

CSBC CORPORATION, TAIWAN.

2022 Annual Report

Notice to readers

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

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Printed on May 30, 2023

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◇ The name of the trading place where overseas securities are listed for trading and the way to inquire about the information : None.

◇ Company website : <http://www.csbcnet.com.tw>

CSBC CORPORATION, TAIWAN
2022Annual Report
Contents

I.	Report to Shareholders	1
II.	Company Profile	5
III.	Corporate Governance Report.....	7
	3.1 Organization	7
	3.2 Directors, Supervisors and Management Team.....	13
	3.3 Implementation of Corporate Governance	36
	3.4 Information of Fees to CPA.....	80
	3.5 Information of Changing CPAs	80
	3.6 The Chairman, President and Financial or Accounting Manager of the Company who had Worked for the Independent Auditor or the Related Party in the Past Year, shall Indicate the Name, the Title and Term of Contract	80
	3.7 Transfer of equity interests and/or pledge of or change in equity interests by directors, supervisors, managers, or shareholders with a stake of more than 10% during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	80
	3.8 Information Disclosing the Spouse, Kinship Within the Second Degree and Relationship between and any of the Top Ten Shareholders.....	83
	3.9 The Shareholding of the Company, Director, Supervisor, Management and the Business that is Controlled by the Company Directly or Indirectly on the Invested Company and the consolidated shareholding ratio is calculated	84
IV.	Capital Overview.....	85
	4.1 Capital and Shares	85
	4.2 Corporate Bonds handling situation	91
	4.3 Preferred Shares handling situation.....	95
	4.4 Global Depository Receipts	95
	4.5 Employee Stock Options	95
	4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions	95
	4.7 Financing Plans and Implementation	95
V.	Operation Overview	96
	5.1 Business Activities	96
	5.2 Market and Sales Overview	120
	5.3 The number of employees, average length of service, average age and educational background in the last two years and up to the publication date of the annual report.....	128
	5.4 Expenditure on Environmental Protection	128
	5.5 Labor Relations	134
	5.6 Important Contracts.....	136

VI. Financial Information.....	140
6.1 Five-Year Financial Summary.....	140
6.2 Five-Year Financial Analysis	144
6.3 Audit Committee’s Report in the Most Recent Year.....	149
6.4 The consolidated financial report of the most recent year that has been verified by CPA	150
6.5 The non-consolidated financial report of the most recent year that has been verified by CPA	150
6.6 The company and its affiliated companies have experienced financial difficulties in the most recent year and as of the printing date of the annual report	150
VII. Review and analyses of Financial Position, and Financial Performance, and Assessment of Risk Items	151
7.1 Financial Condition	151
7.2 Financial Performance.....	152
7.3 Cash Flows	153
7.4 The Impact of any Material Capital Expenditure over the Most Recent Fiscal Year.....	153
7.5 The FCM’s Financial Policy for the Most Recent Year on Investment in other Companies, the Main Reasons for Profit/ Losses Resulting therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year.	155
7.6 The Matters that shall be Analyzed and Assessed in the Section on Risks	156
7.7 Other Important Matters.....	165
VIII. Special Items	168
8.1 Information Related to the Company’s Affiliates	168
8.2 In the most recent year and as of the publication date of the annual report, the status of private equity securities	171
8.3 Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report	171
8.4 Other Matters that Require Additional Description	171
IX. Situations Which Might Materially Affect Shareholders’ Equity or the Price of the Company’s Securities, has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report	171
Appendix 1 : Consolidated Financial Statements for 2022 and 2021	1~89
Appendix 2 : Parent Company Only Financial Statements for 2022 and 2021	1~75

I. Report to Shareholders

Dear Shareholders,

Thank you for attending the year's regular shareholders meeting of the company during the busy schedule. I would like to report to you about the company's business results for 2022 and a summary of the business plan for 2023.

1. The status of the global shipbuilding industry in 2022

After the sea freight has experienced a boom period, since the second half of 2022, the market growth has begun to slow down. With a decline in sea freight demand and the rapid growth of shipping capacity, shipping costs and vessel rents of sea freight have fallen. Although some shipping companies have started to lower their shipping capacity, this measure is not much help in balancing market supply and demand since many shipping companies have ordered a large number of new ships in the late stage of the covid-19 epidemic. Most new ships were built already and delivered to shipping companies. According to statistics, the capacity of container ships will increase by 25% in the next three years, and this would lead to a serious overcapacity. Moreover, the decrease in sea freight demand, the entire shipping industry would face a stage of recession, and it also means that the era of high profitability for shipping companies has ended.

In the shipbuilding market, according to statistics from Clarkson Research, in 2022, the worldwide new shipbuilding orders signed is about 42.79 million CGT, a decrease of 10.9% compared with 2021. As of the end of December 2022, the global shipbuilding orders are 106 million CGT, an increasing of 38.4% than last year. The overall new shipbuilding market is still dominated by LNG carriers, container ships and bulk carriers. LNG is obviously increasing both in market share and shipping demand.

Although the shipping industry did not have good performance in 2022, the shipbuilding industry will still achieve good results under various pressures. The

main factor is that the shipbuilding industry has a delay compared with the shipping industry. Therefore, the company will continue to pay attention to changes in the shipbuilding market.

2. Operating Performance in 2022

(1) Consolidated financial results.

Unit: Thousand NT\$

Item	2021	2022	Compared with 2021(%)
Operating income	19,113,429	21,994,050	15.07%
Gross Profit (loss)	555,219	(3,096,764)	(657.76%)
Operating profit	(2,914)	(3,758,339)	(128,875.26%)
Pre-Tax Income	10,315	(3,542,337)	(34,441.61%)
Net profit (loss)	9,553	(3,548,488)	(37,245.27%)

The operating income of the company in 2022 was NT\$21.994 billion, and the gross operating loss was 3.097 billion. The net loss for the current period was 3.548 billion, which was a increase of 3.558 billion in loss compared to 2021. The main reason for the loss is that the ships currently under construction are very difficult to engineering, and the cost of raw materials, equipment, and labor has risen sharply, resulting in huge losses.

(2) Orders in hand

a. New ship and marine engineering orders

As of the end of December 2022, there are 10 commercial ships (10 in Kaohsiung) and 14 warships and official ships (6 in Kaohsiung and 8 in Keelung) in hand. The delivery schedule of Kaohsiung shipyard orders are by November 2025, and the Keelung shipyard by October 2027. For marine engineering, there are 63 pin piles for Hai-Long offshore wind project. For mechanical engineering, there are 26 petrochemical storage tanks for CPC.

b. Completion and delivery

In 2022, no commercial ships were completed and delivered. And for official ship, 4 ships were completed and delivered at the Kaohsiung shipyard and 5 ships were completed and delivered at the Keelung shipyard.

(3) Major investment

The projects in the implementation of the 2022 fixed assets project investment plan include the "Investment Plan for the Kaohsiung Plant's 350-ton GOC Crane Replacement Project", the "Kaohsiung shipyard Multi-purpose Steel Structure Production Line Project Investment Plan", the "Investment Plan for the Important Equipment Factory of the National Ship", the "Purchase a large anchor tugboat", and the "Energy storage system construction project".

3. Business Plan for 2023

Although gradually COVID-19 epidemic lifting lockdowns brings economy and freight growing, Ukrainian-Russian War and climate change causes food shortages and high energy costs instead. Furthermore, the US and some Democratic countries imposed economic sanctions against Russia, and most countries' lift rates policy bring many variables to the shipping and shipbuilding industry.

The continuous deterioration of the global inflation problem has caused the prices of raw materials and equipment to rise, as well as the shortage of workers in the post-epidemic era, which has led to the continuous increase of the company's material and labor costs, which has seriously decrease profits.

In view of this, the company continues to implement the enterprise transformation plan, and at the same time implements a number of operational improvements plans and continues to implement the EP-10 improvement plan, in

order to optimize the company's operating conditions.

Looking forward to 2023, despite the downward trend in the commercial ship market, CSBC has the technical advantages of energy-saving and smart ships, and has experience in building marine engineering ships, which will help to contract the niche "commercial ship" business. In addition, CSBC has recently been actively rushing to build warships to strengthen Taiwan's military power. As the same time, the Pin Pile business of offshore wind turbines has been restarted and it has cooperated with Taiwan University to invest in the construction the platforms of floating wind power, etc., which will help CSBC's business development and advancement.

Although the operation in 2023 is still quite difficult, CSBC will follow the strategic goals and move forward. In the future, depending on the market development situation and national policies, CSBC will adjust the operation direction in a timely manner and actively move towards turning losses into profits.

Best wishes for everyone.
Good health and Great fortune!

CSBC Corporation, Taiwan
Chairman CHENG, WEN-LON

II. Company Profile

2.1.1 Date of establishment : November 7, 1973

2.1.2 Addresses and Phone numbers of the Headquarter, Branch office and Shipyards.

Headquarter : 3. Jhonggang Rd., Siaogang District, Kaohsiung, Taiwan, R.O.C.

Tel : (07) 805-9888

Kaohsiung Shipyard : 3. Jhonggang Rd., Siaogang District, Kaohsiung, Taiwan, R.O.C.

Tel : (07) 805-9888

Keelung Shipyard : 224. Ho-1 Road, Keelung, Taiwan, R.O.C.

Tel : (02) 2463-1021

2.1.3 Company History(For details, please refer to the official website of CSBC)

1973 : CSBC Corporation, Taiwan was established in July and obtained approval for establishment registration in November.

2020 : On September 16, the company was awarded the Kaohsiung Environmental Protection Bureau's 2019 Green Procurement Outstanding Enterprise.

2020 : On November 27, the company was awarded the first prize of the 2019 Port Facility Security Assessment.

2020 : On October 15, the company passed the TIPS A-level verification sampling review.

2020 : On October 26, the company passed the CMMI Level 2 and ISO 27001 : 2013 (verification of Capability Maturity Model Integration and information security management system) and awarded the certificate on December 23.

2021 : On February 5, ISO 45001:2018 and CNS 45001:2018 three-year renewal certificates were obtained.

2021 : On September 30, it was awarded the 2020 Kaohsiung City Green Procurement Outstanding Unit.

2021 : On September 30, it was awarded the 2020 Kaohsiung City Green Purchasing Excellent Unit.

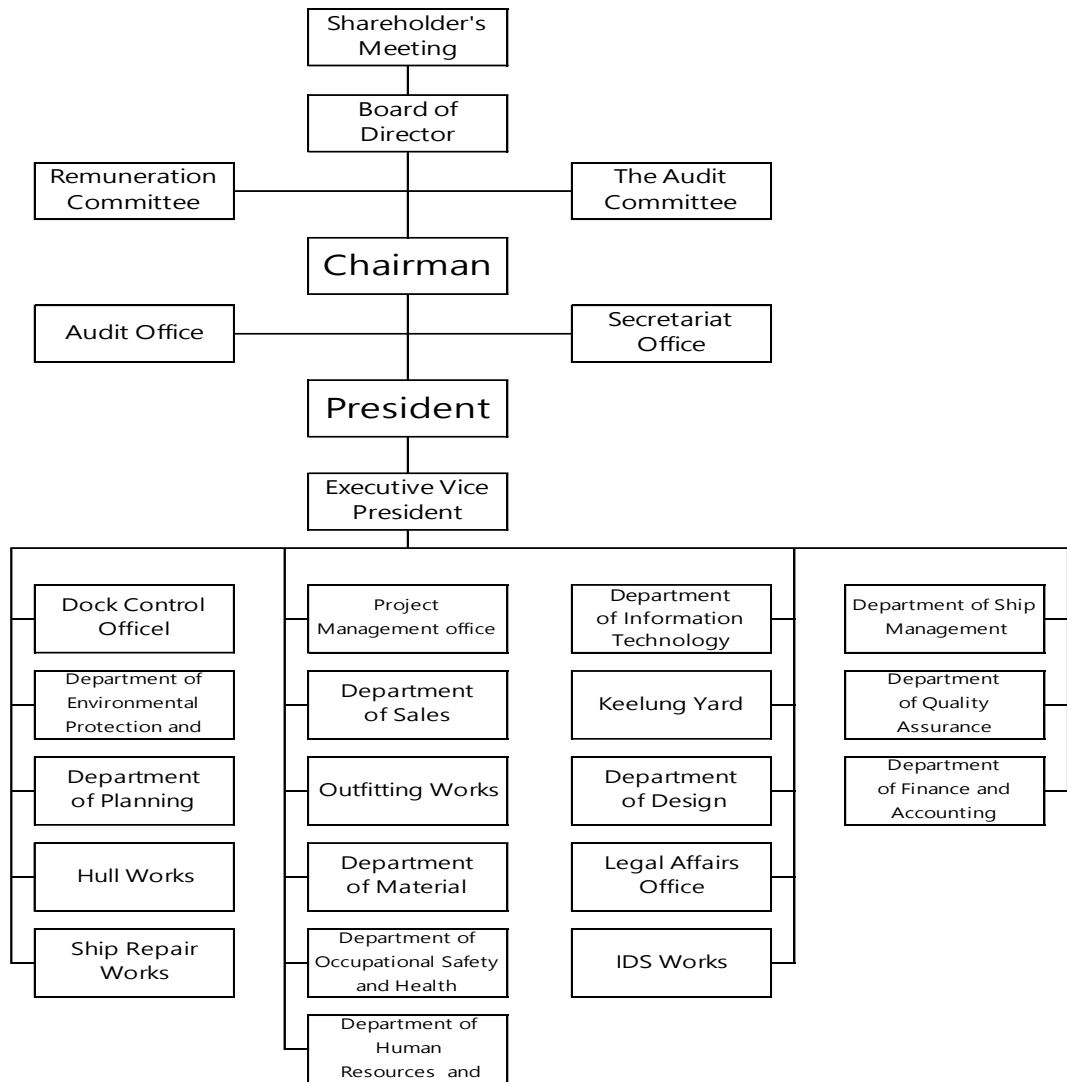
- 2021 : On November 24, the 1,000 gross tonnage research vessel won the 30th (2022) Taiwan Excellence Gold Award by the Foreign Trade Association of the Ministry of Economic Affairs.
- 2021 : Passed the TIPS/2016 version A-level verification on December 15.
- 2021 : On December 27, the ISO 9001:2015 three-year renewal certificate will be obtained.
- 2021 : Awarded the Annual "Model of National Defense Mobilization".
- 2022 : On September 30, it was awarded the 2021 Kaohsiung City Environmental Protection Bureau's Green Procurement Outstanding Enterprise.
- 2022 : On October 19, the planning and design project of "Chuanjiabao" for Taiwan's anti-corrosion ship won the National Architecture Gold Medal.
- 2022 : On November 28, "Yushan Ship" won the 2023 Best Ship Award of the Chinese Society of Naval Architects and Marine Engineers, and the Taiwanese ship won the first prize for six consecutive years.
- 2023 : "High-efficiency warships" have obtained the level certification of listed military product manufacturers, and the Ministry of National Defense issued a Class C certificate of conformity on January 13.

III. Corporate Governance Report

3.1 Organization

3.1.1 Company Organization

(1) Organizational Chart



August 15, 2022 CSBC-Management-No. 1116650794

3.1.2 Major Corporate Functions

(1) Secretariat Office of the Board

In charge of board affairs, confidentiality, documents, seals; the compilation of the agenda of the board of directors and the shareholders meeting and the record of the proceedings and other matters.

(2) Audit Office

In charge of the audit business, responsible for the establishment and maintenance of the audit system, the planning, promotion, execution, tracking, assessment, and comprehensive management and supervision of the graded audit of the audit business.

(3) Department of Planning

A. Company business strategy and future research and development strategy, investment plan formulation, multi-field market information collection and analysis, new business promotion and strategic alliance, new product cooperation or introduction evaluation, new business model, business field and related technology development Research and promote cooperative research between industry, government, university, and research.

B. The company's annual operating plan, management of engineering technology and research and development, planning and implementation of business projects, recommendations for the reform of management systems, assessment of responsibility centers, and corporate governance, etc.

C. Production business planning and control, process improvement suggestions, cost statistical analysis and estimation, completion review, and labor procurement bid opening operations.

(4) Department of Information Technology

Short, medium and long-term information development plans, network and hardware and software equipment, information system integration, information budget, planning, analysis, design, and maintenance of information application systems and office automation, information operation systems, standards and procedures, development of information security strategies and disaster recovery operations, compliance with laws and regulations related to information services, risk management and crisis management, planning, coordination and implementation of smart plant development, etc.

(5) Department of Sales

A. Negotiations of Newbuilding of merchant ships, retrofitting and overhauling, large-scale steel structures, promotion, cooperation and customer credit investigation, bidding, contact, establishment and management of agents, collection and research of market information, etc.

B. Signing of Newbuilding Merchant Ship with Major Modification Business, contract management, payment collection operations, the planning and execution of Keel laying and delivery ceremony, shipowner services, etc.

C. The business of Offshore Wind Farms steel structure before contract signing.

D. The business of Petrochemical Engineering before contract signing.

E. The business of warship and official ships before contract signing.

F. Signing of Newbuilding Merchant Ship with Major Modification Business, contract management, payment collection operations, the planning and execution of Keel laying and delivery ceremony, shipowner services, etc.

G. Indigenous Defense Submarine and the business of official ships.

(6) Department of Material

A. Purchase material inquiry, market survey, collection, vendor evaluation, development and management, preparation, purchase, audit, insurance, customs declaration and transportation, claims, control and related material procurement, management system establishment and work standards development and other matters.

B. Material warehousing, receiving and dispatching, material accounting, inventory operations and review and treatment of excess stock and waste materials, and other matters.

(7) Department of Human Resources and Administration

A. Human resource planning, management policy determination, salary research and formulation, and human resource management regulations.

B. Employer appointment and dismissal, transfer, assessment, rewards and punishments, insurance, retirement, repatriation, pension matters and handling of employee share trusts, contractor management and evaluation, and handling of human labor procurement

C. Personnel talent development, personnel acquisition, education and training, organizational adjustment plans, labor-management relations coordination, employee services, appeals, and recreational activities, etc.

D. Administration, affairs management and logistics support; document processing, code of seals, publication editing, distribution, file management, coordination and contact of welfare policies, and the matters not handled by other units.

E. Company public relations, administrative affairs management, logistics support, the negotiation and communication with social media, social group, etc.

F. The company's physical security protection and the implementation of the security plan of its affiliated terminal facilities, access control, vehicle control, protection team and security management, etc.

G. The preparation, execution and supervision of the annual fire protection business work plan and budget, and the drafting of relevant laws and regulations, etc.

(8) Department of Finance and Accounting

A. Utilization, planning, scheduling, loan acquisition and repayment of Fund, cashier business, fixed asset management, financial system, fund lending and endorsement guarantee, short-term investment, online declaration, stock operations, and the drafting and implementation of various amount letters from the court seized manufacturers, etc.

B. Compilation, control, coordination, review, compilation, execution and control of budget and operation audit, cost calculation and analysis, accounting, taxation, accounting treatment, and handling of final accounts and the formulation of related accounting systems, etc.

(9) Department of Design

- A. Design development plan and overall design of new ships (vessel) and large steel structures (Including production technical specifications, basic design, functional design, and construction design), etc.
 - B. New ship (vessel) engineering cost estimation and technical specification agreement.
 - C. Preparation of delivery blueprints and certificate documents, as well as collection, management and application of technical data, etc. °
 - D. Research and development work related to the overall logistics operation execution and design technology and capability enhancement of new ships (vessel).
 - E. Blueprint design, source visits, construction specification management, technical association search and communication, etc.
 - F. Design drawings, construction drawings, simulation analysis, development of overall logistics documents, and hull lofting related to national shipbuilding.
- (10) Project management Office
- A. Official vessels contract performance management, Construction planning, Project management, Ceremony execution and planning, shipowner service, etc.
 - B. Submarine business marketing, government commentary, media communication, bid preparation hosting, contract performance management, etc.
 - C. Submarine construction work planning, project management, ceremonial planning and execution, shipowner services, etc.
 - D. Inquiry of purchase materials of Submarine investigation and collection of market conditions, manufacturer evaluation, development and management. Preparation, purchase, auditing, insurance, customs declaration and transportation, claims, control and related material procurement, management system establishment, and operating standards development for various construction materials.
 - E. The warehousing, receiving and dispatching, material accounting, inventory operations and review and treatment of idle and waste materials of Submarine.
 - F. The quality control and inspection of Submarine, the inspection of materials and products, the inspection of the ship class, the coordination of the engineering warranty, and suggestions for improvement of related materials, etc.
 - G. The main co-organizers for the planning, establishment, maintenance and development of the quality management system of Submarine, responsible for system document configuration management, system performance management and system integration, etc.
 - H. Project management of offshore wind power steel structure business and Employer's on-site service.
 - I. Contract performance management for petrochemical engineering related business.
 - J. Project management in accordance with relevant petrochemical engineering regulations (contract, specification & design)
 - K. Classified according to the contract price list for petrochemical project, and

integrated budget preparation and payment request valuation management.

(11) Department of Quality Assurance

- A. Handle engineering quality control and inspection, material product inspection, ship classification inspection, coordination of engineering warranty, and suggestions for improvement of related materials, etc.
- B. The company's quality management system planning, establishment, maintenance and development of the main co-organized matters, responsible for system document configuration management, internal and external audits, system performance management and system integration, On-site service for shipowners of newbuilding merchant ships, etc.
- C. The planning, establishment and execution of company laboratories, including physical and chemical testing, instrument calibration and non-destructive testing.

(12) Department of Environmental Protection and Public Utilities

- A. The preparation of annual public constructions, public facilities, environmental protection and other work plans in the plant area, the preparation, execution and supervision of budgets, the reduction of public hazards and the preparation of relevant laws and regulations.
- B. The construction, maintenance and management of public works and public facilities in the factory, the maintenance, repair and allocation of various machines, equipment, and instruments, and the overall adjustment and utilization.

(13) Department of Occupational Safety and Health

Annual industrial safety and health work plan, execution and supervision, execution of medical and health care services, accident prevention and drafting of relevant laws and regulations.

(14) Legal Affairs Office

- A. Assist the business of each unit in the legal handling of litigation, arbitration and administrative remedies. And assist in handling legal cases arising from labor-management issues and environmental protection, and formulating business management regulations, as well as consultation on foreign contracts and government-issued regulations.
- B. Promote and integrate the implementation and operation of risk management.

(15) Hull Works

- A. Hull feeding, processing, small assembly, assembly, welding, painting, installation engineering construction and general management.
- B. Construction, manufacturing, installation and repair of large steel structures.
- C. Self-made and commissioned work for new and repaired ships, such as hatch covers, rudder frames, and stern shaft mounts.

(16) Outfitting Works

- A. New ship (warship) equipment manufacturing, installation engineering, sea trial and general management, etc. °
- B. Construction, manufacturing, installation and repair of large-scale steel structures.

(17) Ship Repair Works

- A. Merchant ship and warship maintenance business contracting, quotation, bidding, negotiation, construction and collection.
 - B. Ship retrofitting and modification of Executive ship, ship repair and part of the new ship warranty engineering construction and evaluation.
- (18) IDS Works
- A. The process, small assembly, assembly, welding, painting, installation construction and general management of the hull of Submarine.
 - B. Construction and maintenance of the hull of Submarine.
 - C. The self-manufacturing and maintenance of large-scale outfitting work racks made of Submarine.
 - D. The manufacturing, installation, sea trial and general management of Submarine.
 - E. The contracting, manufacturing, installation and other matters of the shipbuilding and maintenance of Submarine.
- (19) Department of Ship Management
- A. Operation and use of docks and piers and management of tugboats and workboats.
 - B. Relevant work related to the design of the ship's loading and securing system.
- (20) Dock Control Office
- Responsible for ships entering and leaving docks, piloting, mooring safety and related berthing controls (Including Keelung Yard).
- (21) Keelung Yard
- A. The coordination of production, execution, control, completion review, shipowner, ship class inspection, engineering warranty and relevant engineering improvement suggestions after the contract is signed for the new ship.
 - B. Ship and warship repair and retrofit engineering business contracting, construction and assessment, management of docks, wharves, tugs, etc., and ship entering and leaving, leaving docks, piloting, mooring safety, and related berthing control matters.
 - C. Construction, manufacturing, installation and repair of large-scale steel structures and outfits, etc.
 - D. The formulation, execution, supervision and execution of the work plan of the entire plant for industrial safety, environmental protection, public works, public facilities, and fire protection, as well as the execution of medical and health care services, accident prevention and the formulation of relevant laws and regulations, etc.
 - E. Construction, maintenance and management of public works and public facilities in the factory, maintenance, repair and allocation of various machinery, equipment, and instruments, as well as overall adjustment and utilization, and outsourcing of bid opening, etc.
 - F. Under the supervision of the company's business management unit, responsible for the implementation of the factory's personnel administration, public relations, accounting, material purchase, delivery, insurance, claims and control, etc.

3.2 Directors, Supervisors and Management Team

3.2.1 Board of Director

(1)Information of the 17th Board of Directors

Jun. 22, 2022

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date of election	Term (Year)	Date of 1 st election	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position in the company or other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relation	
Chairman/ Representative of Ministry of Economic Affairs	R.O.C	CHENG, WEN-LON	M 61~70	June 26, 2019	3	November 30, 2007	105,070,366	22.21%	105,070,366	11.27%	—	—	—	—	. Ph.D. in Civil Engineering, University of Washington, USA . Vice Chairman of Public Construction Commission, Executive Yuan . Deputy Mayor of Kaohsiung City Government . Chairman of CSBC Corporation, Taiwan	Chairman of CSBC Corporation, Taiwan	—	—	—	The term of the director was interrupted from 2010.12.27 to 2016.6.25
Chairman/ Representative of Ministry of Economic Affairs	R.O.C	WEI, CHENG-TZU	M 61~70	May 5, 2021	3	May 5, 2021	105,070,366	22.21%	105,070,366	11.27%	—	—	—	—	. Department of Mechanical Engineering, NUU . Executive vice President of CSBC Corporation, Taiwan . Director and Chairman of CSBC Coating Solutions Co., Ltd.	President of CSBC Corporation, Taiwan	—	—	—	
Director /Representative of Ministry of Economic Affairs	R.O.C	HUANG, JIH-CHIN	M 61~70	June 26, 2019	3	June 23, 2010	105,070,366	22.21%	105,070,366	11.27%	—	—	—	—	. Graduated from Dept. of Sheet Metalworking of National Tainan Industrial High School . Director of the Employee Welfare Committee of CSBC Corporation, housand	Director of Enterprise Union of Kaohsiung CSBC Corporation Taiwan	—	—	—	
Director /Representative of Ministry of Economic Affairs	R.O.C	LAN, SYU-CING	M 51~60	June 26, 2019	3	November 11, 2005	105,070,366	22.21%	105,070,366	11.37%	—	—	—	—	. Equivalent academic ability graduated from the mechanical engineering department. . Senior Technician of Keelung Yard CSBC Corporation Taiwan	Director of Employee Welfare Committee of Keelung Yard CSBC Corporation Taiwan	—	—	—	Resigned
Representative of Ministry of National Development Fund	R.O.C	WU, WEN-KUEI	M 51~60	June 26, 2019	3	November 26, 2018	36,032,305	7.62%	136,032,305	14.59%	—	—	—	—	. Master of Earth Sciences, National Cheng Kung University . Central Region Branch, National Property Administration Director	Counselor and Director of The Office of the Zhongxing New Village Revitalization Project of National Development Council	—	—	—	
Representative of Yaohua Glass Co., Ltd. Management Committee	R.O.C	LU, WEN-TSAN	M 51~60	July 31, 2020 Note3	3	November 26, 2018	36,032,305	7.62%	64,603,733	6.93%	—	—	—	—	. Master of International Economics, University of Wyoming, USA . Section Chief, Industrial Bureau, Ministry of Economic Affairs	Deputy Head of the Industrial Bureau of the Ministry of Economic Affairs	—	—	—	The term of the director was interrupted from 2019.6.26 to 2020.7.30
Representative of Ministry of National Defense Industrial Development	R.O.C	Fang,Mao-Hung Note3	M 51~60	Decem ber 3, 2021 Note3	3	December 3, 2021	25,000,000	5.29%	53,571,428	5.74%					. Graduated from WAR COLLEGE, NDU, ROC . Deputy commander of Army Command Hedquarter	Deputy Chief of Ministry of Defense	—	—	—	

Foundation																			
Director / Representative of China Steel China Steel Corporation	R.O.C	HWANG, CHIEN-CHIH	M 61~70	June 26, 2019	3	107.7.1	7,751,346	1.64%	7,751,346	0.83%	—	—	—	—	Graduated from Department of Economics, Tunghai University Senior Vice President of China Steel Corporation	VP of China Steel Corporation	—	—	—
Director	R.O.C	CPC Corporation, Taiwan	—	June 26, 2019	3	June 23, 2016	23,777,487	5.03%	23,777,487	2.55%	—	—	—	—	—	—	—	—	—
Director	R.O.C	Yue-Li Investment Corporation	—	June 26, 2019	3	98.2.13	2,652,411	0.56%	4,670,922	0.50%	—	—	—	—	—	—	—	—	—
Director / Kaohsiung City Representative of Industrial Labor Union of CSBC	R.O.C	HOU, DE-LONG	M 51~60	June 26, 2019	3	96.6.4	428,000	0.09%	801,259	0.08%	—	—	—	—	Electrical Engineering Department of Kaohsiung Municipal Kaohsiung Industrial High School Director of the Industrial Union and Employee Welfare Committee of CSBC Corporation, Taiwan; Chairman of the Kaohsiung Federation of Industries	Senior Technician of CSBC Corporation Taiwan and representative of Enterprise Union	—	—	—
Director / Kaohsiung City Representative of Industrial Labor Union of CSBC	R.O.C	HSIEH, KUO-JUNG	M 61~70	June 26, 2019	3	103.7.1	428,000	0.09%	801,259	0.08%	—	—	—	—	Graduated from Kaohsiung Marine Engineering Department Director and Supervisor of Employee Welfare Committee of CSBC Corporation, Taiwan	Senior Technician of CSBC Corporation Taiwan and representative of Enterprise Union	—	—	—
Independent Director	R.O.C	LIN, HUI-JENG	M 61~70	June 26, 2019	3	June 23, 2016	0	0.00%	0	0.00%	—	—	—	—	PhD, Institute of Naval Architecture, National Taiwan University President of National Penghu University of Science and Technology Professor, Department of Engineering Science and Ocean Engineering, National Taiwan University	Director of Chunyu Factory Co., Ltd.	—	—	—
Independent Director	R.O.C	LIEU, DER-MING	M 61~70	June 26, 2019	3	June 23, 2016	0	0.00%	0	0.00%	—	—	—	—	PhD in Economics, Ohio State University Advisor of Securities and Futures Commission, Ministry of Finance	Professor, Department of Financial Management, National Sun Yat-sen University	—	—	—
Independent Director	R.O.C	CHEN, CHIH-YANG	M 51~60	June 26, 2019	3	June 26, 2019	0	0.00%	0	0.00%	—	—	—	—	Master of Laws, National Chung Hsing University Judge of Banqiao District Court	Presiding lawyer of CHEN, CHIH-YAN law firm	—	—	—

Note: (1) The term of the 17th directors starts on June 26, 2019 and ends on June 25, 2022.

