 2022 | | | | |
| 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 | 90,000 | - | 114,470 | 204,470 |
| | $ 2,168,437 | $ 1,153,252 | $ 1,503,108 | $ 4,824,797 |

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 |
|---|---|---|---|
| December 31, 2023 | | | |
| Net settlement | | | |
| Foreign exchange option contracts | ( $ 3,427 ) | $ - | $ - |
| Gross settlement | | | |
| Currency swap contracts | | | |
| Inflows | $ - | $ 105,537 | $ 21,117 |
| Outflows | - | ( 107,520 ) | ( 21,587 ) |
| | $ - | ( $ 1,983 ) | ( $ 470 ) |
| Forward exchange agreements | | | |
| Inflows | $ 316,203 | $ 153,694 | $ - |
| Outflows | ( 329,291 ) | ( 156,805 ) | - |
| | ( $ 13,088 ) | ( $ 3,111 ) | $ - |
| Foreign exchange option contracts | | | |
| Inflows | $ 32,000 | $ - | $ - |
| Outflows | ( 33,705 ) | - | - |
| | ( $ 1,705 ) | $ - | $ - |
| December 31, 2022 | | | |
| Net settlement | | | |
| Foreign exchange option contracts | ( $ 477 ) | ( $ 2,095 ) | ( $ 2,763 ) |
| Gross settlement | | | |
| Currency swap contracts | | | |
| Inflows | $ - | $ - | $ 425,609 |
| Outflows | - | - | ( 442,370 ) |
| | $ - | $ - | ( $ 16,761 ) |
| Forward exchange agreements | | | |
| Inflows | $ - | $ 241,367 | $ - |
| Outflows | - | ( 242,667 ) | - |
| | $ - | ( $ 1,300 ) | $ - |

27. Related party transactions

(1). Related party names and relationships

| Name of related party | Relationship |
|---|---|
| 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.（ZHENG TUNG） | Subsidiary |

(2). Transactions in operations

1. Sales

| Type of related party | 2023 | 2022 |
|---|---|---|
| Substantive related party | $ 13,861 | $ 6,620 |
| Subsidiary | 719 | 1,926 |
| | $ 14,580 | $ 8,546 |

2. Purchases

| Type of related party | 2023 | 2022 |
|---|---|---|
| Substantive related party | $ 12,599 | $ 13,143 |
| Subsidiary | 932 | 2,244 |
| | $ 13,531 | $ 15,387 |

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

| Account | Type of related party | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts receivables | Substantive related party | $ 349 | $ 1,387 |
| Other receivables | Subsidiary | $ 300,646 | $ 150,556 |

(4). Payables to related parties

| Account | Type of related party | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts payables | Substantive related party | $ 907 | $ 869 |
| Other payables | Substantive related party | $ - | $ 262 |
| | Subsidiary | 1,630 | 2,367 |
| | The Company is the legal person director. | 1,547 | 428 |
| | | $ 3,177 | $ 3,057 |

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 December 31, 2023 | Considerations paid December 31, 2022 |
|---|---|---|
| Subsidiary | $ - | $ 706 |

(6). Lease agreements

| Type of related party | 2023 | 2022 |
|---|---|---|
| Acquisition of right-of-use assets | | |
| Subsidiary | $ 15,709 | $ - |

| Account | Type of related party | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Lease liabilities (including current and non-current) | Subsidiary | $15,551 | $ - |

| Type of related party | 2023 | 2022 |
|---|---|---|
| Interest expenses | | |
| Subsidiary | $ 84 | $ - |
| Lease expenses | | |
| Subsidiary | $ 9,150 | $ 7,630 |

The Company rents buildings and structures from subsidiaries. The lease term is 20 years. The rents refer to the level of similar assets, and paid by a fixed lease payment monthly based on the lease contracts. Rent expenses are for qualified short-term lease and leases for which the underlying land and plant are of low value.