(2) Representative of Ministry of Economic Affairs LAN, SYU-CING resigned on 2022.2.17.

(2)Information of the 18th Board of Directors

Mar. 13, 2023

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date of election	Term (Year)	Date of 1 st election	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position in the company or other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relation	
Chairman/ Representative of Ministry of Economic Affairs	R.O.C	CHENG, WEN-LON	M 61~70	June 22, 2022	3	Novem ber 30, 2007	105,070,366	22.21%	105,070,366	11.37%	—	—	—	—	. Ph.D. in Civil Engineering, University of Washington, USA . Vice Chairman of Public Construction Commission, Executive Yuan . Deputy Mayor of Kaohsiung City Government . Chairman of CSBC Corporation, Taiwan	Chairman of CSBC Corporation, Taiwan	—	—	—	The term of the director was interrupted from 2010.12.27 to 2016.6.25
Chairman/ Representativ e of Ministry of Economic Affairs	R.O.C	WEI, CHENG- TZU	M 61~70	June 22, 2022	3	May 5, 2021	105,070,366	22.21%	105,070,366	11.37%	—	—	—	—	. Department of Mechanical Engineering, NCU . Executive vice President of CSBC Corporation, Taiwan . Director and Chairman of CSBC Coating Solutions Co., Ltd.	President of CSBC Corporation, Taiwan	—	—	—	
Director /Representativ e of Ministry of Economic Affairs	R.O.C	JHANG, YI- DE	M 51~60	June 22, 2022	3	June 22, 2022	105,070,366	22.21%	105,070,366	11.37%	—	—	—	—	. Graduated from High School . Director of the Employee Welfare Committee of CSBC Corporation, houand	Director of Enterprise Union of Kaohsiung CSBC Corporation Taiwan	—	—	—	
Director /Representativ e of Ministry of Economic Affairs	R.O.C	LI, GUO-JI	M 51~60	June 22, 2022	3	June 22, 2022	105,070,366	22.21%	105,070,366	11.37%	—	—	—	—	. Graduated from Kuang Lung Vocational High School. . Foreman of Erection Shop Keelung Yard, CSBC	Chief foreman of Keelung Yard, CSBC	—	—	—	
Representative of Ministry of National Development Fund	R.O.C	WU, WEN- KUEI	M 51~60	June 22, 2022	3	Novemb er 26, 2018	36,032,305	7.62%	136,032,305	14.72%	—	—	—	—	. Master of Earth Sciences, National Cheng Kung University . Central Region Branch, National Property Administration Director	Counselor and Director of The Office of the Zhongxing New Village Revitalization Project of National Development Council	—	—	—	
Representative of Ministry of National Development Fund	R.O.C	WANG, CHAU- CHANG	M 51~60	June 22, 2022	3	June 22, 2022	36,032,305	7.62%	136,032,305	14.72%	—	—	—	—	. Ph.D of Mechanical Engineering, Pennsylvania State University, USA . Dean of the College of Marine Sciences, National Sun Yat-sen University	Professor of the Institute of Undersea Technology of National Sun Yat-sen University and Director of Taiwan Ocean Research Institute				

Representative of Ministry of National Development Fund	R.O.C	LIN, CHIH-LUNG	M 61~70	June 22, 2022	3	June 22, 2022	36,032,305	7.62%	136,032,305	14.72%	—	—	—	—	.Ph.D. of National Sun Yat-sen University .Vice president of MIRDC .Adjunct Associate Professor of Chemical and Materials Engineering of KUAS	Deputy CEO of Metal Industries Research & Development Centre				
Representative of Ministry of National Development Fund	R.O.C	MAO, ZHEN-TAI	M 51~60	June 22, 2022	3	June 22, 2022	36,032,305	7.62%	136,032,305	14.72%	—	—	—	—	.Ph.D.of Civil Engineering,National Central University .Deputy director of National Spatial Planning and Development department, National Development Fund	Director of Congress and press contact Center, National Development Council				
Director	R.O.C	Representative of Yaohua Glass Co., Ltd. Management Committee	-	June 22, 2022	3	June 22, 2022	36,032,305	7.62%	64,603,733	6.93%	—	—	—	—	—	—	—	—	—	
Representative of Ministry of National Defense Industrial Development Foundation	R.O.C	Fang,Mao-Hung Note3	M 51~60	June 22, 2022	3	December 3, 2021	25,000,000	5.29%	53,571,428	5.80%					. Graduated from WAR COLLEGE, NDU, ROC . Deputy commander of Army Command Headquarter	Deputy Chief of Ministry of Defense	—	—	—	
Director	R.O.C	CPC Corporation , Taiwan	—	June 22, 2022	3	June 23, 2016	23,777,487	5.03%	23,777,487	2.57%	—	—	—	—	—	—	—	—	—	
Director	R.O.C	Director / Kaohsiung City Representative of Industrial Labor Union of CSBC	—	June 22, 2022	3	96.6.4	428,000	0.09%	801,259	0.09%	—	—	—	—	—	—	—	—	—	
Independent Director	R.O.C	LIN, HUI-JENG	M 61~70	June 22, 2022	3	June 23, 2016	0	0.00%	0	0.00%	—	—	—	—	. PhD, Institute of Naval Architecture, National Taiwan University . President of National Penghu University of Science and Technology . Professor, Department of Engineering Science and Ocean Engineering, National Taiwan University	Director of Chunyu Factory Co., Ltd.	—	—	—	
Independent Director	R.O.C	LIEU, DER-MING	M 61~70	June 22, 2022	3	June 23, 2016	0	0.00%	0	0.00%	—	—	—	—	. PhD in Economics, Ohio State University . Advisor of Securities and Futures Commission, Ministry of Finance	Professor, Department of Financial Management, National Sun Yat-sen University	—	—	—	
Independent Director	R.O.C	CHEN, CHIH-YANG	M 51~60	June 22, 2022	3	June 26, 2019	0	0.00%	0	0.00%	—	—	—	—	. Master of Laws, National Chung Hsing University . Judge of Banqiao District Court	Presiding lawyer of CHEN, CHIH-YAN law firm	—	—	—	

Note: (1) The term of the 18th directors starts on June 22, 2022 and ends on June 21, 2025.

(3) Major shareholders of the institutional shareholders

Name of Institutional Shareholders (Note 1)	Major Shareholders of the Institutional Shareholders (Note 2)	
CPC Corporation, Taiwan	Ministry of Economic Affairs	100%

Note1: If the director or supervisor is a representative of an Institutional Shareholder, the name of the Institutional Shareholder shall be filled in.

Note2: Fill in the name of the main shareholder of the Institutional Shareholder (its shareholding ratio accounts for the top 10) and its shareholding ratio. If its major shareholders are an Institutional Shareholder, the description of point 3 should be filled in.

(4) Disclosure of information on the professional qualifications of directors and supervisors and the independence of independent directors:

Name Conditrion	Professional qualifications and experience (Note1)	Independence situation (Note2)	Number of serve as independent director of other companies
CHENG, WEN-LON	Chairman of CSBC Corporation, Taiwan Experience:Deputy Mayor of Kaohsiung City	-	0
WEI, CHENG-TZU	President of CSBC Corporation, Taiwan Experience:Executive vice President of CSBC Corporation, Taiwan	-	0
JHANG, YI-DE	Director of Enterprise Union of Kaohsiung CSBC Corporation Taiwan Experience:Director of the Employee Welfare Committee of CSBC Corporation, housand	-	0
LI, GUO-JI	Chief foreman of Keelung Yard, CSBC Experience:Foreman of Erection Shop Keelung Yard, CSBC	-	0
WU, WEN-KUEI	Counselor and Director of The Office of the Zhongxing New Village Revitalization Project of National Development Council Experience:Central Region Branch, National Property Administration Director	-	0
WANG, CHAU-CHANG	National Sun Yat-sen University and Director of Taiwan Ocean Research Institute Experience:Dean of the College of Marine Sciences, National Sun Yat-sen University		

LIN, CHIH-LUNG	Deputy CEO of Metal Industries Research & Development Centre Experience: Adjunct Associate Professor of Chemical and Materials Engineering of KUAS		
MAO, ZHEN-TAI	Director of Congress and press contact Center, National Development Council Experience: Deputy director of National Spatial Planning and Development department, National Development Fund		
LU, WEN-TSAN	Deputy Head of the Industrial Bureau of the Ministry of Economic Affairs Experience: Section Chief, Industrial Bureau, Ministry of Economic Affairs	-	0
Fang, Mao-Hung	Deputy Chief of Ministry of Defense Experience: Deputy commander of Army Command Headquarters	-	0
YIN LING- YING	Consultant of Legislative Yuan Experience: The sixth legislator, Yunlin County Councilor	-	0
SYU, HAN-SYUN	Technician of CSBC; Representative of CSBC union	-	0
LIN, HUI-JENG (Independent Director)	1. Former President, National Penghu University of Science and Technology 2. National Examination Shipbuilding Technician Professional Occupation and Technical Personnel Qualification 3. Director of Chun Yu Works & Co., Ltd. 4. None of Article 30 of the Company Law	Self, spouse, relatives within the second degree 1. No director, supervisor or employee of the company or its affiliates 2. No shares of the company held 3. No director, supervisor or employee of a company that has a specific relationship with the company	0

LIEU, DER-MING (Independent Director)	1.Professor, Department of Financial Management, Sun Yat-sen University 2.Former Advisor to the Securities and Futures Commission of the Ministry of Finance 3.None of Article 30 of the Company Law	Self, spouse, relatives within the second degree 1.No director, supervisor or employee of the company or its affiliates 2.No shares of the company held 3.No director, supervisor or employee of a company that has a specific relationship with the company	2
CHEN, CHIH-YANG (Independent Director)	1.Pass the bar exam 2.Master of Law, National Chung Hsing University 3.None of Article 30 of the Company Law	Self, spouse, relatives within the second degree 1.No director, supervisor or employee of the company or its affiliates 2.No shares of the company held 3.No director, supervisor or employee of a company that has a specific relationship with the company	0

Note1 : Professional qualifications and experience: Explain the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, they should state their accounting or financial background and work experience, and also state whether there is any violation of Article 30 of the Company Law.

Note2 : Independent directors shall state their independence, including but not limited to whether they, their spouse, or relatives within the second degree are the directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held in the name of another person; whether to serve as a director or supervisor of a company that has a specific relationship with the company (refer to the provisions of Article 3, Subparagraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Obeyed by Public Offering Companies). Persons or employees; the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

(6) Board Diversity and Independence :

(1)Board Diversity

Pursuant to Article 20, Paragraph 2 of the Company's "Code of Corporate Governance" , the composition of the board of directors of the company should consider diversity , and formulate an appropriate diversification policy according to its own operation, operation type and development needs, which should include but not limited to the following two major aspects of the standard :

A.Basic conditions and values: gender, age, nationality and culture, etc.

B.Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

Board members should generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the overall capabilities of the board of directors are as follows :

A.Operational Judgment

B.Accounting and financial analysis skills

C.Management ability

D.Crisis management ability

E.Industry knowledge

F.International market view

G.Leadership

H.Decision-making capacity

I.Legal profession

The implementation of the diversification of the 18th Board of Directors of the Company is as follows :

Basic information					Year of independent director		A	B	C	D	E	F	G	H	I
Name	Gender	Employees of the company	Age		3 years or less	4-8									
CHENG, WEN-LON	M	✓	✓		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
WEI, CHENG-TZU	M	✓	✓		-	-	✓		✓	✓	✓	✓	✓	✓	
JHANG, YI-DE	M	✓		✓	-	-									
LI, GUO-JI	M	✓		✓	-	-							✓	✓	
WU, WEN-KUEI	M			✓	-	-			✓				✓		
WANG, CHAU-CHANG	M			✓	-	-	✓				✓				
LIN, CHIH-LUNG	M		✓		-	-	✓	✓	✓	✓	✓	✓	✓	✓	

Basic information					Year of independent director		A	B	C	D	E	F	G	H	I
Name	Gender	Employees of the company	Age		3 years or less	4-8									
MAO, ZHEN-TAI	M			✓	-	-	✓			✓		✓			
LU, WEN-TSAN	M			✓	-	-	✓		✓	✓	✓	✓	✓		
FANG, MAO-HUNG	M			✓	-	-			✓	✓		✓	✓	✓	
YIN LING-YING	F		✓		-	-	✓		✓	✓	✓		✓	✓	
SYU, HAN-SYUN	M	✓		✓	-	-							✓	✓	
LIEU, DER-MING	M		✓			✓	✓	✓	✓	✓	✓	✓		✓	
LIN, HUI-JENG	M		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
CHEN, CHIH-YANG				✓		✓				✓			✓	✓	✓

The 18th board of directors of the company have 15 directors (including 3 independent directors) , possess business judgment, leadership decision-making, business management, international market outlook, and crisis management capabilities.

(2)Board independence

- A. The company re-elected the 18th directors on June 22, 2011. Among the members, 3 directors and 3 independent directors remained in office. The average term of directors is 3 years. Independent directors except CHEN, CHIH-YANG, whose term of office is 4 years, and two independent directors, LIEU, DER-MING and LIN, HUI-JENG, whose term of office is 7 years, all independent directors have no more than 3 consecutive terms of office. The directors are all nationalities, and the proportion of the composition structure is 20% of 3 independent directors and 20% of 3 directors with employee status. In terms of age distribution of directors: 9 directors are between 50 and 59 years old and 6 directors are over 60 years old. The current board members include 1 female member, accounting for 6% of female directors, and will continue to strive to increase the proportion of female directors in the future.
- B. The orientation, complementarity and implementation of director diversity have met the standards set out in Article 20 of the Code of Corporate Governance. In the future, we will continue to update the diversity policy in a timely manner depending on the operation of the board of directors, the type of operation and the development needs, including but not limited to the two major standards of basic conditions and values, professional knowledge and skills, so as to ensure that board members should generally have the necessary skills to perform their duties. Necessary knowledge, skills and literacy.

3.2.2 Information of the President, Executive Vice President and department Heads

January 15, 2023; Unit: share

Title	Name	Gender	Nationality/ Place of Incorporation	Date of election	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position in the company or other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Re- marks
					Share	%	Share	%	Share	%			Title	Name	Relation	
President	Wei, Zheng-Ci	M	R.O.C	May 5, 2021	37,880	0.00407%	0	0	0	0	1.Department of Marine Engineering, National Kaohsiung Marine University. 2. Department of Mechanical Engineering, NNU. 3. Shop Master of Machinery Fitting Shop, Outfitting Works 4. Section Manager of Production Control Section, Outfitting Works 5. General Manager and Deputy General Manager of Outfitting Works. 6. Executive Vice President	1. Chairman of CSBC Coating Solutions Co., Ltd. 2. Managing Director of Ship and Ocean Industries R&D Center	None	None	None	
Executive Vice President	Zhou, Zhi-Ming	M	R.O.C	August 2, 2017	202,473	0.02173%	17,803	0.00191%	0	0	1. Master of Shipbuilding Engineering, University of Michigan 2. Section Manager of Hull Design Section, Department of Design 3. Deputy Director of Department of Design 4. Director of Department of Sales 5. Director of Department of Design	Director of CR CLASSIFICATION SOCIETY	None	None	None	
Executive Vice President	Cai, Kun-Zong	M	R.O.C	May 6, 2021	12,638	0.00136%	0	0	0	0	1. Master of Naval Engineering, National Taiwan University 2. Senior Engineer and Manager of Basic Design Section of Section, Department of Design 3. Deputy Director of Department of Material 4. Director of Department of Sales 5. Director of Department of Design 6. Director of President officeproject, Chief Executive	Director of CSBC Power Technology Co., Ltd	None	None	None	
Executive Vice President	Yan, Cong-Hui	M	R.O.C	May 11, 2022	197	0.00002%	0	0	0	0	1. Department of Marine Engineering, National Kaohsiung Marine University. 2.Senior Engineer of Qinye Factory. 3.Senior Engineer and Director of Department of Quality Assurance 4. Deputy General Manager of Outfitting Works 5. General Manager of Outfitting Works	None	None	None	None	
Secretary General of Secretariat Office of the Board	Hung, Chung- Ching	M	R.O.C	November 11, 2022	0	0	0	0	0	0	1.Shu-Te University 2.Senior Technician of Qinye Factory. 3.Senior Engineer of Ship Repair Works. 4.Section Manager of Business Section, Ship Repair Works. 5.Deputy General Manager of Ship Repair Works. 6.Concurrently held by the Director of Department of Human Resources and Administration	None	None	None	None	Note4
Auditor General of Audit Office	Shen, Feng-Ru	M	R.O.C	December 1, 2019	0	0	0	0	0	0	1.Public Affairs, NCHU 2. Senior Officer and Section Manager of Department of Civil Service 3.Auditor of Audit Office	None	None	None	None	
Director of Department of Sales	Yuan, Guo-Long	M	R.O.C	March 18, 2019	0	0	0	0	0	0	1. National Taiwan Ocean University Systems Engineering & Naval Architecture 2. Senior Engineer of Design Department 3. Senior Engineer and Section Manager of Merchant Shipping Section, Department of Sales 4. Deputy Director of Department of Sales	None	None	None	None	

Title	Name	Gender	Nationality/ Place of Incorporation	Date of election	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position in the company or other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Re- marks
					Share	%	Share	%	Share	%			Title	Name	Relation	
Director of Department of Design	Lin, Ching- Huang	M	R.O.C	November 11, 2021	48,644	0.00522%	0	0	0	0	1. Master of Department of Mechanical and Automation Engineering, Kaohsiung University of Science and Technology 2. Senior Engineer and Section Manager of Hull Design Section, Department of Design 3. Shop Master of Accommodation Shop of Hull Works 4. Deputy Director of Department of Design	None	None	Noen	None	
Director of Department of Material	Wang, Shu-Jing	F	R.O.C	May 7, 2020	6,349	0.00068%	0	0	0	0	1. Department of International Business, Tunghai University 2. Senior Officer and Section Manager of Procurement Section, Department of Material 3. Section Manager of Coordination Section of Department of Material 4. Deputy Director of Department of Human Resources and Administration 5. Deputy Director of Department of Material	None	None	None	None	
Director of Department of Planning	Yu, Mao-Hua	M	R.O.C	August 13, 2020	5,895	0.00063%	0	0	0	0	1. Master of Industrial Engineering and Innovation Management, Kaohsiung University of Applied Sciences 2. Shop Master of Erecting Shop of Hull Works 3. Deputy General Manager of Hull Works 4. Director and Deputy Director of Department of Planning 5. General Manager of Hull Works 6. General Manager of Outfitting Works 7. Director of Department of Human Resources and Administration 8. Concurrently held by the corporate governance officer.	1. Director of TAIWAN OFFSHORE WIND FARM SERVICES CORPORATION 2. Director of CSBC Power Technology Co., Ltd 3. Director of CDWE Green Jade Shipowner Co., Ltd.	None	None	None	Note4
General Manager of Outfitting Works	Chen, Shi-Ming	M	R.O.C	May 11, 2022	25	0.000002%	0	0	0	0	1. Department of Mechanical Engineering, National Taipei University of Technology. 2. Senior Engineer of Accommodation Fitting Shop / Machinery Fitting Shop, Outfitting Works. 3. Shop Master of Accommodation Fitting Shop / Machinery Fitting Shop, Outfitting Works. 4. Section Manager of Production Control Section, Outfitting Works. 5. Deputy General Manager of Outfitting Works.	None	None	None	None	Note5
General Manager of Hull Works	Hou, Ya-Wen	M	R.O.C	August 12, 2019	36,215	0.00389%	0	0	0	0	1. Department of Mechanical Engineering, National Taiwan University of Science and Technology 2. Section Manager of Production Control Section, Department of Planning 3. Shop Master of Accommodation Shop of Hull Works 4. Deputy General Manager of Hull Works 5. Director of Department of Environmental Protection and Public Utilities	None	None	None	None	
General Manager of Ship Repair Works	Zhan, Yi-Gui	M	R.O.C	May 7, 2020	395	0.00004%	0	0	0	0	1. Department of Marine Engineering, National Taiwan Ocean University 2. Master of Department of Business Management, National Sun Yat-sen University 3. Senior Engineer of Ship Repair Works 4. Section Manager of Business Section, Ship Repair Works 5. Deputy General Manager of Ship Repair Works	None	None	None	None	
General Manager of IDS Works	Liu, Si-Wei	M	R.O.C	November 12, 2020	33,654	0.00361%	0	0	0	0	1. Department of Voyage, R.O.C. Naval Academy 2. Master of Strategy of U.S. Naval War College	None	None	None	None	

Title	Name	Gender	Nationality/ Place of Incorporation	Date of election	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position in the company or other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Re- marks
					Share	%	Share	%	Share	%			Title	Name	Relation	
Director of Department of Information Technology	Huang, Fu-Hsiang	M	R.O.C	March 18, 2019	11,000	0.00118%	0	0	0	0	1. Master of Department of Electrical Engineering, Kaohsiung University of Science and Technology 2. Senior Engineer of Network Section, Department of Information Technology 3. Section Manager of Network Section, Department of Information Technology	None	None	None	None	
Director of Department of Quality Assurance	Wang, Jian-Sheng	M	R.O.C	March 18, 2019	7,144	0.00077%	0	0	0	0	1. Department of Shipbuilding Engineering, National Taiwan Ocean University 2. Senior Engineer of Ship Repair Works 3. Shop Master of Hull Repair Shop of Ship Repair Works 4. Section Manager of Department of Quality Assurance, Department of Material 5. Deputy Director of Department of Material	Director of the Society for Nondestructive Testing & Certification of Taiwan	None	None	None	
Director of Department of Human Resources and Administration	Hung, Chung- Ching	M	R.O.C	November 11, 2022	0	0	0	0	0	0	1. Shu-Te University 2. Senior Technician of Qinye Factory. 3. Senior Engineer of Ship Repair Works. 4. Section Manager of Business Section, Ship Repair Works. 5. Deputy General Manager of Ship Repair Works. 6. Concurrently held by the Secretary General of Secretariat Office of the Board.	None	None	None	None	Note4
Director of Department of Finance and Accounting	Xu, You-Zhen	M	R.O.C	October 1, 2019	182	0.00002%	0	0	0	0	1. Department of Accounting, Chung Yuan Christian University 2. Director of Audit Department of PwC Taiwan 3. Project Manager of Underwriting Department of SinoPac Securities 4. Business Associate of Underwriting Department of KGI Securities 5. Financial Head of AMPLE ELECTRONIC TECHNOLOGY CO., LTD	None	None	None	None	
Director of Department of Occupational Safety and Health	Chen, Zai-Qu	M	R.O.C	August 13, 2020	26,956	0.00289%	0	0	0	0	1. Department of Business Administration, Cheng Shiu University 2. Senior Officer of Department of Production Control and Material 3. Senior Officer of Environmental Protection Section, Department of Environmental Protection and Public Utilities 4. Section Manager of Management Section, Department of Environmental Protection and Public Utilities 5. Deputy Director of Department of Occupational Safety and Health	None	None	None	None	
Director of Department of Environmental Protection and Public Utilities	Ou, Zhong-Zhi	M	R.O.C	August 13, 2020	0	0	0	0	0	0	1. Department of Mechanical Engineering, Kaohsiung University of Applied Sciences 2. Senior Engineer of Maintenance Section, Department of Environmental Protection and Public Utilities 3. Section Manager of Maintenance Section, Department of Environmental Protection and Public Utilities 4. Deputy Director of Department of Environmental Protection and Public Utilities	None	None	None	None	
Director of Department of Ship Management	Shen, Kang- Sheng	M	R.O.C	May 7, 2020	0	0	0	0	0	0	1. Bachelor and Master of Shipbuilding Engineering, National Cheng Kung University 2. Senior Engineer of Department of Design 3. Senior Engineer of Department of Sales 4. Section Manager of Business, Investment Section of Department of Planning 5. Section Manager of Machinery Plant Business Section	Director of Fuhai Wind Power Company	None	None	None	

Title	Name	Gender	Nationality/ Place of Incorporation	Date of election	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position in the company or other company	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Re- marks
					Share	%	Share	%	Share	%			Title	Name	Relation	
											6. Deputy General Manager of Machinery Plant 7. Deputy Director of Department of Human Resources and Administration					
General Manager of Keelung Yard	Shih, Yen-Hui	M	R.O.C	November 12, 2022	0	0	0	0	0	0	1. Department of Shipbuilding Engineering, National Taiwan Ocean University 2. Senior Engineer of Coating Shop , Hull Works 3. Senior Engineer of Coating Shop/Hull Outfitting Shop/ Primary Manufacturing Shop, Keelung Yard. 4. Section Manager of Keelung Design Section. 5. Shop Master of Hull Outfitting Shop, Keelung Yard. 6. Shop Master of Machinery and Electrical Fitting Shop	None	None	None	None	Note6

Note1: Information about the President, Executive Vice President, heads of departments and branches should be included, and any position equivalent to President, Executive Vice President or Associate Manager, regardless of job title, should also be disclosed.

Note2: The experience relates to the current position. If someone has worked in a certification audit firm or affiliated company during the previous disclosure period, he/she should state the job title and the responsible position.

Note3: When the general manager or a person with equivalent positions (the top manager) and the chairman of the board are the same person, each other's spouse or relatives, the related information such as the reason, rationality, necessity and corresponding measures shall be disclosed (such as increasing the number of independent directors and should have more than half of the directors are not part-time employees or managers, etc.).

Note4: The Previous director of Department of Human Resources and Administration to and Secretary General of Secretariat Office to concurrently serve as the director of corporate governance, Li, Yan-Qiang, transferred to Project manager on November 11, 2022, and the director vacancy was appointed by Hung, Chung-Ching. November 11, 2022, the meeting of Board of director approved the proposal of Yu, Mao-Hua, the director of Department of Planning to concurrently serve as the director of corporate governance.

Note5: The General Manger, Yan, Cong-Hui was promoted to the Executive Vice President on May 5, 2022, and the vacancy was appointed by Chen, Shi-Ming.

Note6: The General Manger of Keelung Yard, Chu, Yu-Liang was transferred to Occupational Safety and Health Section on October 11, 2022, and the vacancy was appointed by Shih, Yen-Hui and it was effective from November 12, 2022.

(1) Remuneration paid to General Directors and Independent Director in 2022 (Individual disclosure of Name and remuneration method)

December 31, 2022; Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary. (Note 11)
		Base Compensation (A) (Note 2)		Retirement pension (B)		Directors Compensation (C) (Note 3)		Business execution costs (D) (Note 4)				Salaries, bonuses and special expenses, etc. (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6) (Accrual Amount in 2022)						
		The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company		All companies in the consolidated financial statements (Note 7)		The company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Ministry of Economic Affairs Representative: CHENG, WEN-LON	3,536	3,632	0	0	0	0	0	0	-0.100%	-0.103%	0	0	0	0	0	0	0	0	-0.100%	-0.103%	None
Director	Ministry of Economic Affairs Representative: Wei, Zheng-Ci	0	0	0	0	0	0	0	0	0%	0%	2,757	2,853	0	0	0	0	0	0	-0.078%	-0.081%	None
Director	Ministry of Economic Affairs Representative: JHANG, YI-DE (June 22, 2022 reassign)	0	0	0	0	0	0	0	0	0%	0%	575	575	0	0	0	0	0	0	-0.016%	-0.016%	None
Director	Ministry of Economic Affairs Representative: LI, GUO-JI (June 22, 2022 reassign)	0	0	0	0	0	0	0	0	0%	0%	730	730	0	0	0	0	0	0	-0.021%	-0.021%	None
Director	Ministry of Economic Affairs Representative: HUANG, JIH-CHIN (June 22, 2022 Dismissal/Reassign.)	0	0	0	0	0	0	0	0	0	0	614	614	0	0	0	0	0	0	-0.017%	-0.017%	None
Director	Ministry of Economic Affairs Representative: LAN, SYU-CING (Feb. 17, 2022 Dismissal/Reassign.)	0	0	0	0	0	0	0	0	0	0	204	204	0	0	0	0	0	0	-0.006%	-0.006%	None

Director	Ministry of Economic Affairs Representative: LIN, YU-CHANG (Feb. 17, 2022 reassign) (Mar. 7, 2022 DismissalReassign.)	0	0	0	0	0	0	0	0	0	0	73	73	0	0	0	0	0	0	-0.002%	-0.002%	None
Director	National Development Fund, Executive Yuan Representative: WU, WEN-KUEI	125	125	0	0	0	0	0	0	-0.004%	-0.004%	0	0	0	0	0	0	0	0	-0.004%	-0.004%	None
Director	National Development Fund, Executive Yuan Representative: LIN, CHIH-LUNG (June 22, 2022 reassign)	66	66	0	0	0	0	0	0	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	None
Director	National Development Fund, Executive Yuan Representative: WANG, CHAU-CHANG (June 22, 2022 reassign)	66	66	0	0	0	0	0	0	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	None
Director	National Development Fund, Executive Yuan Representative: MAO, ZHEN-TAI (June 22, 2022 reassign)	66	66	0	0	0	0	0	0	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	None
Director	Foundation National Defense Industrial Development Foundation Representative: Fang, Mao-Hong	17	17	0	0	0	0	0	0	-0.000%	-0.000%	0	0	0	0	0	0	0	0	-0.000%	-0.000%	None
Director	Yaohua Glass Co., Ltd. Management Committee Representative Lu, Wen-Tsan	125	125	0	0	0	0	0	0	-0.004%	-0.004%	0	0	0	0	0	0	0	0	-0.004%	-0.004%	None
Director	CPC Corporation, Taiwan (Representative Director)	125	125	0	0	0	0	0	0	-0.004%	-0.004%	0	0	0	0	0	0	0	0	-0.004%	-0.004%	None

Director	Yue-Li Investment Corporation (Representative Director) (June 22, 2022 Dismissal/Reassignment.)	59	59	0	0	0	0	0	0	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	None
Director	China Steel Corporation Representative: HWANG, CHIEN-CHIH (June 22, 2022 Dismissal/Reassignment.)	59	59	0	0	0	0	0	0	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	None
Director	Industrial Labor Union of CSBC Kaohsiung Representative: HOU, DE-LONG (June 22, 2022 Dismissal/Reassignment.)	59	59	0	0	0	0	0	0	-0.002%	-0.002%	573	573	0	0	0	0	0	0	-0.018%	-0.018%	None
Director	Industrial Labor Union of CSBC Kaohsiung Representative: HSIEH, KUO-JUNG (June 22, 2022 Dismissal/Reassignment.)	59	59	0	0	0	0	0	0	-0.002%	-0.002%	599	599	0	0	0	0	0	0	-0.019%	-0.019%	None
Director	Industrial Labor Union of CSBC Kaohsiung Representative: SYU, HAN-SYUN (June 22, 2022 Reassignment.)	66	66	0	0	0	0	0	0	-0.002%	-0.002%	593	593	0	0	0	0	0	0	-0.019%	-0.019%	None
Independent Director	LIEU, DER-MING	720	720	0	0	0	0	0	0	-0.020%	-0.020%	0	0	0	0	0	0	0	0	-0.020%	-0.020%	None
Independent Director	CHEN, CHIH-YANG	720	720	0	0	0	0	0	0	-0.020%	-0.020%	0	0	0	0	0	0	0	0	-0.020%	-0.020%	None
Independent Director	LIN, HUI-JENG	720	720	0	0	0	0	0	0	-0.020%	-0.020%	0	0	0	0	0	0	0	0	-0.020%	-0.020%	None

Remarks	1. Please state the policy, system, standard and structure of the Independent Director's remuneration payment, and state the correlation with the amount of remuneration based on the responsibilities, risks, investment time and other factors.: The company has set "Key points of remuneration of Director and Independent Director of CSBC Corporation Taiwan", expressly stipulating that the Independent Director shall have a monthly remuneration of NT\$60,000, and shall not receive additional director remuneration. The Independent Director also serves as a member of the Audit Committee and the Remuneration Committee. Director's payment policy is related to factors such as responsibilities, risks, and investment time. 2. Except as disclosed in the above table, the remuneration received by company directors for services in the most recent year (such as serving as a consultant for non-employees of the parent company / all companies listed in the financial report / reinvestment enterprises, etc.) : None

Note1: The names of directors should be listed separately (institutional shareholders should list the names and representatives of legal person shareholders separately), and general directors and independent directors should be listed separately, and the payment amounts should be disclosed in a summary manner. If the director is also the president or VP, please fill in this form and the second section.

Note2: Refers to the remuneration of directors in the most recent year (including directors' salaries, position bonuses, severance pay, various bonuses, incentives, etc.).

Note3: Fill in the amount of directors' remuneration approved by the board of directors in the most recent year.

Note4: Refers to directors' relevant business execution expenses in the most recent year (including carriage fees, special expenses, various allowances, dormitories, car allocation, etc.). When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, gas and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration to the driver, but it will not be included in the remuneration.

Note5: Refers to the recent years that directors and concurrently employees (including concurrently serving as President, Executive Vice President, other managers and employees) received including salary, job bonus, severance payment, various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, Provision of physical goods such as car distribution, etc. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, gas and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Based Payment", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Note6: Refers to those who have received employee remuneration (including stocks and cash) for concurrent directors and employees (including concurrent President, Executive Vice President, other managers and employees) in the most recent year, and the amount of employee compensation approved by the board of directors in the most recent year shall be disclosed. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year, and the section 4 shall be filled in.

Note7: The total amount of remuneration paid to the directors of the company by all companies (including the company) in the consolidated report shall be disclosed.

Note8: The company pays each director the total amount of remuneration and reveals the name of the director in the attribution level.

Note9: The total amount of remuneration paid to each director of the company by all companies (including the company) in the consolidated report shall be disclosed, and the names of the directors shall be disclosed in the attribution level.

Note10: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note11: a. This column should clearly state the amount of relevant remuneration received by the directors of the company from the non-subsidiary investment business or the parent company (if none, please fill in "none").

b. If the directors of the company receive remuneration from the non-subsidiary reinvestment business or the parent company, the remuneration received by the company directors from the non-subsidiary reinvestment business, or the parent company shall be included in column I of the remuneration scale table The field name was changed to "Parent Company and All Reinvested Businesses".

c. Remuneration refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) and business execution expenses received by the directors of the company as directors, supervisors or managers of non-subsidiary investment enterprises or parent companies.

* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

(2) Remuneration paid to President and Executive Vice President in 2022 (Individual disclosure of Name and remuneration method)

December 31, 2022; Unit: NT\$ thousands

Title (Note1)	Name	Base Compensation (A) (Note2)		Retirement pension (B)		Bonuses and Allowances (C) (Note3)		Employee Compensation (D) (Note4) (Actual amount in 2022)				Ratio of total compensation (A+B+C+D) to net income (%) (Note8)		Compensation Paid to the GM and DEPUTY GENERAL MANAGERS from an Invested Company Other than the Company’s Subsidiary (Note9)
		The company	All companies in the consolidated financial statements (Note5)	The company	All companies in the consolidated financial statements (Note5)	The company	All companies in the consolidated financial statements (Note5)	The company		All companies in the consolidated financial statements (Note5)		The company	All companies in the consolidated financial statements (Note5)	
								Cash	Stock	Cash	Stock			
President	Wei, Zheng-Ci	2, 400	2, 496	0	0	357	357	0	0	0	0	-0. 078%	-0. 081%	None
Executive Vice President	Zhou, Zhi-Ming	1, 736	1, 736	0	0	256	256	0	0	0	0	-0. 056%	-0. 056%	None
Executive Vice President	Yan, Cong-Hui	1, 103	1, 103	0	0	159	159	0	0	0	0	-0. 036%	-0. 036%	None
Executive Vice President	Cai, Kun-Zong	1, 686	1, 686	0	0	257	257	0	0	0	0	-0. 055%	-0. 055%	None
Chief Supervisor	Gao, Jian-Yi	1, 636	1, 636	0	0	245	245	0	0	0	0	-0. 053%	-0. 053%	None
Remarks		* Regardless of job title, anyone whose position is equivalent to general manager or deputy general manager (for example: president, chief executive, director... etc.) should be disclosed. 1.We, Zheng-Ci: President as well as Chairman of CSBC Coating Solutions Co., Ltd.												

Note1: The names of President and VP should be listed separately, and the payment amounts should be disclosed in a summary manner. If the director is also the president or VP, please fill in this form and the first section.

Note2: Fill in the most recent annual president and VP's salaries, position bonuses, and severance pay.

Note3: Fill in the recent annual president and VP's various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, car distribution, etc., and other remuneration amounts. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, gas and other payments should be disclosed. If there is a driver, please indicate the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Based Payment", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Note4: Fill in the amount of employee compensation (including stocks and cash) approved by the board of directors for the distribution of the president and VP in the most recent year. If it is not possible to estimate, calculate the proposed distribution of this year based on the proportion of the actual distribution of last year, and fill the info in the section four.

Note5: The total amount of remuneration paid to the president and VP of the company by all companies (including the company) in the consolidated report shall be disclosed.

Note6: The company pays the total amount of remuneration to each president and VP and reveals the names of the president and VP in the hierarchy to which they belong.

Note7: The total amount of remuneration paid to each president and VP of the company by all companies (including the company) in the consolidated report shall be disclosed, and the names of the president and VP shall be

disclosed in the attribution level.

Note8: Net profit after tax refers to the net profit after tax in the most recent year; if IFRS has been adopted, net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note9: a. This column should clearly indicate the amount of remuneration related to the reinvestment business received by the president and VP of the company from non-subsidiaries. (If none, please fill in "None")

b. If the president and VP of the company receive remuneration related to the reinvestment business outside of the subsidiary, the remuneration received by the president and VP of the reinvestment business outside the subsidiary shall be incorporated into the remuneration scale E Column and change the name of the column to "all reinvested businesses".

c. Remuneration refers to the remuneration, remuneration (including remuneration for employees, directors and supervisors) and business execution expenses received by the president and VP of the company as directors, supervisors or managers of non-subsidiary investment businesses remuneration.

* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

(3) The remuneration of the top 5 managers of the company (individual disclosure of names and remuneration methods) (Note1)

December 31, 2022; Unit: NT\$ thousands														
Title	Name	Base Compensation (A) (Note2)		Retirement pension (B)		Bonuses and Allowances (C) (Note3)		Employee Compensation (D) (Note4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 6)		Compensation Paid to the management from an Invested Company Other than the Company's Subsidiary (Note7)
		The Company	All companies in the consolidated financial statements (Note5)	The Company	All companies in the consolidated financial statements (Note5)	The Company	All companies in the consolidated financial statements (Note5)	The Company		All companies in the consolidated financial statements (Note5)		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Wei, Zheng-Ci	2, 400	2, 496	0	0	357	357	0	0	0	0	-0. 078%	-0. 081%	None
Executive Vice President	Zhou, Zhi-Ming	1, 736	1, 736	0	0	256	256	0	0	0	0	-0. 056%	-0. 056%	None
Executive Vice President	Cai, Kun-Zong	1, 686	1, 686	0	0	257	257	0	0	0	0	-0. 055%	-0. 055%	None
Chief Supervisor	Gao, Jian- Yi	1, 636	1, 636	0	0	245	245	0	0	0	0	-0. 053%	-0. 053%	None
Director of Department of Finance and Accounting	Xu, You- Zhen	1, 413	1, 413	0	0	211	211	0	0	0	0	-0. 046%	-0. 046%	None

Note1: The so-called "Top Five Remuneration Managers" refer to the managers of the company and the standards for the identification of relevant managers, based on the former 27 March 2003 No. Taiwan-Finance-Securities-III-0920001301 to stipulate the scope of application of the "manager". As for the calculation and determination principle of the "Top Five Remuneration Managers", it is based on the sum of the salaries, retirement pensions, bonuses and special expenses received by the company managers from all companies in the consolidated financial report, as well as the total amount of employee remuneration (i.e., total of (A+B+C+D)), and it is determined by the top five highest remuneration after ranking. If the director concurrently serves as the former chief executive, this table and the 2nd section should be filled in.

Note2: Fill in the salary, job bonus, and severance pay of the top five top compensation managers in the most recent year.

Note3: Fill in the various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, car allocation and other remuneration amounts for the top five top managers in the most recent year. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, gas and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS2 "share-based payment", including obtaining employee stock option certificates, restricting employee rights, new shares, meals and cash capital increase subscription for shares, etc., should also be included in the remuneration.

Note4: The amount of compensation (including stocks and cash) of the top five management employees approved by the board of directors for the most recent year is filled in. If it is not possible to estimate, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year.

Note5: The total amount of remuneration paid to the top five top managers of the company by all companies (including the company) in the consolidated report shall be disclosed.

Note6: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note7: a. This column should clearly indicate the amount of the top five remuneration executives of the company that received the relevant remuneration from the subsidiary company or the parent company (if none, fill in "none").

b. Remuneration refers to the remuneration, remuneration (including remuneration for employees, directors and supervisors) and business execution expenses received by the top five top managers of the company as directors, supervisors or managers of non-subsidiary investment businesses remuneration.

* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

(4) The manager who distributes the employee compensation and the distribution situation in 2022:

The manager who did not distribute the employee compensation in 2022:

December 31, 2022 (Unit: NT\$ thousands)

	Title (Note1)	Name (Note1)	Stock	Cash	Total	The ratio of the total to the net profit after tax (%)
M a n a g e m e n t	President	Wei, Zheng-Ci	0	0	0	0%
	Executive Vice President	Yen, Tsung-Hui				
	Executive Vice President	Zhou, Zhi-Ming				
	Executive Vice President	Cai, Kun-Zong				
	Chief Supervisor	Gao, Jian-Yi				
	Director of Department of Finance and Accounting	Xu, You-Zhen				

Note1: Individual names and titles should be disclosed, but the profit distribution can be disclosed in summary.

Note2: Fill in the amount of employee compensation (including stocks and cash) approved by the board of directors for the distribution of managers in the most recent year. If it is impossible to estimate, calculate the proposed distribution amount this year based on the actual distribution amount last year. Net profit after tax refers to the net profit after tax in the most recent year. For those who have adopted the International Financial Reporting Standards, the net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note3: According to 27 March 2003 No. Taiwan-Finance-Securities-III-0920001301, the scope of application of managers is as follows:

- (1) President and equivalent
- (2) Executive Vice President and equivalent
- (3) Associate and equivalent
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Others who have the right to manage affairs and sign for the company

Note4: If the director, president and VP receive employee compensation (including stocks and cash), in addition to filling in the above-mentioned section 2, this form should be filled.

(5) The total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, president, and executive vice president, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. The total remuneration paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, president, and executive vice president:

Unit: %

Year	2021 (The company)	2021 (Including subsidiaries)	2022 (The company)	2022 (Including subsidiaries)
Remuneration of Director, President, Executive Vice President Total/Net profit (%)	157.97%	159.42%	-0.578%	-0.584%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1)The policies of the directors' remuneration: The Article 35 of the Articles of Association of the Company as amended in accordance with Article 235-1 of the Company Act: "If the company makes a profit during the year, it shall allocate no less than 1%, and no more than 5% as employee compensation, and employee compensation can be stocks or cash; No more than 1% is the director's remuneration. But if the company still has accumulated losses, it shall reserve the compensation amount in advance. The profit status of the current year as mentioned in the first paragraph refers to the profit before taxation of the current year before the distribution of employee remuneration and directors' remuneration." Directors' remuneration and employee remuneration are calculated based on the current year's pre-tax benefits minus the distribution of employee's remuneration and director's remuneration. In 2022, due to annual losses, directors' remuneration (variation remuneration) will not be paid in accordance with the regulations of the articles of association. Directors' remuneration (variation remuneration) and director performance evaluation (operating profit and loss) are related to each other, and future risks can be adjusted.

(2)The company's remuneration to directors is also based on the "Key points of remuneration of Director and Independent Director of CSBC Corporation Taiwan". Directors' monthly remuneration (fixed remuneration) is as follows:

Difference	Monthly remuneration
Director	NT\$10,400
Independent Director	NT\$60,000

(3)The remuneration of the chairman and president refers to the salary level of the privatized public equity business, and considers the company's operating performance or pre-tax earnings, and formulates "the remuneration of the chairman and president of the company and the president's performance evaluation points". In 2022, due to annual losses, there is no performance bonus for the chairman and president. The remuneration of the chairman and president is related to operating performance or surplus (loss).

(6) Performance evaluation of directors and managers:

1. The performance evaluation of the directors of the company, the formulation of "The company's board of directors' performance evaluation method" and the directors' performance evaluation standards.
2. The company's managers (including President, Executive Vice President and Financial Accounting Manager), including Executive Vice President and Financial Accounting Manager's performance evaluation standards and evaluation procedures, are handled in accordance with the "Key Points for the Implementation of the Annual Evaluation and Bonus of the Company's Practitioners".
3. President performance appraisal, adding and revising "The remuneration of the chairman and president of the company and president performance appraisal points", proposed to the board of directors on March 15, 2019 for approval, stipulating president performance appraisal standards, evaluation procedures and performance appraisal bonuses. President's performance evaluation standards include short-term financial performance indicators and long-term performance indicators. Short-term financial performance indicators include three items: operating income achievement rate, gross profit achievement rate, and after-tax profit and loss achievement rate. Long-term performance indicators include performance of business and system reforms, R&D innovation performance, future business growth performance and corporate social responsibility execution performance.
4. Based on the manager's performance evaluation results, bonuses (variable salary) are issued, so the manager's performance evaluation is linked to the bonus.

3.3 Implementation of Corporate Governance

3.3.1 Implementation of the Board of Director

1. A total of 7 (A) meetings of the Board of Directors were held in 2022. The attendance of director was as follows:

Title	Name (Note1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 2)	Remarks
Chairman	Representative of Ministry of Economic Affairs CHENG, WEN- LON	7	0	100.00	None
Director	Representative of Ministry of Economic Affairs WEI, CHENG- TZU	7	0	100.00	None
Director	Representative of Ministry of Economic Affairs HUANG, JIH- CHIN	2	0	100.00	The 17 th Director
	Representative of Ministry of Economic Affairs JHANG, YI-DE	3	2	60.00	The 18 th Director
Director	Representative of Ministry of Economic Affairs LAN, SYU- CING	0	0	0.00	The 17 th Director
	Representative of Ministry of Economic Affairs LI, GUO-JI	4	1	80.00	The 18 th Director
Director	National Development Fund Representative: WU, WEN-KUEI	7	0	100.00	None
Director	National Development Fund Representative: WANG, CHAU- CHANG	5	0	100.00	The 18 th Director
Director	National Development Fund Representative: LIN, CHIH-LUNG	5	0	100.00	The 18 th Director
Director	National Development Fund Representative: MAO, ZHEN-TAI	5	0	100.00	The 18 th Director
Director	National Defense Industrial Development Foundation Representative Fang, Mao-Hung	1	6	14.28	None
Director	Yaohua Glass Co., Ltd. Management Committee Representative: Lu, Wen-Tsan	2	0	100.00	The 17 th Director
	Yaohua Glass Co., Ltd. Management Committee	4	1	80.00	The 18 th Director

Director	CPC Corporation, Taiwan	2	5	28.57	None
Director	China Steel Corporation Representative: HWANG, CHIEN-CHIH	2	0	100.00	None
Director	Yue-Li Investment Corporation	2	0	100.00	The 17 th Director
Director	Industrial Labor Union of CSBC Kaohsiung Representative: HOU, DE-LONG	2	0	100.00	The 17 th Director
	Industrial Labor Union of CSBC Kaohsiung Representative: SYU, HAN-SYUN	5	0	100.00	The 18 th Director
Director	Industrial Labor Union of CSBC Kaohsiung Representative: HSIEH, KUO-JUNG	2	0	100.00	The 17 th Director
Independent Director	LIEU, DER-MING	7	0	100.00	None
Independent Director	LIN, HUI-JENG	5	2	71.43	None
Independent Director	CHEN, CHIH-YANG	7	0	100.00	None

Other mentionable items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - Matters referred to in Article 14-3 of the Securities and Exchange Act: Details of other matters to be recorded on page 35 of this annual report on the implementation of the audit committee 1. (1).
 - Besides the previous issues, other records or written statements of board meeting decisions that have been opposed or reserved by independent directors: None
- The implementation of directors' avoidance of interest proposals:
 - 2022.05.10 The Board of Directors: approval of "Proposal of Release the Prohibition on Directors from Participation in Competitive Business" · Director WU, WEN-KUEI avoided attendance according to the law.
- The listed company should disclose the info such as evaluation cycles, evaluation periods, scope, method and content of self-evaluation (or by peer).
 Evaluation cycle: One per year.
 Evaluation period: From January 1, 2022 to December 31, 2022.
 Evaluation scope: Performance evaluation of the board of directors and individual directors.
 Evaluation method: Internal evaluation of the board, self-evaluation by individual board members, Functional Committee Evaluation .
 Evaluation content:
 - Performance evaluation of the Board of Directors: Comply with relevant laws and regulations, and participate in company operations.
 - Performance evaluation of the individual board members: The company's tasks and objectives, the company's internal control and risks, the management of internal relationships, the management of external relationships, the composition and capabilities of the board of directors, the culture of the board, and the operations of the board of directors
- The goal of strengthening the functions of the board of directors in the current and recent years (For example, setting up an audit committee, enhancing information transparency, etc.) and implementation assessment:
 - The company has an audit committee and a remuneration committee composed of three independent directors. Please refer to the third point of "Corporate Governance Operation and Its Differences from and Reasons for the Corporate Governance Best Practice Principles for TWSE/TPEX" on page 38 for implementation details. In addition, major resolutions of the board of directors are revealed on the company website: the Investor Area/Corporate Governance (Website: http://www.csbcnet.com.tw/csbc/07/01_new.aspx).
 - In order to diversify the risks of directors' legal liabilities, the company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship and reviews the contents of the insurance policy every year to ensure complete renewal conditions.

Note1: If the director is a representative of an Institutional Shareholder, the name of the Institutional Shareholder shall be disclosed.

Note2: (1) If a director or supervisor resigns before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of board meetings during the term of office and the actual number of attendance.

(2) Before the end of the year, if any director is re-elected, the new and previous directors shall be listed, and the remarks column shall indicate whether the director is the previous, new or re-elected and the

date of re-election. The actual attendance rate (%) is calculated based on the number of meetings of the board of current year directors and the actual number of attendances during the term of office.

2. The attendance of Independent Director in 2022 was as follows:

Board Meeting/Name of independent director	1 st Time	2 nd Time	3 rd Time	4 th Time	5 th Time	6 th Time	7 th Time	Remarks
LIEU, DER-MING	✓	✓	✓	✓	✓	✓	✓	
LIN, HUI-JENG	✓	✓	☆	✓	✓	✓	☆	
CHEN, CHIH-YANG	✓	✓	✓	✓	✓	✓	✓	

Note : ✓: Attend in person; ☆: Delegated to attend; ✕: Not attend

3.3.2 Implementation of the Audit Committee:

A total of 5 (A) Audit Committee meetings were held in 2022. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note)	Remarks
Independent Director	LIEU, DER-MING	5	0	100.00	
Independent Director	LIN, HUI-JENG	5	0	100.00	
Independent Director	CHEN, CHIH-YANG	5	0	100.00	

Other items to be recorded:

- If the operation of the audit committee is in one of the following situations, the date, period, resolution of the proposal, Audit Committee Resolution Results, and the company's handling of the audit committee's opinions shall be stated.

(1) The matters listed in Article 14-5 of the Securities Exchange Act are as follows:

Date (Session)	Content of motion	Audit Committee Resolution Results	Follow-up processing by the company	Board of Director Resolution Results
March 4, 2022 (The 19th of the 17th)	Discussion Matters Case 1: The company's 2021 individual financial report and consolidated financial report.	March 01, 2022(The 14th Audit Committee of the 3rd Session) All present members agreed to pass the proposal.	Submitted to the 19th of the 17th Board of Directors on March 10, 2022 for approval.	All the attending directors passed the proposal
	Discussion Matters Case 11: Submit the company's 2021 "Internal Control System Statement".	March 01, 2022(The 14th Audit Committee of the 3rd Session) All present members agreed to pass the proposal.	Submitted to the 19th of the 17th Board of Directors on March 10, 2022 for approval.	All the attending directors passed the proposal
	Discussion Matters Case 13: The company's 2022 financial statements (including consolidated statements) and tax declaration visa case plans to hire PwC for visas.	March 01, 2022(The 14th Audit Committee of the 3rd Session) All present members agreed to pass the proposal.	Submitted to the 19th of the 17th Board of Directors on March 10, 2022 for approval.	All the attending directors passed the proposal

May 10, 2022 (The 20th of the 17th)	Discussion Matters Case 2: Amendment to the "Procedures for Acquisition or Disposal of Assets".	May 4, 2022 (The 15th Audit Committee of the 3rd Session) All present members agreed to pass the proposal.	Submitted to the 20th of the 17th Board of Directors on May 10, 2022 for approval.	All the attending directors passed the proposal
August 12, 2022 (The 3rd of the 18th)	Report Matters Case 6: Consolidated financial report for 2022 Q2 °	August 5, 2022 (The 1st Audit Committee of the 4rd Session) All present members agreed to pass the proposal.	Submit the report of the 3rd of the 18th Board of Directors held on August 12, 2022.	All the attending directors already know the proposal
	Discussion Matters Case 1: Self-built 2,800 TEU container ship 4 project investment plan, the purpose of investment is expanded to lease or sell in order to respond to market changes.	August 5, 2022 (The 1st Audit Committee of the 4rd Session) All present members agreed to pass the proposal.	Submit the report of the 3rd of the 18th Board of Directors held on August 12, 2022.	All the attending directors already know the proposal
	Discussion Matters Case 4: Invested in the acquisition of 26.7% equity of CSBC Power Technology Co., Ltd.	August 5, 2022 (The 1st Audit Committee of the 4rd Session) All present members agreed to pass the proposal.	Submit the report of the 3rd of the 18th Board of Directors held on August 12, 2022.	All the attending directors already know the proposal
	Discussion Matters Case 5: CSBC Power Technology Co., Ltd. applied to the company for parent company guarantee and capital loan	August 5, 2022 (The 1st Audit Committee of the 4rd Session) All present members agreed to pass the proposal.	Submit the report of the 3rd of the 18th Board of Directors held on August 12, 2022.	All the attending directors already know the proposal
	Discussion Matters Case 6: The company's "energy storage system construction project investment plan".	August 5, 2022 (The 1st Audit Committee of the 4rd Session) All present members agreed to pass the proposal.	Submit the report of the 3rd of the 18th Board of Directors held on August 12, 2022.	All the attending directors already know the proposal
	Discussion Matters Case 7: Change plan approved budget and ship specification for the company acquisition (AHTS) project investment plan.	August 5, 2022 (The 1st Audit Committee of the 4rd Session) All present members agreed to pass the proposal.	Submit the report of the 3rd of the 18th Board of Directors held on August 12, 2022.	All the attending directors already know the proposal
September 22, 2022 (The 4th of the 18th (special))	Discussion Matters Case 1: CDWE applies to the company for company guarantee and advance payment guarantee.	September 21, 2022 (The 2nd (special) Audit Committee of the 4th Session) All present members agreed to pass the proposal.	Submitted to The 4th of the 18th (special) board of directors for approval on September 22, 2022.	All the attending directors passed the proposal
	Discussion Matters Case 2: CSBC Power Technology Co., Ltd. application for company guarantee and capital loan matters, carried out in installments	September 21, 2022 (The 2nd (special) Audit Committee of the 4th Session) All present members agreed to pass the proposal.	Submitted to The 4th of the 18th (special) board of directors for approval on September 22, 2022.	All the attending directors passed the proposal

	Discussion Matters Case 3: The company's "three warehouse reconstruction projects" and "wind power temporary shed turnkey project" are expected to be contracted by (CSBC Coating Solutions Co., Ltd.)	September 21, 2022 (The 2sed (special) Audit Committee of the 4th Session) All present members agreed to pass the proposal.	Submitted to The 4th of the 18th (special) board of directors for approval on September 22, 2022.	All the attending directors passed the proposal
November 11, 2022 (The 5th of the 18th)	Discussion Matters Case4: CDWE applies to the company for parent company guarantee.	November 4, 2022 (The 3rd Audit Committee of the 4th Session) All present members agreed to pass the proposal.	Submitted to the 5th of the 18th Board of Directors on November 11, 2022 for approval.	All the attending directors passed the proposal

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

- If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
- Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. Matters, methods and results of the company's financial and business status communication).