(7). Other related party transactions

1. Manufacturing expenses

| Account | Type of related party | 2023 | 2022 |
|---|---|---|---|
| Disposal fee of furnace dusts | The Company is the legal person director. | $ 7,377 | $ 1,886 |

2. Rendering services

The Company transferred employees from subsidiaries for operating use. The service expenses for the years ended December 31, 2023 and 2022 amounted to NT$22,179 thousand and NT$33,021 thousand, respectively (recognized under operating costs and operating expenses).

3. Guarantees

The Chairman, Huang, Wei-Han provided joint guarantees for the long-term and short-term borrowings as of December 31, 2023 and 2022.

(8). Loans to related parties

As of December 31, 2023 and 2022, the balance of the loans to ZHENG TUNG amounted to NT$300,000 thousand and NT$150,000 thousand, respectively. 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.

Interest revenue for the aforementioned loans is as follows：

Interest revenue

| Type of related party | 2023 | 2022 |
|---|---|---|
| Subsidiary | $ 4,548 | $ 1,916 |

(9). Endorsements and guarantees

The Company provided guarantees for subsidiary, ZHENG TUNG's financing：

| Purpose of guarantee | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Guarantees for financing | | |
| Guaranteed amount | $319,470 | $319,470 |
| Amount of actual usage | 51,400 | 204,470 |

(10). Information on key management personnel compensation

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

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits（including payrolls, remunerations, and bonuses） | $ 24,031 | $ 24,020 |
| Post-employment benefits | 558 | 470 |
| | $ 24,589 | $ 24,490 |

28. Pledged assets

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

| | Carrying amount | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Property, plant and equipment | | |
| Land（including appraisal increments） | $ 1,114,255 | $ 1,114,255 |
| Buildings and structures | 98,400 | 100,355 |
| Machinery equipment | 34,412 | 41,466 |
| Other financial assets－current | | |
| Negotiable certificates of deposits | 49,194 | 49,773 |
| Reserve accounts | - | 342 |
| | $ 1,296,261 | $ 1,306,191 |

29. Significant contingencies and unrecognized contract commitments

As of December 31, 2023, 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$229,395 thousand.

(2). The unpaid amount of the contract signed with suppliers for purchasing assets and equipment maintenance of the Company amounted to NT$58,454 thousand.

(3). The purchase commitments not performed amounted to NT$756,164 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 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

| | Foreign currency | | Exchange rate | Carrying amount | |
|---|---|---|---|---|---|
| December 31, 2023 | | | | | |
| Financial assets which are monetary items | | | | | |
| USD | $ | 1,311 | 30.755 | $ | 40,330 |
| | | | | | |
| December 31, 2022 | | | | | |
| Financial assets which are monetary items | | | | | |
| USD | | 1,003 | 30.760 | | 30,852 |

Net foreign exchange gains (losses) (including realized and unrealized) for the year ended December 31, 2023 and 2022 amounted to NT$(28,756) thousand and NT$(152,133) 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.

31. Other disclosures

(1). Information on signification 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

32. Segment information

As segment information has been disclosed in the consolidated financial statements, it is not disclosed in the parent company only financial statements.

HAI-KWANG ENTERPRISE CO., LTD. and Subsidiaries
Loans to others
For the Year Ended December 31, 2023

Table 1

Expressed in thousands of New Taiwan Dollars
( Except as indicated )

| 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. | Other receivables－related parties | Yes | $ 350,000 | $ 350,000 | $ 300,000 | 0.59%Floating rate of one-year time deposit in postal savings plus 0.59% | Note 1 | $ - | The operating capital required for building plant and the beginning of mass production | $ - | - | $ - | $ 369,906 | $ 739,812 | 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, 2023

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 | $369,906 | $319,470 | $319,470 | $ 51,400 | $126,470 | 8.64 | $739,812 | 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 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 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, 2023

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 | $ 38,380 | 0.4 | $ 38,380 | |
| | | | Non-current financial assets at fair value through other comprehensive income | 9,272,512 | $849,362 | 8.3 | $849,362 | |
| | Shiao Kang Warehousing Corp. | | Non-current financial assets at fair value through other comprehensive income | 399,940 | 4,424 | 4.4 | 4,424 | |
| | | | | | $853,786 | | $853,786 | |
| | Shin Kong Financial Holding Co., Ltd.－preferred B share | | Current financial assets at fair value through profit or loss | 222,000 | $ 6,360 | 0.1 | $ 6,360 | |
| 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 | $ 32,152 | 0.3 | $ 32,152 | |
| | Beneficiary certificates of fund | | | | | | | |
| | Shin Kong Environmental Sustainability Bond Fund | | Current financial assets at fair value through profit or loss | 500,000 | $ 4,461 | - | $ 4,461 | |
| | Financial bonds | | | | | | | |
| | HSBC 4.375 | | Current financial assets at fair value through profit or loss | 500,000 | $ 14,889 | - | $ 14,889 | |

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, 2023

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 | $300,595 | - | $ - | - | $ - | $ - | 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, 2023

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, 2023 | | | Profit (loss) of investees in the current period | Gain (loss) of investees recognized in the current period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of shares | Percentage (%) | Carrying amount | | | |
| The Company | E CHANG | Taiwan | Manufacture, processing and trading of various iron and steel products | $ 1,223,892 | $ 1,223,892 | 18,502,495 | 84.1 | $ 1,365,764 | ($ 92,747 ) | ($ 78,002 ) | Subsidiary |
| The Company | ZHENG TUNG | Taiwan | Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products | - | 76,500 | - | - | - | ( 117,568 ) | ( 10,293 ) | Subsidiary |
| E CHANG | ZHENG TUNG | Taiwan | Manufacture, heat treatment and surface treatment of steel wires, steel cables, and metal wires products | 280,735 | 79,700 | 23,083,054 | 100 | 114,891 | ( 117,568 ) | ( 98,691 ) | |

Note： The transactions between the parent and subsidiaries are eliminated at preparing the consolidated financial statements.

HAI-KWANG ENTERPRISE CO., LTD.
Information on major shareholders
December 31, 2023

Table 6

| Name of major shareholders | Shares | |
|---|---|---|
| | Number of shares held | Percentage of ownership（%） |
| SEA BRIGHT INVESTMENT LIMITED | 43,411,277 | 22.80 |
| YOMING INVETMENT CO., LTD. | 13,446,642 | 7.06 |
| ZONGLI INVESTMENT CO., LTD. | 11,279,494 | 5.92 |

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.

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.

# §Table of Contents of Statements of Significant Accounts§

HAI-KWANG ENTERPRISE CO., LTD.
Statements of cash
December 31, 2023

Statement 1

Expressed in thousands of New Taiwan Dollars
( Except as indicated )

| Item | Amount |
| --- | --- |
| Cash on hand and revolving funds | $ 166 |
| | |
| Bank deposits | |
| Demand deposits | 158,460 |
| Foreign currency deposits（USD469,309, JPY1,651,150, EURO4,070, and CNY2,222）（Note） | 14,947 |
| Checking deposits | 2,502 |
| | $176,075 |

Note： USD is translated by the exchange rate of US$1＝30.755.
JPY is translated by the exchange rate of ¥1＝0.2192.
EURO is translated by the exchange rate of EUR$1＝34.18.
CNY is translated by the exchange rate of CNY$1＝4.352.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of financial assets at fair value through profit or loss
December 31, 2023

Statement 2

Expressed in thousands of New Taiwan Dollars
( Except as indicated )

| Financial instrument | Number of share | Acquisition cost | Fair value Unit price (NTD) | Fair value Total amount | Note |
|---|---|---|---|---|---|
| Current | | | | | |
| Stock of listed companies | | | | | |
| Shin Kong Financial Holding Co., Ltd. | 222,000 | $ 9,990 | $ 28.65 | $ 6,360 | |
| Add：valuation adjustments | | ( 3,630 ) | | - | |
| | | $ 6,360 | | $ 6,360 | |

HAI-KWANG ENTERPRISE CO., LTD.