Date	Method	Communication with	Communication matters	Communication results
March 1, 2022	Audit Committee	Auditor General	1.2021 Internal Control System Statement. 2.Internal audit business report.	1. Agreed to issue the 2021 Internal Control System Statement. 2. After discussion and communication, the audit committee learned about the report on the results of the audit business.
		CPA	2021 individual financial report and consolidated financial report.	The audit committee approved the 2021 financial report and submitted it to the board of directors for approval, and announced and reported to the competent authority as scheduled.
May 4, 2022	Audit Committee	Auditor General	Internal audit business report.	After discussion and communication, the audit committee learned about the report on the results of the audit business.
		CPA	Review the consolidated financial statements for 2022 Q1.	The audit committee approved the 2022 Q1 financial report and submitted it to the board of directors for approval and announced and reported to the competent authority as scheduled.
August 5, 2022	Audit Committee	Auditor General	Internal audit business report.	After discussion and communication, the audit committee learned about the report on the results of the audit business.
		CPA	Review the consolidated financial statements for 2022 Q2.	The audit committee approved the 2022 Q2 financial report and submitted it to the board of directors for approval and announced and reported to the competent authority as scheduled.
November 4, 2024	Audit Committee	Auditor General	Independent directors communicate with internal audit supervisors in front of the audit committee	Consensus on everything
			Internal audit business report.	After discussion and communication, the audit committee learned about the report on the results of the audit business.
		CPA	Communicate before the Audit Committee on the 2022 financial report audit objectives, audit scope and audit procedures.	Consensus on everything
			Review the consolidated financial statements for 2022 Q3.	The audit committee approved the 2022 Q3 financial report and submitted it to the board of directors for approval and announced and reported to the competent authority as scheduled.

Note:

1. If an independent director resigns before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during the term of office and the actual number of attendances.
2. Before the end of the year, if the independent director is re-elected, the new and previous independent directors should be listed, and the independent director should be marked as previous, new or re-elected and the date of re-election in the remarks column. The actual attendance rate (%) is calculated on the basis of the number of meetings of the audit committee during his tenure and the actual number of attendances.

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	√		CSBC has Codex on Corporate Governance and has been disclosed on the CSBC website and the MOPs. Company website: http://www.Csbcnet.com.tw/investor and investor relations area.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders, suggestions, doubts, disputes and litigations, and implement based on the procedure?	√		(1)On CSBC website, there is “Investor Area” (http://www.csbcnet.com.tw/Service/Investor). It discloses the contact information for shareholders to respond to and give suggestions.	Established with reference to the Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies and the company characteristics.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	√		(2) CSBC collects the updates information of major shareholders and the list of ultimate owners of those shares.	Established with reference to the Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies and the company characteristics.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	√		(3) CSBC has set up specific management points and operating procedures for the financial and business-related operating methods of the related enterprise companies and implemented them. In addition, in order to implement a comprehensive risk control of subsidiaries, set the "subsidiary supervision and management points" of the internal control mechanism standards.	Established with reference to the Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies and the company characteristics.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	√		(4) CSBC has established “Directions Governing the Processing of Material Information and Prevention of Insider Trading” to regulate the directors, managers and employees of the company when they actually know that the company has a major impact on the stock price of the company, after the news is clear, before the disclosure or within 18 hours after the disclosure, shall not be listed or business in a securities firm The premises buy or sell the company’s stocks or other securities of the nature of equity, buying or selling by themselves or in the name of others. The main points can be inquired on the company's website: (http://www.csbcnet.com.tw/Service/Investor/CorporateGovernance/InternalRegulations.htm)	Established with reference to the Corporate Governance Best Practice Principles for TWSE /TPEX Listed Companies and the company characteristics.

3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	√		(1) The company has a multi-pronged policy for directors in the Corporate Governance Code. The nominated directors and independent directors have included a wide range of backgrounds such as economics, management, technology, finance and society, and announced the implementation of multiple policies for directors on the company's external website. (http://www.csbcnet.com.tw/uploads/ Implementation of CSBC Taiwan Director Diversification Policy.pdf)	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	√		(2) The company has established a remuneration committee and an audit committee in accordance with the law, and currently has not established other functional committees.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? Does the company report the results of the performance evaluation to the board of directors, and use them as a reference for individual directors' remuneration and nomination for renewal?	√		(3) The company revised the "Performance Evaluation Method of the Board of Directors" on November 11, 2022, and included the evaluation items of the functional committee and conducted regular performance evaluation according to this evaluation method. In addition to providing management information and resources for the reference of the management department, it is also used as a director to govern the company And the reference of its own discussion, the evaluation results are uploaded and reported in accordance with the regulations, and posted on the company's external webpage at the same time.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
(4) Does the company regularly evaluate the independence of CPAs?			(4) The audit committee of the company not only requires CPAs to provide "statement of independence" and "Audit Quality Indicators (AQIs)", but also evaluates the independence and competency of CPAs according to the company's independence assessment standards (Note 1) and 13 AQI indicators annually. It has been confirmed that CPA Wang, Kuo-Hua and CPA Wu, Chien-Chih from PwC have no other financial interests or business relationship with the company except for the fees of audit and non-audit services, and the family members of the CPAs do not violate the independence requirements. With evaluation according to AQI indicators, PwC is superior to the industry average in auditing experience and training hours, and excellent in the quality and efficiency of assurance and tax services. Therefore, the	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			company evaluates that CPA Wang, Kuo-Hua and CPA Wu, Chien-Chih from PwC are qualified to serve as the company's CPAs. There is no need to change CPAs. The evaluation results of the most recent year have been discussed and approved by the Audit Committee on March 3, 2023, and submitted to the Board of Directors on March 10, 2023 for review and approval.	
4. Whether the company has allocated a suitable and appropriate number of corporate governance personnel, and designate a corporate governance director to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with necessary information for performing business, assisting directors and supervisors in complying with laws and regulations, handling the board of directors in accordance with the law, and matters related to the meeting of shareholders, preparation of minutes of the board of directors and shareholders meetings, etc.)?	√		(1) The director of corporate governance was served by Director of Department of Planning) to be responsible for handling affairs as detailed in the company's "Corporate Governance Code" (http://www.csbcnet.com.tw/Uploads/Corporate Governance Code _1080408.pdf) and announced at the MOPs of the Stock Exchange on Nov. 11, 2022. (2) The relevant units to cooperate in handling corporate governance affairs are as follows: 1. The Department of Planning is the unit responsible for corporate governance and designates a person to be responsible for the coordination of corporate governance, such as the registration of changes to the articles of association and the coordination and improvement of corporate governance evaluations. 2. The Secretariat Office of the Board handles the agenda of the board of directors, the shareholders meeting, the functional committee, the audit committee's proceedings and records and legal compliance matters. 3. The Department of Human Resources and Administration handles the proceedings and records of the remuneration committee, the training of directors and the head of corporate governance and legal compliance matters. 4. Other managerial departments cooperate in handling matters related to corporate governance.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. Whether the company has established a channel of communication with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and set up stakeholder areas on the company's website and properly respond to important corporate social responsibility issues that are of interest to stakeholders?	√		On CSBC website, there is “Stakeholder Area” (Website: http://www.csbc-net.com.tw/Service/InterestedArea.htm) and CSR Area (Website: http://www2.csbcnet.com.tw/csr/) , As a channel of communication with stakeholders, this section organizes the information disclosed on the company’s website and categorizes them according to the issues that may be of concern to each stakeholder, making it easier for stakeholders to find the information they need. This section also provides contact mailboxes to provide feedback from stakeholders.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	√		CSBC designates Fubon Securities Co., Ltd. to deal with shareholder affairs.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	√		(1) The company declares various financial and business information in MOPs in accordance with regulations and sets up an investor service page on the company's website to disclose financial, stock affairs, products and corporate governance related information (the company's website is: http://www.csbcnet.com.tw).	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	√		The company’s website also has an English version of the webpage (http://www.csbcnet.com.tw/English/) and has set up "Key points for setting up a spokesperson" and establish a spokesperson system in accordance with regulations to handle related matters; On June 22, the investor conference was held at the invitation of KGI Securities. Relevant information can be found on the company's website (http://www.csbcnet.com.tw/Service/Investor/StockInformation.htm).	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company announce and report annual financial reports within two months after the end of the fiscal year, and announce and report the financial reports for the first, second and third quarters and the operating conditions of each month before the prescribed deadline?		√	The company submits the financial report to the audit committee and the board of directors for review and approval according to a scheduled schedule and announces and declares the financial report and monthly operating conditions within the time limit specified by the Securities and Exchange Act.	Established with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the company characteristics.

Note1: Criteria for CPA Independence Evaluation

Evaluation Items		Factors affecting accountants' independence	Evaluation Results	Does it violate independence?	
				Yes	No
1. Assessment of the interest relationship between CPA and company	(1)	Have a direct or significant indirect financial interest relationship with the company (holding the company's equity securities or other securities, corporate bonds, loans or other debt instruments, including its rights and derivative interests)	None		√
	(2)	There are financing or guarantees with the company or the company's directors and independent directors	None		√
	(3)	Have a close business relationship with the company or its directors, independent directors, and managers	None		√
	(4)	Members of the audit team have a potential employment relationship with the company (determined to serve as a director, independent director, manager of the company in the future, or a position that has a significant impact on the audit case)	None		√
	(5)	Entering into a contingent fee arrangement relating to an audit engagement.	None		√
2. Assessment of whether the CPA have dual identity	(1)	A member of the audit team of an accounting firm has served as a director, independent director, manager of the company or a position that has a significant influence on the audit case in the last two years	None		√
	(2)	Non-audit services provided by accounting firms to the company	None		√

Evaluation Items		Factors affecting accountants' independence	Evaluation Results	Does it violate independence?	
				Yes	No
3. Assessment of whether the CPA have a position to defend the company	(1)	Members of the audit team of an accounting firm publicize or mediate the stocks or other securities issued by the company	None		✓
	(2)	Members of the audit team of an accounting firm act as defenders of the company or coordinate conflicts with other third parties on behalf of the company.	None		✓
4. Assessment of the familiarity between CPA and company personnel	(1)	Members of the audit team of the accounting firm have relatives with the company's directors, independent directors, managers, or personnel who have a significant influence on the audit case	None		✓
	(2)	A CPA within one year of resignation from an accounting firm serves as the director, independent director, manager of the company or a position that has a significant influence on the audit case.	None		✓
	(3)	Members of the audit team receive valuable gifts or gifts from the company or its directors, independent directors, and managers.	None		✓
5. Assessment of whether the CPA has been coerced by the company	(1)	The company requires members of the audit team to accept improper choices made by management in accounting policies or improper disclosures in financial statements.	None		✓
	(2)	In order to reduce public expenses, pressure is placed on the members of the audit service team to improperly reduce the inspection work that should be performed.	None		✓
6. Assessment of the practice period of a CPA	(1)	Whether the same CPA has performed visa business for more than seven years	None		✓

8. Other important information that helps to understand the operation of corporate governance (Including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of interested parties, directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the situation where the company purchases liability insurance for directors and supervisors, etc.):

(1) Status of employee rights and employee wellness:

- a. In order to protect the rights and interests of employees, the company renewed its group agreement with Industrial Labor Union on September 24, 2019, including labor union activities, working hours, vacations, wages, bonuses, benefits, safety and health, labor relations, human development, retirement pensions, etc. Conditions, and in accordance with labor-related laws and regulations, formulate work rules and various management regulations, which clearly specify the rights and obligations of employees and welfare items, and review them regularly to protect the rights and interests of employees.
- b. The company provides considerable welfare measures, in addition to labor insurance, health insurance, and for staff mutual assistance insurance, the other for employees to insure 5 million group accident insurance, foreign travel safety insurance, employee health checks, and cultural and recreational, Activities and other subsidies, the current labor relations are quite harmonious.

(2) Employee Concern:

CSBC express its concern for the sincere condolences of the practitioners who has hospitalized due to illness or injury. CSBC has set “Practitioner’s injury and illness condolence clause ” and sent Consolation money to the hospital practitioner colleagues at the Spring Festival, Dragon Boat Festival, the Mid-Autumn Festival.

(3) Investor Relations:

CSBC has set up a spokesperson to communicate with investors. CSBC website has also set up the Investors area service website to expose corporate governance, financial information, shareholder information, contacts and product-related information to provide investors with timely service information. (Company website: <http://www.csbcnet.com.tw>).

(4) supplier relationship:

The company's suppliers are managed according to the "supplier management operation standard" and "material supplier selection standard". For manufacturers that can meet the needs of the company's production and sales plan and have good quality materials, sign long-term supply contracts to maintain long-term cooperative relationships . As for suppliers, issues related to environmental protection, safety and hygiene have been regulated in the "Supplier Management Operational Standards" and "Material Supplier Selection Standards".

(5) Stakeholders rights:

CSBC has set up a Spokesman system. There is also a “Stakeholder Area” on the website (<http://www.csbcnet.com.tw/Service/InterestedArea.htm>). It sorts the topics for each stakeholder to collect the information they want. It also provides the email address for various interested parties to send the feedback from stakeholders.

(6) Directors and managers and staff training records:

a. Director about corporate governance training

	Title	Name of Institutional Shareholders	Institutional Shareholders' Representative Name	Sponsoring Organization	Name of Course	Date of Training	Hours	Total time
1	Chairman	Ministry of Economic Affairs	CHENG, WEN-LON	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	6
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
2	Director	Ministry of Economic Affairs	WEI, CHENG-TZU	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	6
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	

	Title	Name of Institutional Shareholders	Institutional Shareholders' Representative Name	Sponsoring Organization	Name of Course	Date of Training	Hours	Total time
3	Director	Ministry of Economic Affairs	JHANG, YI-DE	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	12
				Ministry of Labor	2022 Labor Directors' Professional Knowledge Training Activities.	August 15-16, 2022	6	
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
4	Director	Ministry of Economic Affairs	LI, GUO-JI	Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	3
5	Director	Yaohua Glass Co., Ltd. Management Committee	Lu, Wen-Tsan	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	3
6	Director	Industrial Labor Union of CSBC	SYU, HAN-SYUN	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	12
				Ministry of Labor	2022 Labor Directors' Professional Knowledge Training Activities.	August 15-16, 2022	6	
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
7	Director	National Development Fund, Executive Yuan	WANG, CHAU-CHANG	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	12
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
				Accounting Research and Development Foundation	ESG Information Disclosure Trends and Related Regulations	October 07, 2022	3	
				Securities & Futures Institute R.O.C	Directors and Supervisors (Including Independent) Practice Advanced Seminar - Analysis of the Key Points of Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to.	November 15, 2022	3	
			WU, WEN-KUEI	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	6

	Title	Name of Institutional Shareholders	Institutional Shareholders' Representative Name	Sponsoring Organization	Name of Course	Date of Training	Hours	Total time
			LIN, CHIH-LUNG	Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	6
				Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
			MAO, ZHEN-TAI	Corporate Operating and Sustainable Development Association.	Latest M&A Law and Corporate Governance Practice Cases	July 19, 2022	3	9
				Taiwan Investor Relations Institute	Digital Governance Enhances Risk Control and Crisis Management of Directors and Supervisors.	July 22, 2022	3	
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
8	Independent Director		LIN, HUI-JENG	Taiwan Corporate Governance Association	What Investors Are Thinking - Talking about Enterprise Sustainable Transformation from ESG Investment and Financing	August 04, 2022	3	6
				Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	
9	Independent Director		LIEU, DER-MING	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	6
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	
10	Independent Director		CHEN, CHIH-YANG	Taiwan Corporate Governance Association	Legal issues that should be paid attention to in insider shareholding management and share trading.	August 12, 2022	3	9
				Taiwan Stock Exchange	2022 Listed Companies - Release of Reference Guidelines for Independent Directors and Audit Committees to Exercising Powers and Directors and Supervisors Publicity Meeting.	September 29, 2022	3	

	Title	Name of Institutional Shareholders	Institutional Shareholders' Representative Name	Sponsoring Organization	Name of Course	Date of Training	Hours	Total time
				Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	

b. Managers about corporate governance training

Title	Name	Sponsoring Organization	Name of Course	Date of Training	Hours	Total time
Auditor General	Shen, Feng-Ru	Securities & Futures Institute R.O.C	Training Course for internal audit and internal control.	October 07, 2022	6	12
		Securities & Futures Institute R.O.C	How auditors create their own worth.	November 18, 2022	6	
Corporate governance officer	Yu, Mao-Hua	Taiwan Corporate Governance Association	Looking at Insider Trading from the Perspective of Inspection and Adjustment	November 11, 2022	3	3
Director of Department of Finance and Accounting	Xu, You-Zhen	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Issuer Securities Firms and Stock Exchanges	June 16-17, 2022	12	12
Deputy Director of Department of Finance and Accounting	Yang, Jing-An	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Issuer Securities Firms and Stock Exchanges	June 16-17, 2022	12	12

c. Personnel related to financial information transparency obtain relevant licenses specified by the competent authority:

- (1) One person from the Audit Office of our company obtained the Institute of Internal Auditors-Chinese Taiwan internal auditor license.
- (2) Two people from the Department of Finance and Accounting of our company have passed the Certificate of Advanced Examination for Professional Accountants and Technical Staff of the Examination Institute.

- (7) Implementation of risk management policies and risk measurement standards (Note: If it is a securities firm, a securities investment trust business, a securities investment consulting business, and a futures business, the implementation of the risk management policy, risk measurement standards, and consumer or customer protection policy) :
The company has formulated and issued the "Risk Management Code" and disclosed the "Risk Management Policy" and established a risk management committee to promote risk management operations. The company follows the "Risk and Opportunity Management Procedures" as the highest guidance document and continues to use the "Risk and opportunity management" and "Stakeholder" thinking

to identify, evaluate and control risks and opportunities. The risk and opportunity management operations performed by each verification management system (the four major management systems of quality, environment, occupational safety and health, and intellectual property) follow the characteristics of the management system, and carry out risk and opportunity identification, analysis, evaluation, and processing procedures. According to the identified risk and opportunity levels, formulate risk and opportunity countermeasures/strategies, or follow daily management to effectively grasp operational opportunities or reduce operational risks. The company's risk management policies/strategies, organization, management/operation procedures are simultaneously included in the "Sustainability Report" and the "Sustainable Development Area" (Website: <http://www2.csbcnet.com.tw/csr/>) They are disclosed on the corporate governance risk management webpage.

- (8) Implementation of customer policy: The company is a qualified company with a quality management system (ISO 9001). The quality policy is "Customer Satisfaction. Quality First.", and with the core values of "Team, Commitment, Safety, and Service", we provide customers with satisfactory products and services.
- (9) The company buys liability insurance for directors: In 2022, the company has purchased liability insurance for directors, insured for USD 3 million, and reported to the 6th of the 18th Board of Directors on March 10, 2023.

9. Please explain the improved situation regarding the corporate governance evaluation results released by the TWSE "Corporate Governance Center" in the most recent year and propose priority enhancements and measures for those who have not improved.

- 1. The company's 111th year (ninth session) application for the self-assessment of corporate governance on the corporate governance self-assessment platform of the Securities Foundation in accordance with the regulations of the stock exchange, the evaluation and re-evaluation results are listed as 36% to 50% (The eighth session) the evaluation grades will be reduced by one grade from 21% to 35%.
- 2. Every year, the company invites relevant authorities and responsible units to explain and discuss the additions and deletions of corporate governance evaluation indicators and matters that do not meet the requirements of the indicators, so as to improve and strengthen the transparency of corporate governance systems and corporate governance management.

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee:

CSBC has established the Remuneration Committee's Organizational Rules in accordance with the provisions of Article 14 of the Securities Exchange Act and the "Measures for the Listing of the Stock Exchange or the Administration of the Salary and Remuneration of the Companies in the Securities and Futures Businesses promulgated by the Executive Yuan" After approved by the 6th meeting of the 14th Board of Directors, a remuneration committee was established according to the letter of July 6, 2011 CSBC-Management-No. 1000001518. The remuneration committee is composed of two independent directors and one director, whose powers are to determine and regularly review the performance of directors and managers Evaluation and remuneration policies, systems, standards and structures, and setting the remuneration of directors and managers.

On August 9, 2019, the board of directors approved three independent directors:Lieu, Der-Ming, Lin, Hui-Jeng, Chen, Chih-Yang, etc., as the company's 4th remuneration committee, and the term of office is from August 9, 2019 to June 22, 2022.

On August 12, 2022, the board of directors approved two independent directors and one director:Lieu, Der-Ming, Lin, Hui-Jeng, Lu, Wen-Tsan, etc., as the company's 5th remuneration committee, and the term of office is from August 12, 2022 to June 21, 2025.

The 2022 Remuneration Committee held two meetings on March 1, 2022(the fourth session) and November 4, 2022(the fifth session).

1. Information of Remuneration Committee Members

Title (Note1)	Criteria	Professional qualifications and experience(Note2)	Independence Criteria (Note3)	Number of Other Public Companies in Which the Individual is concurrently serving as a remuneration committee member	Remarks
	Name				
Independent Director (convener)	LIEU, DER-MING	Current : Adjunct professor, Department of Finance, National Sun Yat-sen University. Experience : Professor, Department of Finance, National Sun Yat-sen University 、Advisor of curities and Futures Commission of the Ministry of Finance.	I, my spouse, and relatives within the second degree are not directors, supervisors or employees of the company or its affiliated companies	1	Please refer to Schedule 1 on page 20 for information on directors and supervisors (1)
Independent Director	LIN, HUI-JENG	Current : Director of CHUN YU WORKS & CO., LTD. Experience : President of National Penghu University of Science and Technology 、Chairman of CHUN YU WORKS & CO., LTD.	I, my spouse, and relatives within the second degree are not directors, supervisors or employees of the company or its affiliated companies	None	Please refer to Schedule 1 on page 20 for information on directors and supervisors (1)
Independent Director	CHEN, CHIH-YANG	Current : Presiding attorney of CHEN, CHIH-YANG Law Firm. Experience : Judge of Banqiao District Court 、Adjunct lecturer at Central Police University 、Junior Partner of Formosa Transnational Attorneys at Law.	I, my spouse, and relatives within the second degree are not directors, supervisors or employees of the company or its affiliated companies	None	Please refer to Schedule 1 on page 20 for information on directors and supervisors (1)
Director	LU, WEN-TSAN	Current : Deputy Head of Industrial Development Bureau, Ministry Of Economic Affairs Experience : Section Chief of Industrial Development Bureau, Ministry Of Economic Affairs	I, my spouse, and relatives within the second degree are not directors, supervisors or employees of the company or its affiliated companies	None	Please refer to Schedule 1 on page 20 for information on directors and supervisors (1)

Note1: Please specify in the form the relevant working years, professional qualifications and experience and independence of the members of the Compensation Committee. If they are independent directors, please refer to Appendix 1 on page 20 for information on directors and supervisors (1).)related information. Please fill in the series as independent directors or others respectively (if it is the convener, please add a note).

Note 2: Professional qualifications and experience: describe the professional qualifications and experience of individual compensation committee members.

Note 3: Independence: State the independence of the members of the Compensation Committee, including but not limited to whether I, my spouse, or relatives within the second

degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; I, spouse, The number and proportion of the company's shares held by relatives within the second degree (or in the name of others); whether they are a company that has a specific relationship with the company (refer to Article 6 of the Measures for the Establishment and Exercise of Powers of the Compensation and Remuneration Committee of Companies Listed on Stocks or Trading at the Business Office of a Securities Firm) The director, supervisor or employee of Paragraph 1, Subparagraphs 5 to 8); the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

2. Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) The term of the 4th session members: The term of the members: August 9, 2019 to June June 22, 2022. The term of the 5th session members: The term of the members: August 12, 2022 to June 21, 2025. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note)	Remarks
Convener	LIEU, DER-MING	2	0	100%	4th and 5th remuneration committee convener
Member	LIN, HUI-JENG	2	0	100%	4th and 5th remuneration committee member
Member	CHEN, CHIH-YANG	1	0	100%	4th remuneration committee member
Member	LU, WEN-TSAN	1	0	100%	5th remuneration committee member
Other mentionable items:					
1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.					
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

Note :

- (1) If a member of the Remuneration Committee resigns before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during the term of service and the actual number of attendances.
- (2) Before the end of the year, if the salary committee is re-elected, the new and previous Remuneration Committee members should be listed, and the remarks column should indicate whether the member is previous, new or re-elected and the date of reelection. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during their employment and their actual attendance.

3. The 2022 Remuneration Committee discussed proposals and resolutions:

	Date of Meeting	Discussed Proposals	Resolutions
The 6 th remuneration committee meeting of the 4 th session	March 1, 2022	1. Managers (including general manager, deputy general manager, and director of finance and accounting) performance appraisal report of 2021, is submitted for report. 2. Secretariat Office of the Board Reports 2021 performance evaluation of the Board of Directors, is submitted for report. 3. Since the company has accumulated losses in 2021, directors' remuneration will not be paid in 2021 and is submitted for deliberation.	1.The first case and the second case were approved by all members of the remuneration committee. 2.All the members present agreed to pass the proposal and submitted it to the March 4, 2022 , the 19th of the 17th Board of Directors for approval before submitting the report of the June, 2022 General shareholders meeting.
The 1 st remuneration committee meeting of the 5 th session	November 4, 2022	1. The members of the 5th remuneration committee of the company were approved by the 3rd of the 18th Board of Directors on August 12, 2022. Independent director LIEU, DER-MING, Independent director LIN, HUI-JENG, and Representative corporate director LU, WEN-TSAN, is submitted for report. 2. The tracking item of previous remuneration committee meeting is submitted for report.	All members of remuneration committee agreed to pass two proposals.

3.3.5 Implementation of promotion of sustainable development and the differences and reasons for the implementation of the sustainable development codes of listed OTC companies:

Evaluation Item	Implementation Status (Note1)			
	Yes	No	Abstract Illustration (Note2)	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, and has the board of directors authorized senior management to handle it, and has the board of directors supervised the situation?	√		1. The Department of Planning of the company is a full-time (part-time) unit to promote corporate social responsibility and has established a "Corporate Social Responsibility Committee", with the chairman as the chairman, the general manager as the deputy chairman, and the heads of each first-level unit as the committee members. 2. The committee has four promotion groups that formulate strategic action plans related to corporate governance, environment, labor safety, and society each year. The committee convenes twice a year to report on the promotion and implementation of the four promotion groups' strategic action plans, and review the "Annual Corporate Social Responsibility Report". 3. Cooperate with the annual meeting of the board of directors and shareholders, report the promotion and implementation of the previous year's strategic action plan and the current year's strategic action plan to the board of directors and the general shareholders' meeting.	Established with reference to for TWSE/Listed Companies and the company characteristics.
2. Does the company follow the principle of materiality to conduct risk assessments on environmental, social and corporate governance issues related to the company's operations, and formulate relevant risk management policies or strategies? (Note2)	√		1. The company compiles a "Corporate Social Responsibility Report" every year. Use the questionnaire on issues of concern to stakeholders to determine major issues of concern to stakeholders. 2. The stakeholders concerned about major issues are divided into three aspects: corporate governance, environmental, and social aspects, and they formulate management policies, explain their significance, formulate strategy implementation, and disclose the effectiveness of implementation. 3. Significant issues, risk assessment of environmental, social and corporate governance issues related to company operations, detailed "Corporate Social Responsibility Report" and company website for related risk management policies or strategies.	Established with reference to for TWSE/Listed Companies and the company characteristics.