Statements of financial assets at fair value through other comprehensive income

December 31, 2023

Statement 3

Expressed in thousands of New Taiwan Dollars
( Except as indicated )

| Financial instrument | Number of share | Acquisition cost | Fair value: Unit price (NTD) | Fair value: Total amount | Note |
|---|---|---|---|---|---|
| Current | | | | | |
| Stocks of listed companies | | | | | |
| Taiwan Steel Union Co., Ltd. | 419,000 | $ 2,026 | $ 91.60 | $ 38,380 | |
| Add ： valuation adjustments | | 36,354 | | - | |
| | | $ 38,380 | | $ 38,380 | |
| Non-current | | | | | |
| Stocks of listed companies | | | | | |
| Taiwan Steel Union Co., Ltd. | 9,272,512 | $ 44,848 | 91.60 | $ 849,362 | |
| Add：valuation adjustments | | 804,514 | | - | |
| | | 849,362 | | 849,362 | |
| Stocks of unlisted companies | | | | | |
| XIAOGANG WAREHOUSING COMPANY | 399,940 | 4,213 | 11.06 | 4,424 | |
| Add：valuation adjustments | | 211 | | - | |
| | | 4,424 | | 4,424 | |
| | | $ 853,786 | | $ 853,786 | |

HAI-KWANG ENTERPRISE CO., LTD.
Statements of notes receivables
December 31, 2023

Statement 4

Expressed in thousands of New Taiwan Dollars

| Name of customer | Summary | Amount |
|---|---|---|
| SHUNHUI CONSTRUCTION CO., LTD. | Receivables from sales | $ 60,182 |
| FU TSU CONSTRUCTION CO., LTD. | Receivables from sales | 52,327 |
| WA TA HER CO., LTD. | Receivables from sales | 9,460 |
| JILONG STEEL CORPORATION | Receivables from sales | 7,900 |
| KEN YI ENTERPRISE CO., LTD. | Receivables from sales | 7,767 |
| Others（Note） | | 16,787 |
| | | $154,423 |

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, 2023

Statement 5

Expressed in thousands of New Taiwan Dollars

| Name of customer | Summary | Amount |
|---|---|---|
| KEN YI ENTERPRISE CO., LTD. | Receivables from sales | $112,008 |
| CHIH SHENG STEEL & SHIPPING CORPORATION | Receivables from sales | 88,270 |
| WA TA HER CO., LTD. | Receivables from sales | 82,981 |
| KEDGE CONSTRUCTION CO., LTD. | Receivables from sales | 78,773 |
| Longyou Steel Industry Co., LTD. | Receivables from sales | 57,048 |
| SHUI SHENG STEEL CORPORATION | Receivables from sales | 55,502 |
| FU TSU CONSTRUCTION CO., LTD. | Receivables from sales | 55,228 |
| DA CIN Construction Co., Ltd. | Receivables from sales | 54,699 |
| JEE LONG STEEL CO. , LTD. | Receivables from sales | 52,624 |
| Others（Note） | | 407,798 |
| | | $1,044,931 |

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, 2023

Statement 6

Expressed in thousands of New Taiwan Dollars

| Item | Amount | |
|---|---|---|
| | Carrying amount | Net realizable value |
| Finished goods | $ 611,657 | $ 630,746 |
| Work in process | 1,084,437 | 1,156,782 |
| Raw materials | 296,777 | 307,739 |
| Materials | 136,604 | 136,604 |
| Tailings | 1,041 | 1,041 |
| | $2,130,516 | $2,232,912 |

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, 2023

Statement 7

Expressed in thousands of New Taiwan Dollars

| Item | Amount |
| --- | --- |
| Prepayments to suppliers | $ 59,288 |
| Tax overpaid retained for offsetting the future tax payables | 35,193 |
| Others（Note） | 1,600 |
| | $ 96,081 |

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
For the year ended December 31, 2023

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 | $1,453,658 | - | $ - | - | $ 87,894 | 18,502,495 | 84.1 | $1,365,764 | $1,365,764 | None |
| ZHENG TUNG (investment in subsidiaries) | 7,650,000 | 20,779 | - | - | 7,650,000 | 20,779 | - | - | - | - | None |
| | | $1,474,437 | | $ - | | $ 108,673 | | | $1,365,764 | $1,365,764 | |

Note: Deductions in the current year are selling shares to subsidiary, E CHANG (Note 12), 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 changes in right-of-use assets

For the year ended December 31, 2023

Statement 9

Expressed in thousands of New Taiwan Dollars

| Item | Beginning balance | Additions | Reductions | Ending balance |
|---|---|---|---|---|
| Cost | | | | |
| Buildings and structures | $ - | $ 28,654 | $ - | $ 28,654 |
| Accumulated depreciation | | | | |
| Buildings and structures | $ - | $ 466 | $ - | $ 466 |
| | $ - | | | $ 28,188 |

HAI-KWANG ENTERPRISE CO., LTD.

Statements of short-term borrowings
December 31, 2023

Statement 10

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 | | | | | |
| Mega International Commercial Bank Kaohsiung Branch | $ 175,409 | 2023.10.25～2024.05.01 | 1.9800～2.0500 | NT$200,000 | None |
| Shin Kong Bank Cisian Branch | 150,000 | 2023.11.15～2024.01.15 | 2.0800 | NT$150,000 | None |
| Taiwan Cooperative Bank Kuanghua Branch | 105,000 | 2023.10.11～2024.12.04 | 2.1530 | NT$282,000 | None |
| Hua Nan Commercial Bank Kaohsiung Branch | 41,675 | 2023.12.18～2024.01.18 | 2.1838 | NT$200,000 | None |
| KGI Bank | 100,000 | 2023.12.14～2024.03.14 | 2.1538 | NT$200,000 | None |
| First Commercial Bank Xiaogang Branch | 81,733 | 2023.12.14～2024.05.09 | 2.1000 | NT$300,000 | None |
| Bank of Kaohsiung Kaohsiung Branch | 50,000 | 2023.12.21～2024.01.16 | 2.1500 | US$7,000 | None |
| Land Bank of Taiwan Sanmin Branch | 50,000 | 2023.09.15～2024.01.12 | 2.1600 | NT$200,000 | None |
| Yuanta Commercial Bank | 250,000 | 2023.05.30～2024.05.30 | 2.1500 | NT$250,000 | None |
| Shanghai Commercial & Savings Bank | 60,315 | 2023.11.29～2024.06.08 | 2.1600 | US$6,000 | None |
| Entie Commercial Bank Kaohsiung Branch | 200,000 | 2023.12.27～2024.01.27 | 2.1500 | NT$200,000 | None |
| Panhsin Bank) Xiaogang Branch | 28,179 | 2023.12.20～2024.06.24 | 2.2500 | NT$155,000 | None |
| Far Eastern International Bank | 60,000 | 2023.12.25～2024.03.22 | 2.0200 | NT$100,000 | None |
| O-Bank Kaohsiung Branch | 100,000 | 2023.11.30～2023.12.30 | 2.1492 | NT$200,000 | None |
| Union Bank of Taiwan | 250,000 | 2023.03.13～2024.12.15 | 2.1500 | NT$300,000 | None |
| | $ 1,702,311 | | | | |

HAI-KWANG ENTERPRISE CO., LTD.
Statements of notes payables
December 31, 2023

Statement 11

Expressed in thousands of New Taiwan Dollars

| Supplier name | Summary | Amount |
|---|---|---|
| CHOYNG JIH ENTERPRISE CO., LTD. | Payment for goods ／Payment for equipment | $ 11,751 |
| SHENGYI LOGISTICS CO., LTD. | Payment for goods | 7,823 |
| ZENGYANG ENTERPRISE CO., LTD. | Payment for goods ／Payment for equipment | 7,703 |
| CHIA HSUNN ENTERPRISE PTY LTD. | Payment for goods | 4,304 |
| GBF BONTEX TAIWAN INC. | Payment for goods | 4,230 |
| SHENG DE COMMUNICATIONS AND TRANSPORTATION CO., LTD. | Payment for goods | 3,723 |
| Others（Note） | | 13,255 |
| | | $ 52,789 |