Evaluation Item	Implementation Status (Note1)			
	Yes	No	Abstract Illustration (Note2)	
3. Environmental issues				
(1) Does the company establish an appropriate environmental management system based on its industrial characteristics?	√		(1) The company has passed the ISO/CNS 14001 environmental management system, and the responsible unit is the Department of Environmental Protection and Public Utilities, which comprehensively manages the environmental quality and maintenance management of waste, air pollution and waste (sewage) water, etc.	Established with reference to for TWSE/Listed Companies and the company characteristics.
(2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials that have a low impact on the environment?	√			
(3) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to respond to climate-related issues?	√		(2) The company is committed to improving the utilization efficiency of various resources, investing in energy-saving and high-efficiency equipment, and is more committed to the management and control of the use of oil, water, air kinetic energy, and electricity, and for waste classification and waste (sewage) water recycling and reuse. In 2022, the waste (sewage) water treatment plant recovered water for use in ship ballast water, totaling 11,939 tons.	Established with reference to for TWSE/Listed Companies and the company characteristics.
(4) Does the company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?	√		(3) In accordance with the TCFD (Task Force on Climate-related Financial Disclosures) framework announced by the Financial Stability Board (FSB), the company assesses the risks and opportunities of climate change for the company, and plans coping strategies and measures to reduce various risks brought about by climate change.	The company assesses the risks and opportunities of climate change for the company in accordance with the TCFD framework announced by the Financial Stability Board (FSB). For details, please refer to the TCFD chapter of the Sustainability Report.

Evaluation Item	Implementation Status (Note1)								
	Yes	No	Abstract Illustration (Note2)						
			(4) Annual water consumption statistics of the company :		The company's environmental policy is Conserve energy, Sort garbage, Be law-abiding and Control and prevent from pollution. Environmental goals are set every year for continuous improvement. The greenhouse gas emissions, water consumption and total weight of waste in the factory area in the past two years are disclosed in the sustainability report for the general public to review. For more information, please refer to the chapter 2 “Green Helmsman” in the sustainability report.				
			Water consumption						
			Year Item	2021		2022			
				Kaohsiung Yard		Keelung Yard	Kaohsiung Yard	Keelung Yard	
			Cubic Meter	393,370		68,718	446,896	74,062	
			Total waste weight :						
			Amount of domestic waste— Kaohsiung Yard						
			Year Item	2021		2022			
				Total Amount of domestic waste (kg)		1,512,120			
			Production Value (thousand NTD)			15,875,982		22,753,512	
			Domestic waste density (kg/thousand NTD)			0.134		0.066	
			Amount of domestic waste— Keelung Yard						
			Year Item	2021		2022			
				Total Amount of domestic waste (kg)		206,830			
			Production Value (thousand NTD)			2,043,690		2,036,825	
			Domestic waste density (Kg/thousand NTD)			0.139		0.102	

Evaluation Item	Implementation Status (Note1)																																
	Yes	No	Abstract Illustration (Note2)																														
			Voluntary greenhouse gas inventory : <table><tr><th colspan="5">Greenhouse Gas Inventory</th></tr><tr><th>Year</th><th colspan="2">2021</th><th colspan="2">2022</th></tr><tr><th>Item</th><th>Kaohsiung Yard</th><th>Keelung Yard</th><th>Kaohsiung Yard</th><th>Keelung Yard</th></tr><tr><td>Category 1 (Tons)</td><td>8,352</td><td>922</td><td colspan="2" rowspan="3">Once the company's inventory is completed, its carbon emissions will be disclosed on the "National Greenhouse Gas Registration Platform of the Environmental Protection Agency of the Executive Yuan" and the TWSE Information Observatory.</td></tr><tr><td>Category 2 (Tons)</td><td>19,778</td><td>5,553</td></tr><tr><td>Total emissions (Tons)</td><td>28,130</td><td>6,475</td></tr></table>				Greenhouse Gas Inventory					Year	2021		2022		Item	Kaohsiung Yard	Keelung Yard	Kaohsiung Yard	Keelung Yard	Category 1 (Tons)	8,352	922	Once the company's inventory is completed, its carbon emissions will be disclosed on the "National Greenhouse Gas Registration Platform of the Environmental Protection Agency of the Executive Yuan" and the TWSE Information Observatory.		Category 2 (Tons)	19,778	5,553	Total emissions (Tons)	28,130	6,475	
Greenhouse Gas Inventory																																	
Year	2021		2022																														
Item	Kaohsiung Yard	Keelung Yard	Kaohsiung Yard	Keelung Yard																													
Category 1 (Tons)	8,352	922	Once the company's inventory is completed, its carbon emissions will be disclosed on the "National Greenhouse Gas Registration Platform of the Environmental Protection Agency of the Executive Yuan" and the TWSE Information Observatory.																														
Category 2 (Tons)	19,778	5,553																															
Total emissions (Tons)	28,130	6,475																															
4. Social Issue (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	√		(1) The company has formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights.The company is committed to protecting the human rights of employees, regards employees as the most important asset, abides by labor laws and regulations, freedom of employment, prohibits child labor and improper discrimination, opposes sexual harassment and workplace bullying, protects humane treatment, etc., and continuously improves the working environment and conditions of employees. Welfare; in the future, we will continue to follow the [United Nations Guiding Principles on Business and Human Rights (UNGPs)] and [RBA Responsible Business Alliance Code of Conduct] to practice the company's human rights concept.				CSBC human rights management policies and specific plans are summarized as follows: <table><tr><td>Human rights management policie</td><td>Specific plans</td></tr><tr><td>Provide a safe and healthy working environment</td><td>Provide parental leave and guarantee employees the right to stay and work. In 111, 9 people (8 males, 1 female) should be reinstated, 9 people (8 males, 1 female) were actually</td></tr></table>	Human rights management policie	Specific plans	Provide a safe and healthy working environment	Provide parental leave and guarantee employees the right to stay and work. In 111, 9 people (8 males, 1 female) should be reinstated, 9 people (8 males, 1 female) were actually																						
Human rights management policie	Specific plans																																
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Evaluation Item	Implementation Status (Note1)				
	Yes	No	Abstract Illustration (Note2)		
					reinstated, and the reinstatement rate was 100%.
				Diverse staff	In 2022, the company should hire 30 aboriginal employees, but actually employed 31 people. Persons with disabilities should employ 30 people, but actually employed 61 people. The employment rate of people with disabilities reached 203%, which is 31 more than the legal requirement.
				Prohibition of forced labor and compliance with local government labor laws	It is expressly stipulated that child labor and forced labor will be eliminated, and race, gender, age, political affiliation or religious belief will not be used as criteria for employee appointment, assessment and promotion.

Evaluation Item	Implementation Status (Note1)			
	Yes	No	Abstract Illustration (Note2)	
(2) Does the company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?	√		(2) The company has established a group agreement with the enterprise labor union, and in accordance with labor-related laws and regulations, sets working rules and various management regulations, which clearly specify the rights and obligations of employees and welfare items, and establishes enterprise labor unions and holds labor-management meetings in accordance with the law to fully protect legal rights of employees; Recruitment and selection, promotion, salary, leave, retirement and various welfare measures for employees of both sexes not only meet the legal requirements and are equal, but even exceed the legal standards. Women's and men's basic salary and remuneration are the same, regardless of gender, position and work area. Women also have menstrual leave, 60-minute feeding/gathering time per day, and childcare leave without pay. The company has formulated the "Key Points for Issuing Performance Bonuses", which will issue performance bonuses and employee compensation based on pre-tax earnings, and appropriately reflect operating performance or results in employee compensation.	In addition, in 2022, a total of 11,716 hours of training related to human rights protection were implemented for colleagues, and a total of 632 people completed the training. In the future, we will continue to pay attention to issues of human rights protection and promote relevant education and training to increase awareness of human rights protection and reduce the possibility of related risks. Established with reference to for TWSE/Listed Companies and the company characteristics.

Evaluation Item	Implementation Status (Note1)			
	Yes	No	Abstract Illustration (Note2)	
(3) Does the company provide employees with a safe and healthy working environment, and provide employees with regular safety and health education?	√		(3) The company's group agreement regulates safety and health related matters as follows, and is handled in accordance with the relevant provisions of the labor law to provide employees with a healthy and safe working environment: a. Regularly general health check for employees and annual health check for workers in special environments. b. Set up medical clinics and hire qualified medical personnel to facilitate medical treatment of practitioners and their spouses' immediate family members and provide medical consultation. c. Professional training and safety and hygiene training for employees. d. Provide safety protective gear and equipment, and regularly check to protect the safety of employees at work. e. Set up Occupational safety and health committee and labor safety and health department to implement employee safety, health and health management. f. When workplaces and production equipment affect the health and safety of employees, improvements are proposed through Occupational safety and health committee meetings or Labor-management meetings.	Established with reference to for TWSE/Listed Companies and the company characteristics.
(4) Does the company establish an effective career development training program for employees?	√		(4) The company has planned training courses for "common knowledge", "management skills", and "professional skills" according to employee categories, including new recruits, industrial management, technology, and various levels of supervisors. Common knowledge includes pre-employment training for newcomers, project management courses, information security training, supervisors' annual outlook meeting, etc.	Established with reference to for TWSE/Listed Companies and the company characteristics.

Evaluation Item	Implementation Status (Note1)			
	Yes	No	Abstract Illustration (Note2)	
(5) Regarding customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant laws and international standards, and formulate relevant policies and appeal procedures for protecting customer rights?	√		Management skills include reserve training for foremen and monitors, reserve training for mid-level supervisors, management seminars, etc. Professional skills include professional skills related courses in line with each business development direction. In addition, in order to encourage employees to learn and develop independently, it also provides remedial assistance fees for spare time. (5) a. To provide products that meet customer needs and safety, the company conducts strict control from product development, design, production and sales stages. In addition, CSBC Taiwan lists the performance, specifications and precautions of each product in the manual in detail and provides customer service hotline numbers and product warranty certificates to ensure that customers' rights and interests are protected to the greatest extent. b. The products and services provided by the company completely follow or exceed the International Maritime Organization (IMO) specifications. In all stages of the product cycle, all processes and functions that may affect health and safety are improved after evaluation. CSBC Taiwan did not violate any laws and regulations related to products and services in 2022.	Established with reference to for TWSE/Listed Companies and the company characteristics.
(6) Does the company set up supplier management Policy which request supplier to comply with Environmental protection and safety sanitation or labor human rights subjects? How about the situation of implementation?			(6) CSBC request supplier to comply with environmental protection and safety sanitation or labor human rights subjects in Supplier management policy. The detail of implementation as indicated in CSR report and CSBC web site.	Established with reference to for TWSE/Listed Companies and the company characteristics.
5. Does the company refer to the internationally accepted standards or guidelines for preparing reports to prepare reports that disclose the company's non-financial information, such as the		√	The company's Corporate Social Responsibility Report is compiled voluntarily, and without compulsory verification by a third party, the company adopts the core options to declare that it	Established with reference to for TWSE/Listed Companies and the company characteristics.

Evaluation Item	Implementation Status (Note1)			
	Yes	No	Abstract Illustration (Note2)	
Corporate Social Responsibility Report? Has the disclosure report obtained the assurance or assurance opinion of the third-party verification unit?			complies with the GRI standards.	
6. If a company has its own corporate social responsibility code based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state the difference between its operation and the established code.	√		According to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", the company has established a "Corporate Social Responsibility Code" and announced it on the company website (URL http://www2.csbcnet.com.tw/csr/), according to promote the implementation, there is no difference with the stipulated code.	Established with reference to for TWSE/Listed Companies and the company characteristics.
7. Other important information that helps to understand the operation of corporate social responsibility: ▲ The details are as follows.				

Note1: If you check "Yes" for the Implementation Status, please describe the important policies, strategies, measures and implementation conditions adopted; If you check "No" for the Implementation Status, please explain the reason and explain the plan for adopting relevant policies, strategies and measures in the future. However, regarding promotion projects 1 and 2, listed OTC companies should describe the governance and supervision structure of sustainable development, including but not limited to management guidelines, strategies and goal formulation, review measures, etc. It also describes the company's risk management policies or strategies for environmental, social and corporate governance issues related to operations, and its assessment status

Note2: If the company has compiled a Corporate Social Responsibility Report, the Implementation Status must indicate the method of accessing the Corporate Social Responsibility Report and the index page to replace it.

Note3: The materiality principle refers to those who have a significant impact on the company's investors and other interested parties regarding environmental, social and corporate governance issues.

Description:

The company is committed to promoting (1) Environmental protection, energy saving and carbon reduction (2) Social and community services (3) Occupational Safety and health (4) Handling industry-university cooperation and talent cultivation, in addition to considering the internal interests of the company's operations, At the same time, it also takes into account the external benefits to the society, so as to take the society and use it in the business philosophy of the society, and fulfill the corporate responsibility to the society. › The following is an explanation of the systems and measures adopted and the implementation status of the above four main activity respectively as follows:

- (1) Environmental protection, energy saving and carbon reduction: As shown in Table 3 above, Environmental Issues.
- (2) Social and community services: The company has always been enthusiastic about participating in social and community activities and has issued good-neighborly budget use and assessment points. It prepares budgets for good-neighborly activities every year. In **2022**, it sponsors neighborly funds for Kaohsiung City's Siaogang District and Keelung Yard and Hoping Island. (Including government and school sports and recreation, village, community self-improvement activities, Zhongyuan Purdue, volunteer networking, energy conservation and environmental protection, club activities) and other activities total NT\$1,996,800. (The company Kaohsiung Yard partially sponsored NT\$1,600,400, and the Keelung Yard partially sponsored NT\$396,400). The main activities to promote humanities and social care in **2022** are listed as follows:
- Blood donation
During the year, there were **5** blood donation activities initiated by companies and societies, with **512** person-times.
 - Good-neighborly activities
During the year, companies and societies initiated **57** good-neighborly activities.
 - Community care and social welfare activities
During the year, companies and societies initiated **38** community care and social welfare activities.
 - Public participation activities
During the year, companies and societies initiated **22** public participation activities.
 - Coastal Clean-Up activities
During the year, the company promoted and cooperated with the government and public welfare organizations to handle 2 Coastal Clean-Up activities. (Remarks: For details of the event, please contact our company Senior Officer Lin, Shi-Fa; ext. 2309)
- (3) Social and community services: The company has always been enthusiastic about participating in social and community activities and has issued good-neighborly budget use and assessment points. It prepares budgets for good-neighborly activities every year. In 2021, it sponsors neighborly funds for Kaohsiung City's Siaogang District and Keelung Yard and Hoping Island. (Including government and school sports and recreation, village, community self-improvement activities, Zhongyuan Purdue, volunteer networking, energy conservation and environmental protection, club activities) and other activities total NT\$1,996,800. (The company Kaohsiung Yard partially sponsored NT\$1,600,400, and the Keelung Yard partially sponsored NT\$396,400). The main activities to promote humanities and social care in 2021 are listed as follows:
- Blood donation
During the year, there were 1 blood donation activities initiated by companies and societies, with 91 person-times.
 - Good-neighborly activities
During the year, companies and societies initiated 62 good-neighborly activities.
 - Community care and social welfare activities
During the year, companies and societies initiated 24 community care and social welfare activities.
 - Public participation activities

During the year, companies and societies initiated 23 public participation activities.

- Coastal Clean-Up activities

During the year, the company promoted and cooperated with the government and public welfare organizations to handle 2 Coastal Clean-Up activities. (Remarks: For details of the event, please contact our company Senior Officer Lin, Shi-Fa; ext. 2309)

(3) Occupational safety and health aspect:

All levels of the company have a strong determination to maintain occupational safety and health. The Occupational Safety and Health Department is set up as a dedicated unit to supervise the safety and health work of the entire company, and sufficient safety and health Senior Engineers and safety team personnel are deployed in each factory to perform on-site safety and health work. On the internal website, set up "Occupational Disaster Bulletin", "Safety Bulletin", "Industrial Safety Publicity Information" and other web pages for employees to read and use, so as to enhance employees' awareness, experience and ability to respond to industrial safety information.

In order to prevent the occurrence of industrial safety accidents, provide a friendly working environment, and ensure the safety of employees and contractors, the company has introduced an occupational safety and health management system since 2007. For the current occupational safety and health management system (ISO 45001), the detailed "Sustainability Report" and "Sustainability Development Zone" of qualified manufacturers are verified on the company website : <http://www2.csbcnet.com.tw/csr/>

(4) Industry-academia collaboration and talent training:

1. Training for talent in engineering and management

Through the industry-academia collaboration and industrial internship with the schools, CSBC Taiwan attracts and encourages the investment of talents early to create CSBC Taiwan's continuous innovation and progress.

Through the industry-academia collaboration and industrial internship with the schools, the company can attract and encourage the investment of talents as early as possible to create the company's continuous innovation and progress. In order to cultivate shipbuilding-related talents and recruit outstanding students who are interested in the shipbuilding industry, the company provides scholarships to students in the third-year (inclusive), master's and doctoral programs of the National (Technology) Universities of science and technology departments. In order to encourage the enterprising and research development of the students, a total of 5 students in science and engineering-related departments will be issued in 2022, with a total of NT\$780,000 , and the recipients can work in the company after graduation.

For the long-term cultivation of national defense technology R&D talents, Chung Cheng Institute of Technology, NDU is specially entrusted to train self-financed students, provide students with tuition and miscellaneous fees during the four-year study period, and provide a monthly living allowance of NT\$16,000 per person. A total of NT\$2.6 million was spent on the training program, and 11 professionals have been trained. The students' future research topics will be combined with the company's development direction.

2. Training for talent in technology

In order to deepen and improve the technology and cultivate the exquisite skills of personnel, the cooperation situation of the industry-university cooperation project so far this year is as follows:

- (1) Continue cooperating with Kaohsiung City Zhongzheng Senior Vocational Industrial School and National Kaohsiung University of Science and Technology "Industry-Academia Cooperation Project for CSBC Taiwan Shipbuilding Class". This cooperation model is already the 5th session. The current number of interns is 11 people.
- (2) Cooperate with Fooyin University "Industry-Academia Cooperation Project for Department of Occupational Safety and Hygiene". This cooperation model is already the 2nd session. The current number of interns is 4 people.
- (3) Continue cooperating with Fortune Institute of Technology and Kaohsiung-Pingtung-Penghu-Taitung Regional Branch of Workforce Development Agency, Ministry of Labor "Industry-Academia- Training Cooperation Project for Metal Material Practice Project". This cooperation model is already the 12th session. and the current number of interns is 3 people.
- (4) Cooperate with Kao-Yuan Vocational High School of Technology & Commerce "Electrical Machinery Project". This year, 5 students in the project enter the factory for internship. The internship period will expire in June 2023.
- (5) Cooperate with St. John's University "CSBC Taiwan Shipbuilding Class". This cooperation model is already the 2nd session. The current number of interns is 6 people.

3.3.6 Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status (Note)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	√		(1) The company issued the "Code of Ethics", clearly established the integrity management policy, and established "Procedures for Ethical Management and Guidelines for Conduct", "Conduct for Directors and First-Level or Higher Management" and "Code of Ethics for Employees of CSBC" (he query website is available at: http://www.csbcnet.com.tw Investor Area.), sent to the board of directors for approval, "Code of Ethics" and "Procedures for Ethical Management and Guidelines for Conduct", and submit the report of the shareholders meeting, requiring directors, managers and practitioners to not directly or indirectly provide, promise, request or accept any improper benefits, or commit other dishonest acts that violate integrity, lawlessness, or breach of fiduciary duty in order to obtain or maintain benefits.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
(2) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	√		(2) The company’s "Code of Ethics" point 7 and "Procedures for Ethical Management and Guidelines for Conduct" specify the risk assessment mechanism for dishonest conduct, and regularly analyze and evaluate business activities within the business scope that have a higher risk of dishonest conduct. Based on this, the prevention plan is formulated, and the appropriateness and effectiveness of the prevention plan are regularly reviewed.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	√		(3) The company’s "Code of Ethics" and "Procedures for Ethical Management and Guidelines for Conduct" clearly set out the principles and operating procedures of the plan to prevent dishonest behavior, and clearly specify the disciplinary and appeal system for violations of the integrity management regulations, and in the company The website exposes information such as the job title, name, date of violation, violation content, and handling of	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.

Evaluation Item	Implementation Status (Note)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			the violating personnel, and regularly reviews and corrects them. (The query URL is: http://www.csbcnet.com.tw Investor Area)	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ethical records and include ethics-related clauses in business contracts?	√		(1) The 9th point of the company’s Code of Ethics clearly stipulates that before commercial dealings, it considers the legality of its agents, suppliers, customers or other business dealings and whether there is a record of dishonest behavior, so as to avoid dealing with people with records of dishonest behavior. Signing a contract with others, if the trader is involved in dishonest behavior, the company has provisions that can terminate or rescind the contract at any time.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and submits quarterly (at least once a year) reports the integrity management policy and prevention of dishonest behavior plan and supervision of implementation to the Board of Directors?	√		(2) The Company’s Department of Human Resources and Administration is a dedicated unit for promoting corporate integrity management. It has issued the "Code of Ethics" standard and related cooperation promotion units and their rights and responsibilities (Website: http://www.csbcnet.com.tw Investor Area). The implementation of the integrity management policy and the prevention of dishonest behavior plan and supervision will be presented in the 5th report of the 18th board of directors on November 11, 2022.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	√		(3) The directors of the company uphold a high degree of self-discipline. If they have an interest in board meeting proposals, themselves or the legal person they represent, and may be harmful to the interests of the company, they may state their opinions and answer inquiries, and shall not participate in discussions and voting and shall not act for other directors to exercise their voting rights.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs, to formulate	√		(4) The company has established an internal control and accounting system, and the company's financial report is verified by CPA. In addition, the audit unit formulates an audit plan every year, conducts internal control system audits, and regularly submits audit reports to the board of	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company

Evaluation Item	Implementation Status (Note)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
relevant audit plans and check compliance with the plan to prevent dishonest behaviors based on the results of the risk assessment of dishonest behaviors?			directors and various improvement follow-ups. At the end of the year, an Internal Control System Statement will be issued based on the self-inspection results and sent to the board of directors for approval to ensure the effectiveness of the internal control system.	characteristics.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			(5) The company hold educational trainings/promotion on operational integrity ever year. In 2022, Advocate "Code of Ethics (anti-bribery)" to 129 new recruits (including engineers, technicians, and managers). (Half hours).	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
3. The operation of the company whistleblowing system				
(1) Does the company establish both a reward/punishment system and an integrity hotline for whistleblowing? Does the company assign an appropriate person responsible for the report to the object?	√		(1) The company's "Code of Ethics" point 23 and "Procedures for Ethical Management and Guidelines for Conduct" point 21 specify that the company's reporting unit is the Audit Office, and reporting matters involving directors or senior executives should be reported to the Independent Director and set up reporting channels and systems.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	√		(2) The company's "Code of Ethics" point 23 and "Procedures for Ethical Management and Guidelines for Conduct" point 21, set out the standard operating procedures for the investigation of the reported matter and the confidentiality of the identity of the reporter and the content of the report shall be kept confidential, and after the investigation is completed follow-up measures should be taken.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
(3) Does the company provide proper whistleblower protection?	√		(3) The company's "Code of Ethics" 23 points and "Procedures for Ethical Management and Guidelines for Conduct" 21 point 3, clearly stipulate that the relevant personnel handling reports shall make a written statement that the identity of the reporter and the content of the report shall be kept confidential. The company also promises to protect whistleblowers from being improperly dealt with due to	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.

Evaluation Item	Implementation Status (Note)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			reports.	
4. Strengthen information disclosure Does the company disclose the content of its Code of Ethics and promote its effectiveness on its website and public information observatory?	√		The company has set up an Investor Area on MOPS and external web pages (http://www.csbcnet.com.tw Investor Area) to expose the company's Code of Ethics, ethical code of conduct and related information.	Established with reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the company characteristics.
5. If a company has its own Code of Ethics of CSBC based on "Code of Ethics for TWSE/TPEX Listed Companies", please state the difference between its operation and the established code: Based on the "Code of Ethics for TWSE/TPEX Listed Companies", the company has ordered and issued "Code of Ethics of CSBC" and "Procedures for Ethical Management and Guidelines for Conduct". There is no difference between "Listed Companies" (URL http://www.csbcnet.com.tw Investor Area).				
6. Other important information that helps to understand the company's integrity management operations (such as the company's review and revision of its Code of Ethics, etc.): The company abides by the Company Law, Securities Exchange Law, Commercial Accounting Law, Government Procurement Law, Political Contribution Law, Conflict of Interest Law and relevant regulations of listed companies or other business conduct laws as the basic prerequisite for the implementation of integrity management "Code of Ethics of CSBC" and "Procedures for Ethical Management and Guidelines for Conduct" are revised in line with "Code of Ethics for TWSE/TPEX Listed Companies".				

Note: Regardless of whether you answer is "Yes" or "No", the operating conditions should be described in the summary description field.

3.3.7 If the company has formulated corporate governance codes and related regulations, it should disclose its inquiry methods:

- A. The company aims to enable directors, managers and employees to follow their ethical behaviors when engaging in business activities based on their powers, so as to prevent unethical behaviors and behaviors that harm the interests of the company and shareholders, and to make stakeholders understand the company's ethical behaviors Standards and ethical management, which have been enacted "Conduct for Directors and First-Level or Higher Management", "Code of Ethics for Employees of CSBC", "Code of Ethics" and "Procedures for Ethical Management and Guidelines for Conduct".
- B. In accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" on April 1, 2011, the company issued the "Company Corporate Governance Code" and disclosed the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" to improve corporate governance Effectiveness.
- C. In order to implement corporate governance, the company issued the "Measures for the Performance Evaluation of the Board of Directors of the Company" on December 14, 2011 to improve the function and efficiency of the board of directors. Currently, the possibility of evaluation by a third party is evaluated.
- D. The query website is: <http://www.csbcnet.com.tw> Investor Area.
- E. CSB with the Stock Exchange to list and list on the OTC company governance code of practice Article 12 to revise the key points of operation management of related party transactions Article 9 Regulations related to major transactions between related parties should be submitted to the resolution of the board of directors for approval and to the shareholders' meeting for approval or report, the website is as follows :
<http://www.csbcnet.com.tw/English/ServiceEng/InvestorEng.htm>

3.3.8 Other important information that is sufficient to enhance the understanding of corporate governance and operation conditions must be disclosed together:

For details, please refer to the seventh and description of "Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons".

3.3.9 The implementation status of the internal control system shall disclose the following matters:

1. Internal Control System Statement

CSBC Corporation, Taiwan
Internal Control System Statement

Date: March 10, 2023

The company's internal control system for 2021, based on the results of self-assessment, hereby declared as follows:

1. The company is sure that the establishment, implementation and maintenance of the internal control system is the responsibility of the company's board of directors and managers, and the company has established this system. Its purpose is to achieve the objectives of operation effectiveness and efficiency (including profit, performance, and asset safety protection, etc.), reporting reliability, timeliness, transparency, and compliance with relevant regulations and compliance with relevant laws and regulations, and provide reasonable assurance.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the company's internal control system has a self-monitoring mechanism. Once the defect is identified, the company will take corrective action.
3. The company judges whether the design and implementation of the internal control system are effective in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Governing Regulations") to determine the effectiveness of the internal control system. The internal control system judgment item adopted by the "Governing Regulations" is based on the process of management control, which divides the internal control system into five components: a. Environment Control, b. Risk Assessment, c. Operations Control, d. Information and Communication, and e. Supervision Operations. Each component includes several items. For the aforementioned items, please refer to the "Governing Regulations".
4. The company has adopted the above-mentioned internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results of the preceding paragraph, the company believes that the company's internal control system (including supervision and management of subsidiaries) as of December 31, 2021, including understanding the effectiveness of operations and the extent to which efficiency goals are achieved, and reporting systems are reliable and timely, the design and implementation of the internal control system, etc., that are transparent and comply with relevant regulations and relevant laws and regulations are effective, which can reasonably ensure the achievement of the above objectives.
6. This statement will become the main content of the company's annual report and public brochure, and will be made public. If there is any falsehood or concealment in the above-mentioned public content, it will involve legal liabilities under Article 20, Article 32, Article 171 and Article 174 of the Securities Exchange Law.
7. This statement was approved by the board of directors of the company on March 10, 2023. All 15 directors present agreed with the content of this statement and made this statement.