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, 2023

Statement 12

Expressed in thousands of New Taiwan Dollars

| Supplier name | Summary | Amount |
|---|---|---|
| Tung Ho Steel Enterprise Corp. | Payment for goods | $ 85,716 |
| GREEN ENVIRONMENT ENGINEERING INCORPORATION | Payment for goods | 54,096 |
| SD METAL ENTERPRISE CO., LTD. | Payment for goods | 33,443 |
| HSIN IN METAL CO., LTD. | Payment for goods | 29,913 |
| Others（Note） | | 315,197 |
| | | $518,365 |

Note：The balance of each item under others does not exceed 5% of balance of the item.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of lease liabilities
December 31, 2023

Statement 13

Expressed in thousands of New Taiwan Dollars
( Except as indicated )

| Item | Summary | Lease term（Note 2） | Discount rate（%） | Balance |
|---|---|---|---|---|
| Buildings and structures | Solar energy generation -THE ENVOY ENTERPRISE CO., LTD. | 2023.08.31～2044.07.31 | Note 1 | $ 12,728 |
| Buildings and structures | Solar energy generation - E CHANG | 2023.10.31～2044.09.30 | Note 1 | 15,551 |
| | | | | 28,279 |
| Less：current portion（Note 3） | | | | 1,114 |
| | | | | $ 27,165 |

Note 1: Please refer to Note 14.
Note 2: The lease term is defined in IFRS 16 paragraph 18 ~ 21, not the contract term.
Note 3: Lease liabilities due within one year shall be transferred to current liabilities.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of current contract liabilities
December 31, 2023

Statement 14

Expressed in thousands of New Taiwan Dollars

| Customer name | Amount |
|---|---|
| Receipts in advance | |
| SHUNHUI CONSTRUCTION CO., LTD. | $ 77,459 |
| OKUMURA CORPORATION TAIWAN BRANCH (JP) | 26,825 |
| XINGYIYI STEEL CORPORATION | 18,461 |
| HSIN CHUN YUNG CO., LTD. | 12,762 |
| ELILONG STEEL WORKS | 11,565 |
| Others（Note） | 61,223 |
| | $208,295 |

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, 2023

Statement 15

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

| Creditor | Loan period and repayment | Annual interest rate (%) | Amount | | | Collateral or guarantee |
|---|---|---|---|---|---|---|
| | | | Due within 1 year | Due over 1 year | Total | |
| Secured bank loans | | | | | | |
| O-Bank | Note 1 | 2.32 | $ 149,176 | $ 409,002 | $ 558,178 | Note 2 |
| Union Bank of Taiwan | Note 1 | 2.15 | 107,928 | 832,972 | 940,900 | Note 2 |
| Less：land establishment fee | | | 422 | 479 | 901 | |
| | | | $ 256,682 | $ 1,241,495 | $ 1,498,177 | |

Note 1：Please refer to the explanation in Note 15.

Note 2：The Company provided plant and self-owned land as collaterals. Chairman of the Company, Huang, Wei-Han, also provided joint guarantee

HAI-KWANG ENTERPRISE CO., LTD.
Statements of net operating revenue
For the Year Ended December 31, 2023

Statement 16

Expressed in thousands of New Taiwan Dollars
（Except as indicated）

| Item | Quantity | Amount |
|---|---|---|
| Deformed steel bar | 462,733（thousand kilograms） | $ 9,118,836 |
| Steel wire rod | 1,399（thousand kilograms） | 27,933 |
| Wire | 51（thousand kilograms） | 1,136 |
| Sales allowances | | ( 3,849) |
| Subtotal | | 9,144,056 |
| Service revenue（Note） | | 113,188 |
| | | $ 9,257,244 |