CSBC Corporation, Taiwan

Chairman: CHENG, WEN-LON

President: WEI, CHENG-TZU

2. When entrusting an accountant to review the internal control system, the accountant's review report should be disclosed: None.
- 3.3.10 The company and its internal personnel have been punished in accordance with the law in the most recent year and as of the publication date of the annual report. The company's penalties for violations of the internal control system by the company's internal personnel, major deficiencies and improvements: None
- 3.3.11 Important Resolutions of the Shareholders' Meeting and the Board of Directors in the most recent year and as of the printing date of the annual report:
1. Important resolutions and Implementation status of the 2022 shareholders meeting:

(1) Meeting Minutes, III. Matters for Ratification, 1.

Proposal: The 2021 business report and financial report, please acknowledge.

Resolution: The voting result of the proposal was 610,220,270 for 610,220,270 rights (including 181,122,257 for electronically exercised voting rights), 166,582 for against (including 166,582 for electronically exercised voting rights), 0 invalid votes, and 11,168,154 rights for abstentions/non-voting (including electronically exercised voting rights). Way to exercise 9,014,024 voting rights). The approval rights accounted for 98.17% of the voting rights of the shareholders present, and the case was passed as per the case.

Implementation status:

The company's 2021 financial report was announced in MOPs on March 4, 2022, and the declaration was completed on March 7, 2022.

(2) Meeting Minutes, III. Matters for Ratification, 2.

Proposal: The 2021 loss allocation proposal, please acknowledge it.

Resolution: The voting result of this proposal is that 610,151,982 rights are in favor of (181,053,969 rights are exercised electronically), 204,861 rights are opposed (204,861 rights are exercised electronically), invalid votes are 0, abstentions/non-voting 11,198,163 rights (of which (9,044,033 voting rights are exercised electronically). The approval rights accounted for 98.16% of the voting rights of the shareholders present.

Implementation status:

The company did not pay dividends in 2021, and has completed the declaration and announcement on March 4, 2022.

(3)Meeting Minutes, IV. Matters for Discussion, 1.

Proposal: Amendments to the “Articles of Association” , please resolve.

Resolution: The voting result of this proposal was 610,204,203 rights in favor (including 181,106,190 voting rights electronically), 180,450 rights against (180,450 voting rights electronically exercised), 0 invalid votes, and 11,170,353 rights abstaining/non-voting (including electronic voting rights). Way to exercise 9,016,223 voting rights). Approval rights accounted for 98.17% of the voting rights of the shareholders present, and the case was passed as per the case.

Implementation status:

The company issued and implemented it on June 27, 2022 the letter of CSBC-Business-No. 1112350323, and Completion of company change registration on July 27, 2022.

(4)Meeting Minutes, IV. Matters for Discussion, 2.

Proposal: Amendments to the “Rules of Procedure for Shareholders' Meeting ” , please resolve.

Resolution: The voting result of this proposal was 610,196,534 rights in favor (including 181,098,521 voting rights electronically), 173,530 rights against (173,530 voting rights electronically exercised), 0 invalid votes, and 11,184,942 rights abstaining/non-voting (including electronic voting rights). Way to exercise 9,030,812 voting rights). Approval rights accounted for 98.17% of the voting rights of the shareholders present, and the case was passed as per the case.

Implementation status:

The company issued and implemented it on July 11, 2022 the letter of CSBC-Board-No. 1111150041 to Directors for reference , and the company issued and implemented it on July 08, 2022 the letter of CSBC-Board-No. 1111150042.

(5) Meeting Minutes, IV. Matters for Discussion, 3.

Proposal: Amendment to the “Procedures for Acquisition or Disposal of Assets”, please resolve.

Resolution: The voting result of this proposal was 610,180,673 rights in favor (including 181,082,660 voting rights electronically), 183,339 rights against (183,339 voting rights electronically exercised), 0 invalid votes, and 11,190,994 rights abstaining/non-voting (including electronic voting rights). Way to exercise 9,036,864 voting rights). Approval rights accounted for 98.17% of the voting rights of the shareholders present, and the case was passed as per the case.

Implementation status:

The company issued and implemented it on July 11, 2022 the letter of CSBC-Financial Accounting-No. 1117250164.

(6) Meeting Minutes, V. Matters for Election.

Proposal: Elected 15 directors (including 3 independent directors) for the 18th session, please vote.

Election results: The voting results of the election of directors were announced by the chairman of the following 15 seats (including 3 independent directors) elected as directors.

	Shareholder Account	Elected Person	Elected Rights
director	1	Representative of Ministry of Economy Affairs : CHENG, WEN-LON	1,282,298,669 權
director	1	Representative of Ministry of Economy Affairs : WEI, CHENG-TZU	1,113,071,465 權
director	1	Representative of Ministry of Economy Affairs : JHANG, YI-DE	772,579,060 權
director	1	Representative of Ministry of Economy Affairs : LI, GUO-JI	667,470,523 權
director	174963	Representative of Yaohua Glass Co., Ltd.	523,660,107 權

	Shareholder Account	Elected Person	Elected Rights
		Management Committee	
director	174964	Representative of the National Development Fund Management Committee of the Executive Yuan : WU, WEN-KUEI	530,879,838 權
director	174964	Representative of Ministry of National Defense Industrial Development Foundation : LIN, CHIH-LUNG	530,840,172 權
director	174964	Representative of Ministry of National Defense Industrial Development Foundation : WANG, CHAU-CHANG	530,694,828 權
director	174964	Representative of Ministry of National Defense Industrial Development Foundation : MAO, ZHEN-TAI	635,760,435 權
director	188464	Representative of Ministry of National Defense Industrial Development Foundation : FANG, MAO-HUNG	406,713,647 權
director	2	CPC Corporation, Taiwan.	364,011,687 權
director	47213	Kaohsiung City Representative of Industrial Labor Union of CSBC	368,207,136 權
independent director	X100*****	LIN, HUI-JENG	474,576,820 權
independent director	R102*****	LIEU, DER-MING	466,818,750 權
independent director	C120*****	CHEN, CHIH-YANG	460,597,982 權

Implementation status:

The company uploaded important information on June 22, 2022 and completed the declaration of director information.

(7)Meeting Minutes, VI. Matters for Other.

Proposal: The case of lifting the non-compete behavior of directors and their representatives, please resolve.

Resolution: The voting result of this proposal was 574,882,955 rights in favor (including 145,819,040 voting rights electronically), 35,449,063 rights against (35,449,063 voting rights electronically exercised), 0 invalid votes, and 11,222,988 rights abstaining/non-voting (including electronic voting rights). Way to exercise 9,034,760 voting rights). Approval rights accounted for 92.49% of the voting rights of the shareholders present, and the case was passed as per the case.

Implementation status:

The company uploaded a major message on June 22, 2022 to lift the non-compete prohibition on directors and their representatives of the "National Development Fund Management Committee of the Executive Yuan"

2. Major Resolutions of Board Meetings

Item	Date	Major resolutions	Remarks
Board Meeting	2022	1. Approved 2021 Individual financial report and consolidated financial report. 2. Approved 2021 annual business report. 3. Approved Since there are no pre-tax benefits, directors' remuneration and employee remuneration will not be issued in 2021. 4. Approved the company's 2021 loss appropriation case. 5. Approved the company's 2021 and 2022 corporate social responsibility strategic action plan implementation plan. 6. Approved election of the 18th Board of Directors. 7. Approved The 2022 shareholders meeting will be held on June 22, 2022. 8. Approved announces acceptance of written proposals from shareholders. 9. Approved fight for salary increase. 10. Approved Strive for privatization fund not to give back for now. 11. Approved 2021 "Internal Control System Statement". 12. Approved amended the "Nine cycles of internal control system-procurement and payment cycle process". 13. Approved the proposal of the hiring of PwC for the company's 2022 financial statements (including consolidated statements) and tax declaration visa case.	The 19th of the 17th

		14. Approved amended the "Cycle Process of management of real estate, plant and equipment investment plans" 15. Approved amended the "Key points of management of real estate, plant and equipment investment plans". 16. Approved "Code of Practice for Sustainability of Listed Companies" renamed as "Code of Sustainability". 17. Approved amended the "Handling of requests from directors". 18. Approved the remuneration of directors and supervisors of company CSBC Power Technology Co., Ltd. 19. Re-investment of re-invested company CSBC Coating Solutions Co., Ltd. The person in charge of re-invested company BLUE ACE CORPORATION is assigned to Ms. Chen and her remuneration. 20. Approved change of 5 men supervisor position.	
Board Meeting	May 10, 2022	1. Approved the amendment to the articles of association of the company 2. Approved amendment to the "Procedures for Acquisition or Disposal of Assets". 3. Approved amended the "Rules of Procedure for Shareholders' Meetings". 4. Pass the qualification review of shareholders nominated directors and independent director candidates. 5. Approved the proposal of Release the Prohibition on Directors from Participation in Competitive Business. 6. Approved to update the content of the 2022 shareholders' regular meeting. 7. Approved the first secured ordinary corporate debt case in 2022. 8. Approved the job change case of auditors Lin. 9. Approved change of 4 men supervisor position.	The 20th of the 17th
Board Meeting (Special)	June 22, 2022	Elected as the 18th chairman of the company through CHENG, WEN-LON , the representative of the corporate director of the Ministry of Economic Affairs.	The 1st of the 18th
Board Meeting (Special)	July 21, 2022	Inquiry and construction of 2+2 50,000 dwt oil tankers through S company, the broker requires 3% commission.	The 2nd of the 18th
Board Meeting	August 12, 2022	1. Approved "Self-built 2,800 TEU container ship 4 project investment plan", the purpose of investment is expanded to lease or sell in order to respond to market changes. 2. Approved the members of the 5th remuneration committee of the company, and invited independent directors LIEU, DER-MING , LIN, HUI-JENG and LU, WEN-TSAN to serve as independent directors. 3. Through CSBC Coating Solutions Co., Ltd's reinvestment in "CSBC Construction Company", the person in charge was appointed as the concurrent general manager of Taiwan Eclipse Corporation Chen and her remuneration. 4. Approved invested in the acquisition of 26.7% equity of CSBC Power Technology Co., Ltd. 5. Approve CSBC Power Technology Co., Ltd. applied to the company for parent company guarantee and capital loan. 6. Approve the company's "energy storage system construction project investment plan". 7. Approve change plan approved budget and ship specification for the company acquisition (AHTS) project investment plan.. 8. Approved Revise the main points of the company's organization. 9. Approved change of 9 men supervisor position.	The 3rd of the 18th

Board Meeting (Special)	September 22, 2022	1. Approved CDWE applies to the company for company guarantee and advance payment guarantee. 2. Approved CSBC Power Technology Co., Ltd. application for company guarantee and capital loan matters, carried out in installments 3. Approved the company's "three warehouse reconstruction projects" and "wind power temporary shed turnkey project" are expected to be contracted by (CSBC Coating Solutions Co., Ltd.) 4. Approved change of 2 men supervisor position.	The 4th of the 18th
Board Meeting	November 11, 2022	1. Approved "2023 Operating Plan". 2. Approved "2023 Audit Plan". 3. Scrapping and canceling the ship's registration through "Futai Tugboat". 4. Approved CDWE applies to the company for parent company guarantee. 5. Approved the revision of the "Procedures for Handling Material Inside Information" and the abolition of the "Major Information Upload Public Information Observatory Operation Procedures". 6. Approved the revision of the "Rules for Performance Evaluation of Board of Directors". 7. Passed the job change case of above-level supervisors in Keelung Yard. 8. Passed the job change case of above-level supervisors. 9. Approved the director of the planning department shall act as the Corporate governance Officer	The 5th of the 18th
Board Meeting (Special)	February 16 2023	Apply for an endorsement guarantee to the company through CDWE.	The 6th of the 18th

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.13 A summary of the resignation or dismissal of the company's key individuals, including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D in the most recent year and as of the printing date of the annual report:

Summary table of the resignation and dismissal of relevant persons in the company
December 31, 2022

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Executive Vice President	Kao, Chien-I	August 12, 2019	May 11, 2022	Position adjustment (Adjust job to Chief Supervisor)
Corporate governance officer	Lee, Yen-chiang	May 5, 2021	Nov. 12, 2022	Position adjustment (Adjust job to Project Manager)

Note: The relevant persons in the company mean the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D

3.4 Information of Fees to CPA

3.4.1 Information on certifying accountant's professional fees:

Unit: NT\$ thousands

Name of Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remarks
PwC Taiwan	Wang, Kuo-Hua	January 1, 2022- December 31, 2022	1,630	305	1,935	Non-audit services includes tax audit and handling the conversion of corporate bonds.
	Wu, Chien-Chih					

3.4.2 Change of accounting firm and the audit fee paid is less than previous year before the change of accounting firm: Not applicable.

3.4.3 Audit fee is 10% or more less than the previous year: Not applicable.

3.5 Information of Changing CPAs: None.

3.6 The Chairman, President and Financial or Accounting Manager of the Company who had Worked for the Independent Auditor or the Related Party in the Past Year, shall Indicate the Name, the Title and Term of Contract: None.

3.7 Transfer of equity interests and/or pledge of or change in equity interests by directors, supervisors, managers, or shareholders with a stake of more than 10% during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

3.7.1 Changes in equity of directors, supervisors, managers, or major shareholders

Title	Name	2022 (Note 8)		As of May 2, 2023	
		Shareholding Increase (decrease)	Pledged share Increase (decrease)	Shareholding Increase (decrease)	Pledged share Increase (decrease)
Director	Ministry of Economic Affairs	0	0	0	0
Representative	CHENG, WEN-LON	0	0	0	0
Director	Ministry of Economic Affairs	0	0	0	0
Representative	Wei, Zheng-Ci	0	0	0	0
Director	Ministry of Economic Affairs	0	0	0	0
Representative	HUANG, JIH-CHIN(Note 4)	0	0	0	0
Representative	CHANG, I-TE(Note 4)	0	0	0	0
Director	Ministry of Economic Affairs	0	0	0	0
Representative	LAN, SYU-CING(Note 1)	0	0	0	0

Title	Name	2022 (Note 8)		As of May 2, 2023	
		Shareholding Increase (decrease)	Pledged share Increase (decrease)	Shareholding Increase (decrease)	Pledged share Increase (decrease)
Representative	LIN, YU-CHANG(Note 1) (Note 2)	0	0	0	0
Representative	LEE, KOU-GE(Note 4)	0	0	(10,000)	0
Director	Yaohua Glass Co., Ltd. Management Committee	0	0	0	0
Representative	Lu, Wen-Tsan	0	0	0	0
Director	National Development Fund, Executive Yuan	0	0	0	0
Representative	WU, WEN-KUEI	0	0	0	0
Representative	LIN, CHIH-LUNG (Note 4)	(1,000)	0	(27,000)	0
Representative	MAO, ZHEN-TAI (Note 4)	0	0	0	0
Representative	WANG, CHAU-CHANG (Note 4)	0	0	0	0
Director	National Defense Industrial Development Foundation	0	0	0	0
Representative	Fang, Mao-Hung	0	0	0	0
Director	CPC Corporation, Taiwan	0	0	0	0
Representative	Yin, Ling-Ying(Note 6)	0	0	0	0
Director	China Steel Corporation(Note 4)	0	0	0	0
Representative	HWANG, CHIEN-CHIH(Note 4)	0	0	0	0
Director	Yue-Li Investment Corporation(Note 4)	0	0	0	0
Director	Industrial Labor Union of CSBC Kaohsiung	0	0	0	0
Representative	HOU, DE-LONG(Note 4)	0	0	0	0
Representative	HSU, HAN-HSUN	0	0	0	0
Director	Industrial Labor Union of CSBC Kaohsiung(Note 4)	0	0	0	0
Representative	HSIEH, KUO-JUNG(Note 4)	0	0	0	0
Independent Director	LIN, HUI-JENG	0	0	0	0
Independent Director	LIEU, DER-MING	0	0	0	0
Independent Director	CHEN, CHIH-YANG	0	0	0	0
Director	CHENG, WEN-LON	0	0	0	0

Title	Name	2022 (Note 8)		As of May 2, 2023	
		Shareholding Increase (decrease)	Pledged share Increase (decrease)	Shareholding Increase (decrease)	Pledged share Increase (decrease)
Manager	Wei, Zheng-Ci	0	0	0	0
Manager	Gao, Jian-Yi(Note 3)	0	0	0	0
Manager	YEN,TSUNG-HUI(Note 3)	0	0	0	0
Manager	Zhou, Zhi-Ming	0	0	(41,473)	0
Manager	TAI,KUN-TSUNG	0	0	0	0
Manager	Xu, You-Zhen	0	0	(182)	0
Manager	LEE,YEN-CHIANG(Note 5)	0	0	0	0
Manager	YU,MAO-HUA(Note 5)	5,000	0	895	0
Major shareholder	Ministry of Economic Affairs	0	0	0	0

Note1: On February 17, 2022, the director, Ministry of Economic Affairs, reassigned its Representative.

Note 2: On March 7, 2022, the director, Ministry of Economic Affairs, Dismissal its Representative.

Note 3: On May 11, 2022, the manager replace.

Note 4: On June 22, 2022, Shareholders re-elect directors.

Note 5: On November 12, 2022, director of corporate governance replace.

Note 6: On December 6, 2022, the director, CPC Corporation, Taiwan, reassigned its Representative.

3.7.2 Equity transfer information:

There is no situation where the counterparty of the equity transfer is a related party.

3.7.3 Equity pledge information:

The situation where the counterparty without equity pledge is a related party.

3.8 Information Disclosing the Spouse, Kinship Within the Second Degree and Relationship between and any of the Top Ten Shareholders

Name (Note1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement (Note2)		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
National Development Fund, Executive Yuan	136,032,305	14.57%	0	0	0	0	None	None	
Representative: Kung, Ming-Hsin	The Shareholder did not provide the shareholder info								
Ministry of Economic Affairs	105,070,366	11.25%	0	0	0	0	1. CPC Corporation, Taiwan 2. China Steel Corporation 3. Yaohua Glass Co., Ltd. Management Committee	1. 100% CPC Corporation, Taiwan 2. Major shareholder of China Steel Corporation 3. The major shareholder of Yaohua Glass Co., Ltd. Management Committee	
Yaohua Glass Co., Ltd. Management Committee	64,603,733	6.92%	0	0	0	0	Ministry of Economic Affairs	Ministry of Economic Affairs is a major shareholder	
Representative: Chuan-Neng Lin	The Shareholder did not provide								
National Defense Industrial Development Foundation	53,571,428	5.73%	0	0	0	0	None	None	
Representative: Ciou, Guo-Jheng	The Shareholder did not provide								
Yuanta Commercial Bank Trust Account	23,985,906	2.56%	0	0	0	0	None	None	
CPC Corporation, Taiwan	23,777,487	2.54%	0	0	0	0	Ministry of Economic Affairs	Ministry of Economic Affairs is the sole shareholder	
Person in charge: Lee, Shun-Chin	The Shareholder did not provide								
LIU, WEN-XI	9,000,437	0.96%	0	0	0	0	None	None	
China Steel Corporation	7,751,346	0.83%	0	0	0	0	Ministry of Economic Affairs	Ministry of Economic Affairs is the major shareholder	
Person in charge: Weng, Chao-Dong	The Shareholder did not provide								
Vanguard emerging markets stock index fund, a series of vanguard international equity index funds	7,095,119	0.76%	0	0	0	0	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	6,601,860	0.70%	0	0	0	0	None	None	

Note1: All the top ten shareholders should be listed, and those who are institutional shareholders should list the names of institutional shareholders and Representative names separately.

Note2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in their own name, spouse, minor children, or in the name of others.

Note3: The shareholders listed in the previous disclosure, including institutional shareholders and natural persons, shall disclose their relationship in accordance with the issuer's financial report preparation standards.

3.9 The Shareholding of the Company, Director, Supervisor, Management and the Business that is Controlled by the Company Directly or Indirectly on the Invested Company and the consolidated shareholding ratio is calculated:

(Base date: December 31, 2022, the amount of the original currency held by the company in another country is expressed); Unit: Share, %

Invested Company	The company's investment		The business investment which directly or indirectly control by the Directors, supervisors and managers		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
CSBC-DEME Wind Engineering Co. Ltd.	15,651,515	50.0001%	0	0	15,651,515	50.0001%
CSBC Coating Solutions Co., Ltd.	15,471,504	100%	0	0	15,471,504	100%
CSBC Power Technology Co., Ltd	6,500,000	86.67%	0	0	6,500,000	86.67%
Taiwan International Windpower Training Corporation Ltd.	1,200,000	12%	0	0	1,200,000	12%
TAIWAN OFFSHORE WIND FARM SERVICES CORPORATION(Not e)	40,000	40%	0	0	40,000	40%
Fuhai Wind Farm Corporation (Note)	15,000,000	31.44%	0	0	15,000,000	31.44%
BLUE ACE CORPORATION	(Non-shareholding)	100%	0	0	(Non-shareholding)	100%
CSBC Construction	(Non-shareholding)	100%	0	0	(Non-shareholding)	100%
Blue Ocean Wind Power Engineering (Hong Kong) Limited	100	100%	0	0	100	100%

Note: Long-term investment by the company using the equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Year	Issuance price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Share (thousand shares)	Amount (NT\$ thousands)	Share (thousand shares)	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
1976	10	220,000	2,200,000	220,000	2,200,000	Cash establishment equity 2,200,000	None	-
1977	10	320,003	3,200,032	320,003	3,200,032	cash capital increase 1,000,032	None	-
1978	10	428,510	4,285,108	428,510	4,285,108	cash capital increase 1,085,076	None	-
1979	10	561,507	5,615,075	561,507	5,615,075	cash capital increase 1,329,967	None	-
1980	10	679,174	6,791,740	679,174	6,791,740	cash capital increase 1,176,665	None	-
1981	10	809,174	8,091,740	809,174	8,091,740	cash capital increase 1,300,000	None	-
1982	10	826,174	8,261,740	826,174	8,261,740	cash capital increase 170,000	None	-
1983	10	866,174	8,661,740	866,174	8,661,740	cash capital increase 400,000	None	-
1984	10	929,174	9,291,740	929,174	9,291,740	cash capital increase 630,000	None	-
1985	10	979,174	9,791,740	979,174	9,791,740	cash capital increase 500,000	None	-
1986	10	1,029,174	10,291,740	1,029,174	10,291,740	cash capital increase 500,000	None	-
1987	10	1,055,174	10,551,740	1,055,174	10,551,740	cash capital increase 260,000	None	-
1988	10	1,105,174	11,051,740	1,105,174	11,051,740	cash capital increase 500,000	None	-
1989	10	1,280,174	12,801,740	1,280,174	12,801,740	cash capital increase 1,750,000	None	-
1990	10	1,695,233	16,952,335	1,695,233	16,952,335	cash capital increase 4,150,595	None	-
1998	10	1,113,900	11,138,997	1,113,900	11,138,997	Capital Reduction to Cover Losses 5,813,338	None	-
2003	10	1,113,900	11,138,997	1,113,900	11,138,997	cash capital increase 5,000,000 Capital Reduction to Cover Losses 5,000,000	None	Note1 Note2 Note3
2007	10	1,113,900	11,138,997	666,133	6,661,326	Capital Reduction to Cover Losses 4,477,671	None	Note4
2009	10	1,113,900	11,138,997	672,793	6,727,939	capitalization of retained earnings 66,613	None	Note5
2010	10	1,113,900	11,138,997	721,908	7,219,079	capitalization of retained earnings 491,140	None	Note6
2012	10	1,113,900	11,138,997	743,565	7,435,652	capitalization of retained earnings 216,572	None	Note7
2018	10	1,113,900	11,138,997	372,991	3,729,917	Capital Reduction to Cover Losses 4,305,734 Private placement cash capital increase 600,000	None	Note8
2019	10	1,113,900	11,138,997	472,991	4,729,917	Public offering cash capital increase 1,000,000	None	Note9
2021	10	1,113,900	11,138,997	931,787	9,317,873	Convertible bonds to stocks 87,955 Public offering cash capital increase 4,500,000	None	Note10 Note11

Year	Issuance price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Share (thousand shares)	Amount (NT\$ thousands)	Share (thousand shares)	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
2023	10	1,113,900	11,138,997	933,514	9,335,145	Convertible bonds to stocks 38,000	None	Note12

Note1: 2003.03.26 JSSZ No. 09201082180(Increase and decrease capital by 2 billion).

Note2: 2003.11.04 JSZZ No. 09201304180(Increase and decrease capital by 1 billion).

Note3: 2004.01.06 JSZZ No. 09301000870(Increase and decrease capital by 2 billion).

Note4: 2008.01.21 JSZZ No. 09701007010(Decrease capital by 4.47767 billion).

Note5: 2009.10.07 JSSZ No. 09801229240(Increased capital by 0.06661 billion).

Note6: 2010.08.19 JSSZ No. 09901187350 (Increased capital by 0.49114 billion).

Note7: 2012.08.13 JSSZ No. 10101163380 (Increased capital by 0.21657 billion).

Note8: 2017.06.25 JSSZ No. 10701062580 (Decrease capital by 4.305734 billion and increased capital by 0.6 billion).

Note9: 2019.03.04JSSZ No. 10801018700 (Increased capital by 1 billion).

Note10: 2021.03.19JSSZ No. 11001041060 (Increased capital by 0.000637 billion).

2021.09.07 JSSZ No.11001153590 (Increased capital by 0.08586349 billion)

2021.12.2 JSSZ No.11001218650 (Increased capital by 0.00145454 billion)

Note11: 2021.05.13 JSSZ No.11001064250 (Increased capital by 4.5 billion).

Note12: 2023.4.30 creditor's rights are converted into equity, but the change registration has not yet been completed (Increased capital by 38 million).

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares (share)	Total(share)	
Common Stock	933,514,568	180,385,149	1,113,899,717	—

Note1: The company went public on December 22, 2008.

4.1.2 Status of Shareholders

May 2, 2023

Structure of shareholders Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number	2	235	145	99,446	99,828	2
Shareholding (shares)	241,102,671	179,725,198	46,577,222	466,109,477	933,514,568	241,102,671
Shareholding ratio (%)	25.83%	19.25%	4.99%	49.93%	100.00%	25.83%

Note: First listed (counter) companies and emerging companies should disclose the proportion of their mainland-owned shares; Mainland-owned investment refers to the mainland people, legal persons, organizations, other institutions or companies that invest in third regions as stipulated in Article 3 of the Mainland Area People's Investment Permit Measures in Taiwan.

4.1.3 Shareholding Distribution Status (NT\$ per share)

A. Common Shares:

May 2, 2023

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding ratio (%)
1 to 999	30,727	6,233,201	0.67%

1,000 to 5,000	53,976	114,696,025	12.29%
5,001 to 10,000	7,970	65,374,599	7.00%
10,001 to 15,000	2,149	27,534,402	2.95%
15,001 to 20,000	1,648	30,863,954	3.31%
20,001 to 30,000	1,233	31,930,663	3.42%
30,001 to 50,000	1,038	41,744,965	4.47%
50,001 to 100,000	641	45,927,277	4.92%
100,001 to 200,000	253	35,161,196	3.77%
200,001 to 400,000	107	29,219,786	3.13%
400,001 to 600,000	31	15,144,090	1.62%
600,001 to 800,000	17	11,927,468	1.28%
800,001 to 1,000,000	11	9,557,189	1.02%
1,000,001 or over	27	468,199,753	50.16%
Total	99,828	933,514,568	100.00%

2. Preferred Shares: None

4.1.4 List of Major Shareholders

The names, number of shares and proportions of shareholders with a shareholding ratio of more than 5% or the shareholding ratio of the top 10 shareholders.

May 2, 2023		
Name of Major Shareholders	Share (Shares)	Shareholding ratio (%)
National Development Fund, Executive Yuan	136,032,305	14.57%
Ministry of Economic Affairs	105,070,366	11.25%
Yao-Hwa Glass Co.,Ltd Management Commission	64,603,733	6.92%
National Defense Industrial Development Foundation	53,571,428	5.73%
CPC Corporation, Taiwan	23,777,487	2.54%
Yuanta Commercial Bank Trust Account	23,985,906	2.56%
LIU, WEN-XI	9,000,437	0.96%
China Steel Corporation	7,751,346	0.83%
Vanguard emerging markets stock index fund, a series of vanguard international equity index funds	7,095,119	0.76%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	6,601,860	0.70%

4.1.5 Prices, net worth, surplus, dividends and related information of each stock market in the most recent two years:

Unit: NT\$ / thousand shares

Item \ Year			2021	2022	The current year ends on March 31,2023 (Note8)
Market Price per Share (Note1)	Highest		33.80	22.45	24.85
	Lowest		18.15	14.50	18.35
	Average		26.31	19.55	22.44
Net Worth per Share (Note2)	Before Distribution		14.21	10.53	8.70
	After Distribution		14.21	10.53	8.70
Earnings per Share	Weighted Average Shares		824,157	931,787	931,787
	Diluted Earnings Per Share (Note10)		0.02	(3.78)	(1.83)
Dividends per Share	Cash Dividends		0.00	Note9	-
	Stock Dividends	Dividends from Retained Earnings	0.00	Note9	-
		y Dividends from Capital Surplus	0.00	Note9	-
	Accumulated Undistributed Dividends (Note4)		0.00	0.00	0.00
Return on Investment analysis	Price / Earnings Ratio (Note5)		1,179	(5.05)	(12.26)
	Price / Dividend Ratio (Note6)		-	Note9	-
	Cash Dividend Yield Rate (Note7)		0.00	Note9	-

* If surplus or capital reserve is used to increase capital, the market price and cash dividend information shall be disclosed retrospectively adjusted according to the number of shares issued.