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, 2023

Statement 17

Expressed in thousands of New Taiwan Dollars

| Item | Amount |
|---|---|
| Costs of goods sold of self-produced products | |
| Direct raw material | |
| Beginning raw material | $ 247,636 |
| Raw material purchased in current period | 3,645,444 |
| Ending raw materials | ( 296,777 ) |
| Others（Note 1） | 139,984 |
| | 3,736,287 |
| Direct labor | 177,061 |
| Manufacturing expenses | 1,936,133 |
| Production costs | 5,849,481 |
| Add：beginning work in process | 1,266,306 |
| Work in process purchased in current period | 2,563,901 |
| Less：others（Note 2） | ( 201,908 ) |
| Ending work in process | ( 1,114,563 ) |
| Costs of finished goods | 8,363,217 |
| Add：beginning finished goods | 432,594 |
| Finished goods purchased in current period | 623,513 |
| Gains (losses) on physical inventory | 344 |
| Less：Ending finished goods | ( 611,713 ) |
| Costs of goods produced and sole | 8,807,955 |
| Costs of purchased goods sold | |
| Beginning merchandises | 4,726 |
| Add：merchandises purchased in current period | 34,229 |
| Add：others（Note 3） | ( 12,301 ) |
| | 26,654 |
| Service costs | 49,911 |
| Idle capacity losses | 58,310 |
| | $ 8,942,830 |

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 Steel wire rods used transferred to manufacturing expenses.

HAI-KWANG ENTERPRISE CO., LTD.
Statements of operating expenses
For the Year Ended December 31, 2023

Statement 18

Expressed in thousands of New Taiwan Dollars

| Item | Selling expenses | Administrative expenses | Research and development expenses | Total |
|---|---|---|---|---|
| Payroll expenses (including pension expenses and directors' remuneration) | $ 8,592 | $ 48,764 | $ 454 | $ 57,810 |
| Freights | 49,392 | 10 | - | 49,402 |
| Service expenses | 317 | 6,480 | - | 6,797 |
| Depreciation expenses | 844 | 6,237 | - | 7,081 |
| Insurance expenses | 922 | 5,914 | 53 | 6,889 |
| Employee benefits | 361 | 1,363 | 24 | 1,748 |
| Others (Note) | 6,230 | 15,175 | - | 21,405 |
| | $ 66,658 | $ 83,943 | $ 531 | $ 151,132 |

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, 2023 and 2022

Statement 19

Expressed in thousands of New Taiwan Dollars

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses | | | | | | |
| Payroll | $ 210,664 | $ 53,004 | $ 263,668 | $ 209,105 | $ 53,669 | $ 262,774 |
| Labor and health insurance | 21,637 | 5,800 | 27,437 | 20,325 | 5,357 | 25,682 |
| Pension | 7,787 | 2,512 | 10,299 | 7,270 | 2,413 | 9,683 |
| Directors' remuneration | - | 2,294 | 2,294 | - | 8,649 | 8,649 |
| Others | 5,929 | 2,121 | 8,050 | 5,388 | 2,070 | 7,458 |
| | $ 246,017 | $ 65,731 | $ 311,748 | $ 242,088 | $ 72,158 | $ 314,246 |
| Depreciation expenses | $ 217,220 | $ 7,081 | $ 224,301 | $ 206,813 | $ 6,198 | $ 213,011 |
| Amortization expenses | 9,017 | 1,901 | 10,918 | 8,340 | 1,482 | 9,822 |

Note 1： The average numbers of employees are 415 and 388 for the years ended December 31, 2023 and 2022, respectively. Among them, the numbers of directors not serving as employees are 6 and 5, respectively.

Note 2：Information below is also disclosed：

1. The average employee benefit expenses amounted to NT$757 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$798 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 2023 and 2022, respectively.
2. The average payroll expenses amounted to NT$645 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$686 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 2023 and 2022, respectively.
3. The rate of changes in average payroll expenses is -5.98% ("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, 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.