Note1: List the highest and lowest market prices of common stocks in each year and calculate the average market prices for each year based on the transaction value and volume of each year.

Note2: Please fill in the list based on the number of issued shares at the end of the year and the distribution based on the resolution of the shareholders meeting in the following year.

Note3: If retrospective adjustment is required due to circumstances such as gratuitous allotment, the earnings per share before and after adjustment shall be shown.

Note4: If the equity securities issuance conditions stipulate that the dividends not paid in the

current year are accumulated to the year of surplus, the dividends accumulated and not paid up to the current year shall be disclosed separately.

Note5: $\text{Price / Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$.

Note6: $\text{Price / Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$.

Note7: $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$.

Note8: The net value per share and earnings per share should be filled in with the data checked (reviewed) by the CPA in the most recent quarter as of the publication date of the annual report, and the remaining fields should be filled in with the data of the current year as of the publication date of the annual report.

Note9: The loss offsetting proposal of 2022 hasn't been resolved by Annual General Shareholders' Meeting.

Note10: The weighted average number of outstanding shares in 2021 will be retrospectively adjusted according to the cash capital increase in 2021 (capital increase base date March 26, 2021), and the conversion of convertible corporate bonds into ordinary shares.

4.1.6 Dividend Policy and Implementation Status:

A. Dividend policy

According to Article 35-1 of the Articles of Association of the Company: "If the Company has earnings in the current fiscal year after annual audit, it shall first pay the profit-seeking enterprise income tax and cover its accumulated losses in previous years. If there is a balance, the Company shall set aside 10% as legal reserves. However, the provision does not apply when the legal reserves have reached the total amount of capital. Moreover, a special reserve shall be set aside in accordance with Article 41 of the Securities and Exchange Act. If there is still a balance, the Board of Directors shall propose an allocation plan in the shareholders' meeting for resolution before allocation.

The board of directors of the company can present at least two-thirds of the directors, and at the resolutions of more than half of the directors, will distribute all or part of the dividends and bonuses, capital reserve or statutory surplus reserve, in the form of cash distribution and reporting to the shareholders meeting does not apply to the provisions of the preceding paragraph that shall be resolved by the shareholders meeting.

Considering the business environment and growth of the Company, the Company may allocate 10% or more of the distributable earnings referred to in the preceding Paragraph as dividends and bonuses depending on the Company's future demand for funds and its long-term financial planning and

satisfying shareholders' demand for cash. Cash dividends shall not be less than 10% of the total dividends.”

B. Implementation status

It is proposed that no dividends were distributed in 2022, and the proposal is yet to be approved by the 2023 annual general meeting of shareholders.

4.1.7 The impact of the free allotment proposed by the shareholders meeting on the company's operating performance and earnings per share: Not applicable °

4.1.8 Employee and Directors' Remuneration:

A. The percentage or scope of remuneration for employees and directors as stated in the articles of association:

- a. 1% ~ 5% for employees' remuneration.
- b. Not exceeding 1% as remuneration for directors.

B. The calculation basis of the estimated amount of remuneration for employees and directors in the current period, the calculation basis for the number of shares of employee remuneration distributed by stocks, and the actual distribution amount, if there is a difference with the estimated amount, the accounting treatment.

- a. The estimated basis for employee and director remuneration in 2022 is pre-tax benefits. In 2022, due to annual losses, the estimated number of employee remuneration and director remuneration is NT\$0, and the actual amount of employee remuneration and director remuneration is NT\$0. The board of directors passed a resolution on March 10, 2023, and there is no difference between the estimated number and the actual number.
- b. In 2022, there was no employee remuneration for distribution of stocks.

C. Remuneration distribution approved by the board of directors:

- a. The amount of employee remuneration and directors' remuneration paid in cash or stocks. If there is a discrepancy from the annual estimated amount of recognized expenses, the number of discrepancies, reasons and handling circumstances should be disclosed:

In 2022, due to annual losses, there was no distribution of employee remuneration and director remuneration (including cash and stocks).

As approved by the board of directors on March 10, 2023, there is no difference with the estimated director remuneration and employee remuneration.

- b. The amount of employee remuneration distributed by stocks and the proportion of the total amount of individual or individual financial report after-tax net income and total employee remuneration for the current period: In 2022, there was no employee remuneration for distribution of stocks.

D. The actual distribution of the remuneration of employees and directors in the previous year (including the number of shares distributed, amount and stock price), and the differences between the remuneration of recognized employees and directors, and the number of differences, reasons and handling circumstances should be stated:

- a. In 2021, due to accumulate losses, the recognized amount of employee remuneration and directors' remuneration is NT\$0, and the actual distribution of employee remuneration and directors' remuneration is NT\$0, which is no difference from the recognized amount.
- b. In 2021, there was no employee remuneration for distribution of stocks.

4.1.9 Buyback of Treasury Stock : None.

4.2 Corporate bonds handling situation:

4.2.1 Corporate bonds handling situation

Types of corporate bonds	The first domestic guaranteed conversion of corporate bonds
Issuance (handling) date	February 24, 2020
Denomination	NT\$100 thousands
Issuance and trading location	R.O.C
Issue price	Issued at 102% of the denomination
Total amount	NT\$2,000,000 thousand
Interest rate	The rate is 0%
Term	5-year term, due on February 24, 2025
Guarantee agency	Chang Hwa Commercial Bank, Ltd.
Consignee	Taipei Fubon Commercial Bank Co., Ltd.
Underwriting institution	KGI Securities
Certified lawyer	Handsome Attorneys-at-Law, Attorney: Qiu, Ya-Wen
CPA	PwC Taiwan, CPA: Wang, Guo-Hua and Tian, Zhong-Yu
Repayment method	In addition to the holders of the converted corporate bonds in

	accordance with Article 10 of the Issuance and Conversion Measures (hereinafter referred to as the Measures), they shall be converted into common stocks of the company, or they may exercise the right of put back in accordance with Article 19, or the company shall exercise their rights to sell back in accordance with Article 18 of the Measures. In case of early redemption, or the company's purchase and cancellation by the business premises of a securities firm, the company will repay the bond in cash based on the face value of the bond upon maturity.
Outstanding principal	NT\$1,768,300 thousand
Terms of redemption or advance repayment	1. Agreement of the sell-back clause: The bond is issued for four years (February 24, 2024) as the benchmark date for the bondholder to sell back the bond in advance. The company shall send a "Notice of Exercise of the Right of Selling" to the bondholders (with the "Notice of Exercise of the Right of Selling" by registered post) 30 days before the base date of the sale (January 25, 2024). " On the 15th business day before the date of dispatch, the bondholders' register shall prevail. For bondholders who acquire the bond later due to trading or other reasons, it shall be announced by way of announcement), and shall be sent to the counter by letter The Buying Center announces the exercise of the bondholder's right to sell back. The bondholder may notify the company's stock agency in writing within 30 days prior to the date of selling back (it will be effective upon delivery, and the postmark will be used by mail for proof), the company is required to redeem the bonds held by it in cash at 100%~102.0151% of the face value of the bond (with an annual return rate of 0%~0.5%). The company accepts the sale back request and shall redeem the bond in cash on the sell-back base day plus 7 business days before. In the event of the aforementioned date when the Taipei Central Securities Exchange Market ceases to operate, it will be postponed to the next business day. 2. The agreement of the redemption clause: (1) The bond is issued from the day following the issuance of three months (May 25, 2020) to 40 days before the expiration of the issuance period (January 15, 2025), if the closing price of the company's common stock at the OTC buying center exceeds the current bond conversion price by more than 30% (inclusive) for 30 consecutive business days, the company may send to the bondholders a "Bond Callback Notice" with the expiry date of 30 days by registered mail within 30 business days thereafter (Five business days prior to the issuance of the "Bond Callback Notice" are listed on the creditor list, and for investors who subsequently acquire the bond due to trading or other reasons, it will be made by public announcement) (The aforesaid period shall be

		calculated from the date of dispatch by the company, and the expiry date of the period shall be the reference date for the bond recovery, and the foregoing period shall not be the period of suspension of conversion in Article 9), and the company should ask the OTC to make an announcement, and at the expiration of the period, all the bonds in circulation will be recovered in cash based on the face value of the bonds. (2) The bond is issued from the day following the issuance of three months (May 25, 2020) to 40 days before the expiration of the issuance period (January 15, 2025), if the outstanding balance of the bond is less than 10% of the original issuance total, the company can send it to the bondholder by registered mail (the one listed in the creditor list five business days before the issuance of the "Bond Recovery Notice" shall prevail , For investors who subsequently acquire the bonds due to trading or other reasons, it shall be made by way of announcement) a "Bond Recovery Notice" expired on the 30th day (the aforementioned period shall be counted from the date of dispatch by the company, and The expiry date of the period shall be the bond recovery base date), and the OTC shall be requested to announce the exercise of the bondholder's redemption rights, and upon the expiration of the period, the bonds out of circulation shall be recovered in cash at the bond denomination. (3) If the bondholder fails to reply in writing to the company's stock agency before the bond collection date set forth in the "Bond Call Notice" (it will be effective when it is delivered, the postmark date shall be used for the postmark). Within five business days after the bond recovery benchmark date, the convertible corporate bond held by it shall be recovered in cash based on the bond denomination.
Restrictive clause		Not applicable
Name of credit rating agency, rating date, rating of corporate bonds		Not applicable
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	None

	Issuance and conversion (exchange or subscription) method	1. Conversion subject: Ordinary shares of the company 2. During conversion: Bondholders can start from the day after three months after the issuance date of this converted corporate bond (May 25, 2020) and end on the maturity date (February 24, 2025). Except for (1) The period during which the transfer of ordinary shares is suspended according to law, (2) The company's free allotment suspension date, the cash dividend suspension date or the cash capital increase subscription suspension date 15 business days before the transfer date, and until the base date for the distribution of rights period, (3) From the base date of capital reduction for capital reduction to the day before the trading day before the start of the capital reduction and redemption of stocks; (4) From the start date of the suspension of conversion (subscription) for the conversion of the denomination of stocks to the day before the trading day before the start of the trading of new shares for the exchange of shares out, may at any time inform the Taiwan Centralized Depository & Clearing Corporation (hereinafter referred to as the "D&G Corp.") through the trading broker to request the company's stock affairs agency to convert the converted corporate bonds held by the company into the company in accordance with the provisions of these Measures Common stocks shall be handled in accordance with Article 10, Article 11, Article 13, and Article 15 of these Measures. 3. Conversion procedure request: The bondholder fills in the "Application for Conversion/Redemption/Sell-back of Corporate Bond Book Transfer" (specify conversion) to the original trading brokerage firm, and the brokerage company submits an application to D&G Corp. After D&G Corp accepts the application, it electronically The way to notify the company's stock affairs agency, the conversion will take effect upon delivery, and no application for revocation is allowed and complete the conversion procedures within five business days after delivery, and directly transfer the company's common stock to the bondholder's collective security account.
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Based on the current conversion price of NT\$25.1, if all of the shares are converted into the company's common stock, the maximum dilution ratio will be 14.42%, which will have limited impact on existing shareholders' equity. The conversion price was changed to NT22 on March 26, 2021.
Transfer agent		Not applicable

4.2.2 Conversion of corporate bond information

Types of corporate bonds (Note1)		The first domestic guaranteed conversion of corporate bonds	
Year		2022	Current year as of April 30, 2023 (Note4)
Market price of conversion corporate bond (Note 2)	Highest	123	126.7
	Lowest	102.1	105
	Average	112.92	120.01
Conversion price		NT\$22	NT\$22
Issuance (transaction) date and conversion price at the time of issuance		February 24, 2020; NT\$25.1	February 24, 2020; NT\$25.1
Method of fulfilling the conversion obligation (Note3)		Issue new shares	Issue new shares

Note 1: The number of fields will be adjusted according to the actual number of transactions.

Note 2: If there are multiple trading locations for overseas corporate bonds, they shall be listed separately according to the trading locations.

Note 3: Deliver issued shares or issue new shares.

Note 4: The data for the current year as of the publication date of the annual report should be filled in.

4.3 Preferred Shares handling situation : None.

4.4 Global Depository Receipts : None.

4.5 Employee Stock Options : None.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None.

4.7 Financing Plans and Implementation :

With respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits : None.

V.Operation Overview

5.1 Business Activities

5.1.1 Business Scope

A. The main content of the company's business

The business content of the company is as follows:

- (1) CA01030 Iron and Steel Casting.
- (2) CA02010 Manufacture of Metal Structure and Architectural Components.
- (3) CB01010 Machinery and Equipment Manufacturing.
- (4) CB01030 Pollution Controlling Equipment Manufacturing.
- (5) CD01010 Ships and Parts Manufacturing.
- (6) CD01030 Motor Vehicles and Parts Manufacturing.
- (7) E599010 Pipe Lines Construction.
- (8) E601010 Electric Appliance Construction.
- (9) E603120 Sand Blasting Engineering.
- (10) E604010 Machinery Installation.
- (11) E901010 Painting Engineering.
- (12) EZ15010 Warming and Cooling Maintenance Construction.
- (13) EZ99990 Other Engineering.
- (14) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import.
- (15) I599990 Other Designing.
- (16) J101040 Waste Treatment.
- (17) CD01070 Commercial Port Area Ship-repair.
- (18) G302010 Boat Operators.
- (19) G403010 Vessel Rental.
- (20) G406040 Commercial Port Zone Tugboat And Barge.
- (21) G407010 Salvaging.
- (22) G408010 Shipwreck Emergency Medical.
- (23) G301011 Vessel Carriers.
- (24) G402011 Ocean Freight Forwarders.
- (25) G406061 Harbor Cargoes Forwarding Services.
- (26) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Operating proportion of main products

Unit : NT\$ thousands

Product item	2021		2022	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Commercial ships	5,976,755	31.27	5,167,993	23.50
Military ships	11,363,002	59.45	15,330,882	69.70
Commercial and military ship maintenance	822,077	4.30	1,163,687	5.29
Machinery manufacturing	473,390	2.48	(38,361) ^{note}	(0.17)
Other business projects	478,205	2.50	369,849	1.68
Total	19,113,429	100.00	21,994,050	100.00

Note: It is due to the supplementary reduction of operating income from the machinery manufacturing business.

C. The company's current products and services

(a) Merchant shipbuilding

In recent years, CSBC have moved towards diversification of high value-added ships and offshore wind power generation. In view of the fact that the International Maritime Organization (IMO) has successively issued many environmental protection regulations (including ballast water and sediment management, Ship energy efficiency indicators and emission standards, etc.), prompting shipyards to promote the research and development of various energy-saving, emission reduction and environmental protection technologies, such as: reducing ship resistance (including wind, fluid and surface friction, etc.), increasing propulsion efficiency (including Improve the uniformity of track flow, recovery of rotational kinetic energy, high-efficiency propellers, etc.), install ballast water treatment and reduce pollution discharge systems (including sulfur oxides and nitrogen oxides), etc., giving birth to "Eco-ship" ". Following this trend, the ES10 (10% Energy Saving) 、ES20 、ES30 project, the Seaway Optimum Design and Operation (SODO) from 2005, and the 4IntShip project launched in 2016 all show the In terms of high value-added ships, the company is determined to continuously improve product competitiveness.

In the past, the environmental protection focus of the International Maritime Organization was mainly on energy efficiency. SODO is an innovative design brand and service policy launched by Taiwan Shipping Company. We aim to be closest to the actual needs of operators. The starting point is to develop the most suitable ship type.

In recent years, in response to the rise of Industry 4.0, Taiwanese shipping

companies have proposed green ships, moving towards smart ships, and developing a blueprint for smart shipyards. In order to achieve this vision, CSBC launched the "4IntShip" plan, which mainly includes "Intranet", "Internet", "Integration", and "Smart Staff (Intelligent)" and other four parts. It is expected to transform the trend of big data into a knowledge management and judgment system based on the suggestions of designers and the operating experience of senior crew members. Even the knowledge base obtained and accumulated based on the analysis of big data can not only automatically learn, Judgments or maintenance recommendations can also be automatically generated, enabling shipping companies to operate ships more efficiently.

In recent years, CSBC has promoted the smart ship "4IntShip" plan, which has achieved initial results and has a considerable scale. The existing core products are as follows, and gradually integrate existing products and external technical capabilities to move towards the goal of smart and environmentally friendly ships.

▲ Infrastructure

1. Ship-specific router (ShipWAP, patent pending)
2. Suggestions on ship accommodation network and information security policy
3. Ship satellite network and backup system

▲ Integrated application

1. Ship big data collection system
2. Suggestions on ECOShipCond
3. Automatic water adjustment (IntAShipCond)
4. Smart water transfer (IntAECOShipCond)
5. Smart ship engine room monitoring system (IntAMoni)
6. Multi-party instant messaging platform

(b) Naval and Official Shipbuilding

Our naval and official vessels are mainly built for the ROC Navy and Coast Guard Administration. Our orderbook include:

- (1) the Indigenous Defense Submarine (prototype) as well as salvage and rescue vessel of ROC Navy.
- (2) 100 Tonnage class patrol and rescue boats, 1,000 Tonnage class frigates, and 4,000 Tonnage class frigates for the Coast Guard Administration.
- (3) 100ns degree revenue cutters of the Customs Administration.
- (4) Training ship of National Kaohsiung University of Science and Technology.
- (5) Electric driven ferries of Kaohsiung City Shipping Co., Ltd.

CSBC equips with the equipment and abilities to build various types of vessels which satisfy the need of ROC Navy, Coast Guard Administration, as well as other government agencies.

(c) Maintenance of commercial and military ship

The main business items are the maintenance, annual inspection, special inspection, retrofitting, sea damage repair, and commercial maintenance of the entire ship of various types of ships and naval ships. In terms of Merchant ship repairs, in recent years, repair projects that focus on providing labor services have gradually changed to providing technical services, using automatic or semi-automated operations. In addition, CSBC has signed long-term ship repair contracts with large shipping companies to maintain a fixed source of business.

In terms of naval ship maintenance, we are in line with the government policy of "Armed Forces Refining Program" and "Commercial Maintenance of naval ships", and leap at large-scale combat ship and logistics support ship maintenance services. Over the years, CSBC has undertaken ship repair business such as the Navy's GUPPY-class submarine maintenance project, strategic commercial maintenance of Panshi Fast Combat Support Ship 5-year ship repair business, as well as the 5-year ship repairing open contract of ROC navy's southern and north area. Winning these bids prove that CSBC has established maintenance capabilities. In addition, CSBC Kaohsiung plant and Keelung yard have established naval construction and maintenance abilities to provide integrated solution services.

(d) Offshore Wind Farm Engineering and Machinery Manufacturing

The main business is divided into three categories: marine equipment, land engineering and offshore wind farm engineering. The marine equipment business includes the production of ship blocks, hatch covers, marine outfitting and deck machinery, etc. The land machinery engineering business contains the production, assembly, and installation of heavy steel structures, large pressure vessels, port transportation machinery, industrial machinery, industrial piping, environmental protection engineering, power plants (including nuclear power plants), cogeneration plants, LLC slewing jib crane, as well as ship unloader. The offshore wind farm engineering includes the manufacturing, transportation, coating and installation of steel structure, as well as Marine engineering business. The marine equipment is mainly self-sufficient for use of new ships to ensure quality and delivery time, and also reduce the risk of obtaining outfitting products. In order to implement diversified business goals, CSBC adopt the accumulated engineering technology and experience in shipbuilding to develop land and offshore wind farm engineering business, focusing on contracting the manufacturing or installation of machinery and equipment for domestic and foreign enterprises. CSBC has completed the development of offshore wind farm business and set six major areas to proceed: (1) Manufacturing of Pin Piles; (2) Manufacturing of offshore substations; (3) Marine engineering turnkey business;

(4) Construction fleet preparation; (5) Offshore corrosion prevention; (6) Manufacturing of floater. In addition, CSBC will continue to review new business items to meet business development needs.

D. New products development

Regarding the innovations of CSBC Corporation, Taiwan's research and development, summarised as follows:

■Advice for shipowners to comply with the new EEXI regulations

According to the MEPC 76th session, held by IMO in June 2021, the existing ships must meet the standards of EEXI (Energy Efficiency Existing Ship Index), which has been entered into force on 1st November 2022. In response to the update of regulations, it is recommended to slow down the main engine, the so-called Engine Power Limitation (EPL), for various ship types, delivered by our company.

■Floating Offshore Wind Power System

Taiwan has abundant and excellent wind energy, and the government is also actively promoting offshore wind power. However, most sites are more than 65m water depth, which means floating platforms may be a suitable solution. The floating platform is more flexible, also could be towed by tugboat, which may greatly reduce the risk of construction.

Researchers from NTU (National Taiwan University), CSBC and SOIC (Ship and Ocean Industries R&D Center) have joint venture to design a semi-submersible prototype floating platform for 15 MW wind turbines, which may be solution for 60-100m water depth. Nearly 20 variants are included in this study, and the circular column was evolved into an irregular hexagonal column, more realistic consideration for construction. The floating platform is named as Taidafloat.

■Design Study for New Generation Carbon Intensity Indicator (CII) Ship Type

Carbon emission gradually becomes stricter since 2023, CSBC has done some study and points out the new ship types may be as follows:

- (a) Assuming a reduction of 2% per year until 2030, the total reduction will be 19%, it means that with level B in 2023 and might not be level D in 2030.
 - i. As the major design trend of ship speed, using traditional fuel oil, it can only have grade C, and supposed to be grade D, after 3 years of delivery. Considering the optimization of hydrodynamics is almost in the better level, there is less room to improve, not sufficient to satisfy CII requirements year by year.
 - ii. If existing container ships do not have any proper measures, 90% the fleet will fall into class D or E, in 2030.
- (b) Considering that the main engine takes largest portion of carbon emissions, initial settings become crucial.
 - i. If you want to maintain high speed, you need to change fuel
 - ii. The volume of alternative fuel is relatively larger, which will cause major effect on the cargo loading ability.

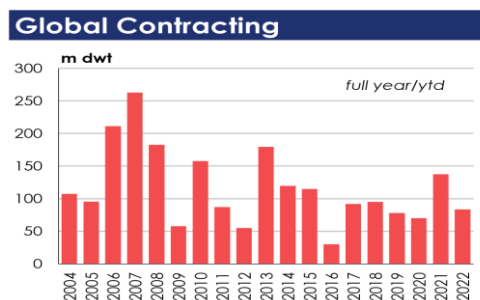
- (c) Only the aim is planned, details are not determined, such as, if severe sea conditions can be omitted.
- (d) According to MEPC 78, the summer full-laden weight is still used for the calculation, for container ships.
- (e) In order to avoid cheating, carbon emissions are considered by single ship basis.
- (f) From the calculation formula,
 - i. Estimated CII can be calculated for each speed, and different speeds can build up the operating profile, or a reference for route planning.
 - ii. The deadweight tonnage and fuel consumption will be the trade-off of future design.
- (g) In the future, IMO may adopt Emission Trading System (ETS) or carbon fee (tax) to reduce maritime carbon emissions. For the current fleet, operating costs will inevitably increase
 - i. Under the premise of emission reduction target of 2050, traditional fuels may not be achieved.
 - ii. The international trend is to introduce alternative fuels, as possible.
 - iii. Would it be possible that trading emission right becomes the core of the business in the future?
- (h) To build a new ship, in order not to change the portfolio from time to time, the ship owner shall look for a shipyard who can customize, or work closely with the trained team to develop the tender.
- (i) The current regulations are more ideally. How to accurately collect the actual emissions annually is the key. Can only be studied by documentation, by far.

5.1.2 Industry Overview

A. Industry status and development

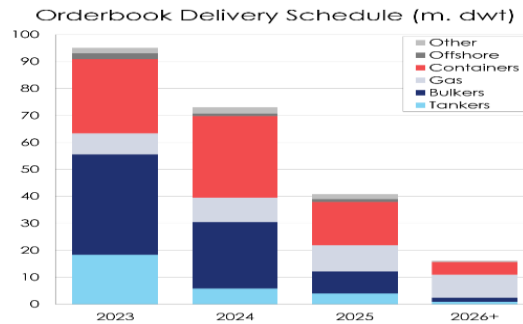
(a) Global contracting, orderbook and delivery outlook

In full year 2022, the global ship contracting reached 83.4 million deadweight (all vessel types) and decreased 54.1 million deadweight than the contracting in 2021. The contracting of all vessel types except LNG Carrier and Pure Car and Truck Carrier decreased.



Resource: Clarksons Research, World Shipyard Monitor, Volume 30, No. 1, January 2023

At the end of December 2022, the global orderbook reached 225.1 million deadweight (all vessel type), which is closed to the quantity in 2021, account for 10% of the fleet in deadweight term. From 2023 to 2025, there are 95.1 million, 73.1 million, and 40.8 million deadweight of the orderbook are expected to be delivered. After 2026, 16.1 million deadweight is expected to be delivered.

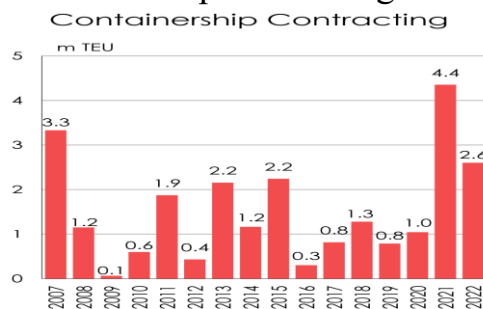


Resource: Clarksons Research, World Shipyard Monitor, Volume 30, No. 1, January 2023

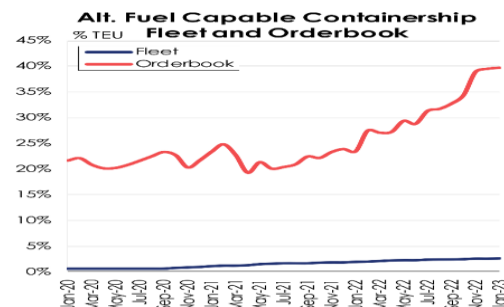
(b) Contracting, orderbook, and delivery outlook of Container Vessel

The port congestion unwinding, economic recession, and the influence of Russo-Ukrainian War not only aggravate the inflation but cool the demand of consumer and shipping in the second half of 2022.

In full year 2022, the container vessel contracting stood at 2.6 million TEU, which is only about 60% of 2021. The main factor to support contracting is the trend of decarbonization; therefore, the ratio of alternative fuel containership contracting increase sharply.

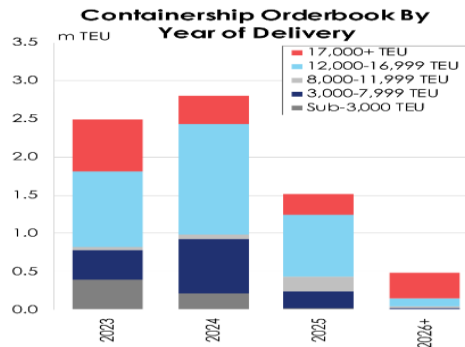


Resource: Clarksons Research, Container Intelligence Monthly, Volume25, No. 1, January 2023



Resource: Clarksons Research, Container Intelligence Quarterly, First Quarter 2023

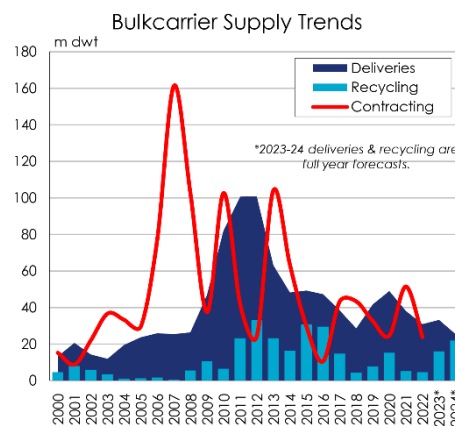
About 191 container vessels were delivered in 2022, equivalent to 1.01 million TEU. The below Containership Orderbook by Year of Delivery shows about 2.5 million TEU will be delivered in 2023, while 2.8 million TEU and 2 million TEU will be delivered in 2024, 2025 and after.



Resource: Clarksons Research, Container Intelligence Quarterly, First Quarter 2023

(c) Contracting, orderbook, and delivery outlook of Bulk Carrier

Although the contracting increased sharply in 2021, it returned to 2020 level because of the downturn in shipping volume and freight. The orderbook of bulk carrier in full year 2022 stood at about 23.9 m dwt (about 330 vessels); 33.3 million and 25.4 million dwt are expected to be delivered in 2023 and 2024.



Resource: Clarksons Research, Dry Bulk Trade Outlook, Volume 29, No. 1, January 2023

(d) The company's core products and core business of Merchant ship

The freights decrease sharply in the second half of 2022 because of the cease of port congestion, the occurrence of inflation, as well as less shipping demand in second half of 2022. Even the newbuilding price skyrocketed from 2021 to the first half of 2022, it remains constant in the second half of 2022. The main reasons are the limited berth space,

accelerated cost of steel plate, energy, and labor cost.

Notably, even though the contracting of container vessel, which is also one of CSBC's core products, dropped in 2022, the ratio of alternative fuel container vessel grew to 69% of the total order capacity. LNG seemed the most popular alternative fuel, but Methanol is the one catching up. A great quantity of newbuildings are expected to enter service in the next 2 years, but ship owner will keep renewing his fleet by ordering eco-friendly vessels while the Environmental regulations come into effect.

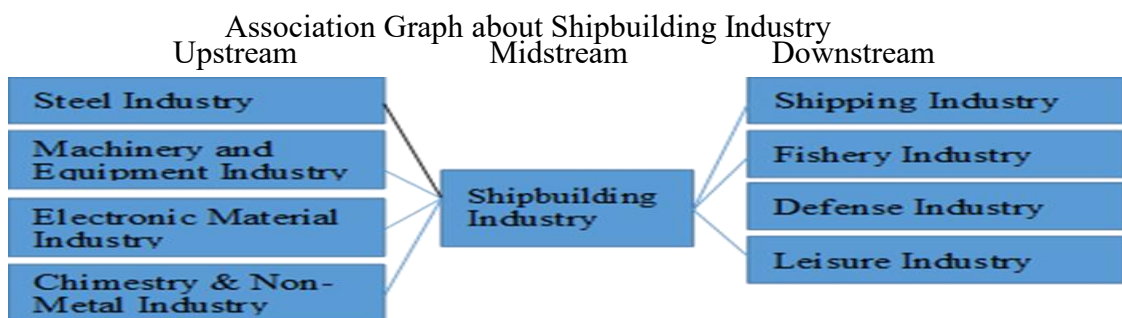
In the future, the demand of container vessel is expected in the range above 10,000 TEU and below 2,999 TEU. CSBC has built the container vessels from 1,000 TEU to 14,000 TEU, which quantity, performance, and affirmative better than other yards. Therefore, CSBC will do our best strive for such orders.

B. The relevance of the industry's upstream, midstream and downstream

The shipbuilding industry has a large number of upstream, midstream and downstream cooperative suppliers. The establishment and efficiency of the shipbuilding supply chain are related to the competitiveness of the shipbuilding industry. For example, the supply of steel plates for upstream shipbuilding, the midstream of main equipment (main engine, auxiliaries, etc.) and paint for the ship, and the end users of downstream ship-owners. The company has independent design, installation, and manufacturing capabilities for various types of ships, as well as professional ship research and development and design talents. It maintains a good supply and marketing relationship with upstream, midstream, and downstream suppliers and ship-owners to ensure product quality and delivery.

As for the supply chain establishment of suppliers in the upper and midstream cooperatives, the company has a strict evaluation, management and examination system for suppliers, and develops supply sources with diversification in order to establish a complete supply chain system. For services to downstream ship-owners, in addition to timely delivery to meet the needs of ship-owners, more attention is paid to after-sales service and satisfaction of the products used by ship-owners.

In order to ensure product quality and delivery time, the shipbuilding industry is closely related to the upstream, midstream and downstream. Any problems in any link will affect the service to downstream ship-owners.



C. Product development trend

Currently, the world shipbuilding market has formed a trend of development of various ship types such as oil tanker, bulk carrier, container vessel, special ship and offshore engineering equipment ship. The proportions of oil tanker, bulk carrier, container vessel and offshore structure in 2022 are 7.01%, 14.02%, 28.50% and 2.10% respectively. Compared with the shipbuilding market in 2021, oil tanker declined 52.38%, Bulk carrier grew 51.61%, container vessel declined 40.48%, and offshore engineering declined 30.77%.

D. Competitive situation

Analyze the strategic development of major shipbuilding countries with competitive strategies. South Korea has achieved low-cost competitive advantages of various ship types through economic scale, technology, management, and related peripheral industry support, and has developed a differentiated strategy to gradually increase the proportion of LNG, Offshore and other products. In the past, Japan has gained advantages in differentiation strategies. In order to maintain its competitive advantage, through industrial structure changes (strategic alliances, mergers or industrial division of labor) and specialization (each shipyard focuses on a certain type of ship), it also moves closer to cost leadership and professional differentiation. The mainland shipyard is currently gaining a competitive advantage with low labor costs. In the future, it will develop toward a cost-leading strategy through capacity expansion, equipment upgrades, technological improvements, and efficiency improvements. Western European countries continue to take the lead in passenger ships and special ships with professional differentiation strategies. CSBC mainly focuses on specialized container shipyards, and matches the business of Bulk Carrier or oil tanker according to market demand in a timely manner.

Considering the key success factors of container ships, comparing them with shipyards in Japan, South Korea and mainland China, CSBC Corporation Taiwan has advantages in quality, design, and specifications. The material cost is mainly imported due to the main equipment, and the industry is small in scale, and the bargaining power is weak, which is at a disadvantage.

Country Item	CSBC Corporatio n Taiwan	Japan Shipyard	South Korea Shipyard	Mainland China Shipyard
(i). Salary level	B	D	C	A
(ii). Material costs	D	B	A	B
(iii). Punctual delivery	C	A	A	B
(iv). Length of cons- truction period	C	A	B	B
(v). Construction qua- lity	A	A	B	C
(vi). Design and spec- ification	A	A	B	B
(vii). Achievement	B	A	A	A
(viii). Dock and energy	C	C	A	A

Note: A, B, C, and D represent relatively strong, second strong, second weak, and weak respectively (Source: CSBC Corporation Taiwan) °

Regardless of the number of new ships or deadweight tonnage, the center of the global shipbuilding industry is still in Asia. At present, the world shipbuilding market presents a situation where China, Japan, and South Korea are in a state of dominance. As of the end of 2022, the three countries' ship handling orders (Order book) accounted for 89% of the world's total in terms of revised gross tonnage (CGT) and holds most of the orders in the world shipbuilding market. In 2022, China's shipbuilding completion volume, handling orders and new ship contracts both surpass South Korea, becoming the world's largest shipbuilding country.

In order to seize the small shipbuilding market, Japan and South Korea, the major shipbuilding countries, have used their technological advantages and foreign expansion strategies to compete with China for the market, especially in green ship technology to increase research and development efforts. The following is an analysis of the development of the major shipbuilding countries in Asia, South Korea, Japan, Mainland China and Taiwan, as follows:

(1) South Korea

South Korea's shipbuilding industry cycle is at a mature stage, with resource advantages, technological advantages and financial advantages, and strong competitiveness. The completion and delivery of ships in 2022 reached 4.8 million modified gross tonnage (MCGT), lower than China's 14.4 million modified gross tonnage (MCGT) and the second largest percentage in the world.

However, South Korea's shipbuilding industry also encountered bottlenecks in the development process, mainly due to insufficient domestic production line resources, relative shortage of technical personnel and production workers, and rapid increase in workers' wages, which have brought greater development pressure to the enterprise. At present, the labor cost in South Korea accounts for an average of about 30% of the cost of a new ship, compared to 10% to 15% in China, which is not conducive to competition. Therefore, due to the high cost of domestic shipbuilding and the decline in competitiveness, South Korea has begun to shift the focus of orders to ships with higher added value, especially transferred to VLCC Large crude oil carrier, Large Container Vessel, chemical tanker, Large LPG tanker and LNG tanker and marine engineering projects high value-added ships.

(2) Japan

The Japanese shipbuilding industry cycle is in a post-mature period. In recent years, the status of ships' exports in Japan has declined, and exports accounted for only about 2% of Japan's total exports. It currently ranks third in the world's shipbuilding industry, with 4.8 million revised gross tonnage (MCGT) for completed delivery.

Just like the development of South Korea's shipbuilding industry, Japan's shipbuilding industry itself has encountered many problems in recent years, mainly due to the lack of successor strength of shipbuilders and high wages. Like South Korea, Japan's labor costs account for an average of about 30% of the cost of a new ship, and it has been plagued by the further development of the Japanese shipbuilding industry. Many companies have adopted mergers and acquisitions or reorganizations to reduce costs by increasing their scale.

In recent years, the global economic growth has driven shipbuilding demand. In response to shipbuilding demand, Japan resumed its suspension of production capacity, expanded and updated shipbuilding equipment to ensure its market share in shipbuilding, and established a strategic position in the shipbuilding industry. In order to enhance comprehensive

competitiveness, strengthen technological innovation and cultivate talents, the shipbuilding industry must continue to maintain a 100% foothold in Japan's domestic production to delay the shift of global shipbuilding centers to China.

(3) Mainland China

The shipbuilding industry cycle in mainland China is in the pre-growth period, and the shipbuilding industry has shown strong vitality. Due to the comparative advantage in cost, the shipbuilding industry in mainland China has achieved considerable development. Since 2003, the three major indicators of shipbuilding completion, new orders and handling orders in mainland China have surpassed the total of European shipbuilding countries, and it has also widened the gap with Japan and South Korea.

In addition, British Clarkson Research Company revised the gross tonnage statistics of world shipbuilding in 2022, showing that the completed shipbuilding volume of mainland China accounted for 47% of the world market ratio; the volume of new orders accounted for 49% of the world market ratio; the volume of handling orders accounted for the world market. With a ratio of 45%, the three major indicators are slightly inferior to South Korea, making it the second largest shipbuilding country in the world.

Mainland China now has the ability to develop and build high-tech ships and marine engineering equipment, and has reached the international advanced level. the shipment rate of mainstream localized supporting equipment has almost reached the independent capability.

(4) Taiwan

In recent years, CSBC has actively transformed itself into the three major businesses of shipbuilding, domestic shipbuilding, and offshore wind power. The annual revenue share of the shipbuilding industry has dropped to 23.5%, and the operating strategy is mainly focused on niche ships. In 2022, a total of 9 ships will be completed and delivered, including 1 new amphibious dock transport ship of the Navy, 1 4,000-ton frigate of the Coast Guard, 2 100-ton patrol and anti-smuggling boats of the Customs Administration, and 1 1,000-ton patrol boat of the Coast Guard Ship, four 100-ton patrol and rescue boats. About 180,035 CGT-? were completed and delivered throughout the year. CSBC has continuously improved the construction quality, enlarged the ship section, strengthened the control of material and labor costs, improved the shipbuilding process, shortened the shipbuilding schedule and other measures to cope with the competition in the global shipbuilding market.

In the face of competition in the global shipbuilding market, Taiwan Shipbuilding will face new challenges in the future: (1) reduce costs, strengthen the management system (2) optimize manpower, technology inheritance (3) adjust product structure, develop new businesses (4) accelerate product development and innovation (5) Innovate the operation mode and develop business. In response to these new challenges, in 2022, in order to achieve the goal of sustainable operation, the company will continue to promote the transformation of operating strategies such as shipbuilding industry, domestic shipbuilding and offshore wind power business, and plan to increase revenue and reduce expenditure and EP-10 plan to decentralize company operations Risks, comprehensively and continuously improve the overall competitiveness, and coordinate with organizational transformation and corporate culture optimization, research and develop relevant work priorities and performance management and

examination mechanisms, with the strategic goal of "up and down E-centered, reverse the situation", and depending on the market development situation, while cooperating The national policy adopts a rolling adjustment to the direction of operation, and actively moves towards turning losses into profits and creating operating profits.

(5) Summary

Looking ahead, there is no sign or trend of recovery in the global economic prosperity, and the prosperity of the shipbuilding industry is not optimistic. However, under the guidance of the upgrade and transformation plan and EP10, the company will continue to develop steadily towards the three major blocks and move forward with the vision of building an excellent marine business group. In the future, we look forward to strengthening the corporate core culture of "discipline, efficiency, honor, and mission" and "hard work, frugality, pragmatism, and execution" in the business philosophy of "integrity, innovation, and growth." It is believed that under the successful transformation of the operation strategy and the corporate culture effect, stable profits and sustainable growth are just around the corner.

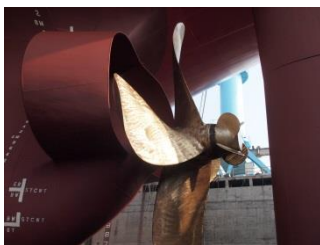
5.1.3 Technology and R&D Overview

A. Technical level of the business

(a) Shipbuilding

The shipbuilding industry is a technology, capital, and labor-intensive industry. Facing competitor worldwide, innovative research and development is important. CSBC treat these seriously and keep supporting the technologies of energy saving, environmental protection, safety, and searching for the rule-complied design, to create and bring added value to customers.

Significant milestones of ES energy saving project, such as, ES Bow conversions, Sea Sword Bow, ES Rudder (Twisted Leading Edge & Rudder Bulb), Rudder-fin, high efficiency propeller, wake diversion device, Pre- Swirl Vortex Generator, Asymmetric Y-shaped and T-shaped stators, and etc., are with great sales records and high reputations.



ES WED



ES BOW



Sea Sword Bow(SSB)



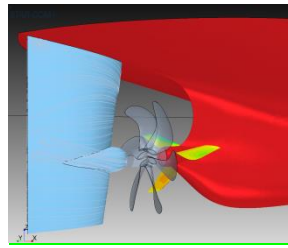
ES Rudder



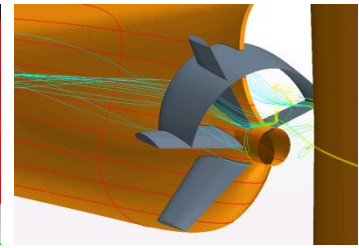
Rudder-fin



Pre-Swirl Vortex
Generator



Asymmetric Y-shaped fin
device



Asymmetric T-shaped fin
device

(b) Naval and Official Vessels construction

CSBC has accumulated many years of technology and experience in building and repairing ships, and has the ability to design independently. In order to enhance our abilities, CSBC will introduce the latest shipbuilding technology and establish integration and testing capabilities on new equipment by the way of domestic and foreign strategic alliances in the future.

B. Research Development

Since its establishment in 1973, the company has accumulated many years of engineering experience, and has cooperated with production, learning, and research to cultivate independent design capabilities, and related engineering management and technology for shipbuilding and repair. It has reached the level of world-renowned shipyards and had a certain competitive advantage in the international shipbuilding market.

(a) Shipbuilding

Developments for the concept of “Green Ship” are as follows:

Methanol Retrofit Plan for 50,000 DWT Class Oil Tanker

The IMO(International Maritime Organization) is committed to reducing carbon emissions in maritime industries. In order to achieve the goal of reducing carbon emissions by 40% in 2030, the most important benchmark is the Carbon Intensity Index, which has been published in November 2022.

Based on the above reasons, methanol is selected as the alternative fuel, and a 50,000-ton deadweight oil tanker is taken as an example for feasibility analysis. The modification concept is as follows:

- (a) Using plug-in module to change the fuel injection, which must cooperate with the vendors.
- (b) The fifth cargo hold is used as a methanol storage tank, in accordance with the classification failure and error mode analysis, equipment shall be installed in open spaces as far as possible, to reduce the range of dangerous areas.
- (c) Double-layer pipes should be used for fuel supply to main engine, and the rest should be possible to use general pipes.
- (d) Methanol refueling station will be installed near amidships.
- (e) Alcohol-resistant foam fire extinguishing system (AR-AFFF system) shall be used.
- (f) Gas detectors shall be installed near the main engine, generator and exhaust pipe.

Study on hydrodynamics of 50,000 DWT oil tanker

In this case, the hydrodynamic study of the stern is carried out, with twisted rudder, rudder bulb and rudder fin. Under the design draft, the rudder bulb with twisted leading edge can save about 0.5% horsepower. If the rudder-fin is added, it can save additional 0.6%. Based on this result, will try to apply CSBC patented T-Fin.

Hydrodynamic effects on stern tube shape of 100-ton patrol boat

Several features that may affect the vessel speed were found, including:

- (a) The end of the bottom fin (Skeg).
- (b) Clearance between rudder blade and rudder fin.
- (c) Position of stern tube and arrangement of coupling.

In order to clarify the above-mentioned effects on resistance, computational fluid dynamics method is used for discussion. This evaluation includes the influence of shafting, rudder and intercepting resistance. In order to reduce the additional resistance of the stern shaft in similar ship, in the future, it is worth to carry out related studies for future project.

(b) Naval and Official Vessels construction

CSBC Kaohsiung and Keelung yards have already built more than 150 naval and official vessels in various types, such as FAB, the new generation of guided missile boat, transport ship, fast combat support Ship, landing craft, attack craft guided missile, etc. In the project of PFG-II missile frigate, CSBC completely took the responsibility to construct, design and integrated logistics from third frigate.

(c) Ship / vessel repair

Since the CSBC has a shipyard in both the north and south of Taiwan and has a ship repair dock, it can provide various types of ships and ships with annual repairs, special inspections and modifications, sea damage repair, construction and maintenance in one, and entire ship commercial maintenance naval ship with long-term contracts. In addition to having the capabilities of a professional ship repairing yard and the geographical advantage of being a hub of major international waterways, it also has close relationships with public agencies and Chinese shipping companies.

(d) Offshore Wind Farm engineering and machinery production

Through the accumulated rich experience and technology of shipbuilding and heavy industry, combined with ultra-high heavy-duty lifting equipment and a wide and flat plant area, it has a competitive advantage in fighting for environmental protection, air pollution control projects, power plants, rail vehicles and other large-scale related mechanical engineering.

C. Research and development personnel and their academic experience

CSBC Corporation Taiwan has more than 400 employees with a bachelor's degree or above with research and development capabilities, and about 120 researchers participate in research and development every year. The department responsible for the promotion and management of R&D plans is the "Department of Planning". The department responsible for the development and research of the technology application of ships and vessels (water-bearing ships) is the "Department of Design". The department responsible for the development and application research of key technologies for intelligent shipbuilding is "Department of Information Technology". Another department responsible for the development of marine engineering technology is "CSBC-DEME Wind Engineering Co., Ltd.". The educational background of the company's personnel involved in research and development is as follows:

Year		2019	2020	2021	2022
Item					
Education distribution	Doctor	6	6	4	5
	Master	61	70	79	81
	Bachelor	32	41	37	43
	Others	7	8	7	9
Total		106	125	127	138
Average working years (year)		14.06	13.86	8.4	8.5

D. R&D expenditures invested in each of the last three years and successfully developed technologies or products.

(a) R&D expenses invested:

Unit: NT\$ thousands

Year		2020	2021	2022	As of Mar. 31, 2023
Item					
R&D expenses (A)		94,017	124,101	209,163	59,347
Turnover(B)		25,296,629	19,113,429	21,994,050	5,702,853
(A)/(B)%		0.37%	0.65%	0.95%	1.04%

(b) Successfully developed products:

CSBC meets the application needs of customers, and constantly innovates

designs and improvements by its excellent R&D technical team and business development strategies. The ship type developed in recent years has excellent performance. From 1998 to 2022, 27 new ship designs have been developed, and 232 ships have been selected in the "Significant Ships" published by the Royal Institute of Naval Architecture (RINA). Besides, CSBC has won the cover of "Significant Ships" for nine consecutive years from 2014 to 2022. Here is a list of the actual performance results of the company's selected ships in recent years:

List of selected CSBC ships of “Significant Ships”

Year	Type of ship	Representative ship number	Total number of ships built (ship)
1998	2,200 TEU Container Vessel	HNO.665	38
1999	57,000 DWT Semi-submersible Deck Cargo Carrier	HNO.725	2
2000	5,714 TEU Container Vessel	HNO.788	2
2001	176,000 DWT Bulk Carrier	HNO.769	8
2002	3,200 TEU Container Vessel	HNO.791	5
2002	17,726M ³ Reefer	HNO.730	2
2003	77,000 DWT Bulk Carrier	HNO.815	9
2004	12,600 DWT Cement Carrier	HNO.800	1
2004	175,100 DWT Bulk Carrier	HNO.821	3
2004	5,500 TEU Container Vessel	HNO.823	6
2005	4,250 TEU Container Vessel	HNO.835	20
2006	4,050 TEU Container Vessel	HNO.833	6
2006	1,800 TEU Container Vessel	HNO.849	22
2007	202,500 DWT Bulk Carrier	HNO.867	5
2007	6,000 TEU Container Vessel	HNO.870	4
2008	8,240 TEU Container Vessel	HNO.875	10
2009	1,700 TEU Container Vessel	HNO.940	13
2010	6,600 TEU Container Vessel	HNO.896	6
2011	40,000 DWT Oil Tanker	HNO.981	4
2011	93,300 DWT Bulk Carrier	HNO.983	4
2012	4,500 TEU Container Vessel	HNO.950	11
2014	1,800 TEU Container Vessel	HNO.1030	20

2016	14,000 TEU Container Vessel	HNO.1036	5
2017	2,800 TEU Container Vessel	HNO.1065	10
2019	208,000 DWT Bulk Carrier	HNO.1099	4
2020	2,800 TEU Container Vessel	HNO.1113	10
2021	1,800 TEU Container Vessel	HNO.1111	2
Total		27 types	232

Since 2005, 16 new ship designs and 121 ships have already won awards of the "SHIP OF THE YEAR in Taiwan", organized by Taiwan Society Naval Architects and Marine Engineers. The ships have been recognized by domestic scholars and experts. Here is a list of the actual achievements of the company's award-winning ships in recent years:

List of selected CSBC ships of “SHIP OF THE YEAR in Taiwan”

Year	Type of ship	Representative ship number	Total number of ships built
2005	12,600 DWT Cement Carrier	HNO.800	1
2007	1,800 TEU Container Vessel	HNO.849	22
2008	202,500 DWT Bulk Carrier	HNO.867	5
2009	8,240 TEU Container Vessel	HNO.875	10
2010	1,700 TEU Container Vessel	HNO.938	13
2012	40,000 DWT Oil Tanker	HNO.981	4
2014	8,500 TEU Container Vessel	HNO.1007	10
2015	1,800 TEU Container Vessel	HNO.1030	22
2016	AOE Fast Combat Support Ship	HNO.1025	1
2017	14,000 TEU Container Vessel	HNO.1036	5
2018	65,000 DWT Semi-submersible Deck Cargo Carrier	HNO.1057	4
2019	2,800 TEU Container Vessel	HNO.1073	10
2020	Gross Tonnage 500 class Ocean Research Vessel	HNO.1088	2
2021	Gross Tonnage 1,000 Class Ocean Research Vessel	HNO.1090	1
2022	2,800 TEU Container Vessel	HNO.1113	10
2023	Landing Platform Dock (Yu Shan)	HNO.1103	1
Total		16 types	121

From 2016 to 2022, a total of 4 new ship designs and 32 ships won the "Taiwan Excellence Awards" organized by Ministry of Economic Affairs. In 2019 and 2022, CSBC even won the "Gold Award" of Taiwan Excellence Awards.

List of selected CSBC ships of "Taiwan Excellence Awards"

Year	Type of ship	Representative ship number	Total number of ships built
2016	1,800 TEU Container Vessel	HNO.1030	22
2017	14,000 TEU Container Vessel	HNO.1036	5
2019	65,000 DWT Semi-submersible Deck Cargo Carrier	HNO.1057	4
2022	1,000 Gross Tonnage Class Ocean Research Vessel	HNO.1090	1
Total		4 types	32

(c) Successfully developed technology:

Although the maritime industry already consumes less energy than other transportation industries, after the signing of the Kyoto Protocol, all member states and the Maritime Organization are willing to cooperate with the world in reducing carbon emissions. Since 2005, Taiwan Ships has launched an energy saving plan (Energy Saving Plan, ES), focusing on hull line shape, propeller refinement, improvement of propulsion efficiency, weight reduction, etc., and is divided into three stages: ES10, ES20, and ES30 , have reached the energy-saving plan goals as scheduled.

Taking Jianbow as an example, since the delivery of the 1,808 TEU Haifeng Shandong ship by Taiwan Shipping in 2014, the container ships delivered by the world's major shipyards in the past two years have ranged from the 23,992 TEU Changfan ship of the world's largest Evergreen Shipping to the 2,038 TEU Wan Hai Shipping The Lanchun ship adopts the anti-wind and wave bow similar to the sword bow, which proves the research and development ability of Taiwanese ships to lead the world's shipbuilding design trend.

With the development of science and technology, Taiwan Shipbuilding is actively promoting the 4IntShip project at this stage. From the perspective of design or operation, combined with practice, and actually applying the results to various products of Taiwan Shipbuilding, actively marketing to shipowners and customers, and has won a lot of awards. Customer affirmation and praise.

ES10 Improve ship emissions and save energy by 10%		ES20 Further energy savings of 10%	
Hull lines design	Wave resistance reduction stern	Resistance-Reducing by Microbubbles technology	Reduce the frictional resistance of the hull surface
Propulsion device and performance	High efficiency propeller, ES rudder, rudder fin, pre-swirl stator	Energy-saving propeller	Establish new procedures and methods for propeller design

ES30 Advanced technology, 10% energy saving		Sea Sword Bow	Reduce the influence of ship trim and sea conditions
Renewable energy utilization	Solar, wind, waves	4IntShip	
Reduce Weight	Lighter castings and outfits	Intelligent	Smart ship, saving easily
Waste Heat Recovery	Improve the efficiency of waste heat from diesel engines		
System improvement	Power management system, hydraulic system, cooling water system	ECOShipCond	Using CFD analysis, giving suggestions for more energy-saving ship conditions
Operational requirements	Weather Routing analysis and suggestion	IntAECOShipCond	Giving utilized suggestions and achieving energy-saving ship conditions by one click.

(d) Progress of ongoing research and development projects:

Feb. 28, 2023

R&D project name	Current progress %	The more cost that needs to be invested (NT\$ Thousands)	Estimated finish time	The main factors affecting the success of research and development in the future
			Time to complete mass production	
1. Research on the technology and integration of self-made ship monitoring system (1/3)	16	7,060	December 31, 2023	1.Master the signal interface of main engine, propulsion system and related equipment. 2.Familiar with ship classification regulations and system development capabilities. 3.Close cooperation and contact with SOIC, CR and ship owners
			—	
2. Smart plant integration technology and application research (1/3)	10	10,100	December 31, 2023	With intelligence as the core, the company promotes the visualized management of automated processes, and realizes a new model of smart plant manufacturing through the integration of production line man-machine operation interfaces and process production management systems.
			—	
3. Shipbuilding Market Research Analysis (112)	16	800	December 31, 2023	1. Accurate information of market conditions.

R&D project name	Current progress %	The more cost that needs to be invested (NT\$ Thousands)	Estimated finish time	The main factors affecting the success of research and development in the future
			Time to complete mass production	
			—	2. Close cooperation and contact with ship brokers and ship owners. 3. The completeness of the content of the reference materials.
4. Basic design and development of new ships (112)	16	22,000	December 31, 2023	1. The ability to grasp the pulse of future market demand.
			—	2. The company designs the overall energy and business load.
5. Project of indigenous technology improvement for the light rail vehicle bogie system (2/4)	8	0	December 31, 2023	1. Close cooperation and contact with National Pingtung University of Science and Technology
			—	2. Obtain third-party certification.
6. Establishment of an analysis and design program for propellers under unsteady inflow conditions (1/2).	13	1,000	December 31, 2023	1. Apply different calculation tools to calculate the resistance in still water
			—	2. Apply the self-propulsion simulation method developed to calculate fuel consumption
7. Underwater structural penetrations metal column development and materials research and development plan a(3/3).	35	13,420	December 31, 2023	1. The company designs the overall energy and business load.
			—	2. Obtain third-party certification.
8. 15MW semi-submersible floating wind system for Taiwan offshore wind farm (3/3).	69	1,100	December 31, 2023	1. Apply different calculation software to analyze the offshore wind farm data
			—	2. Close cooperation and contact with National Taiwan University

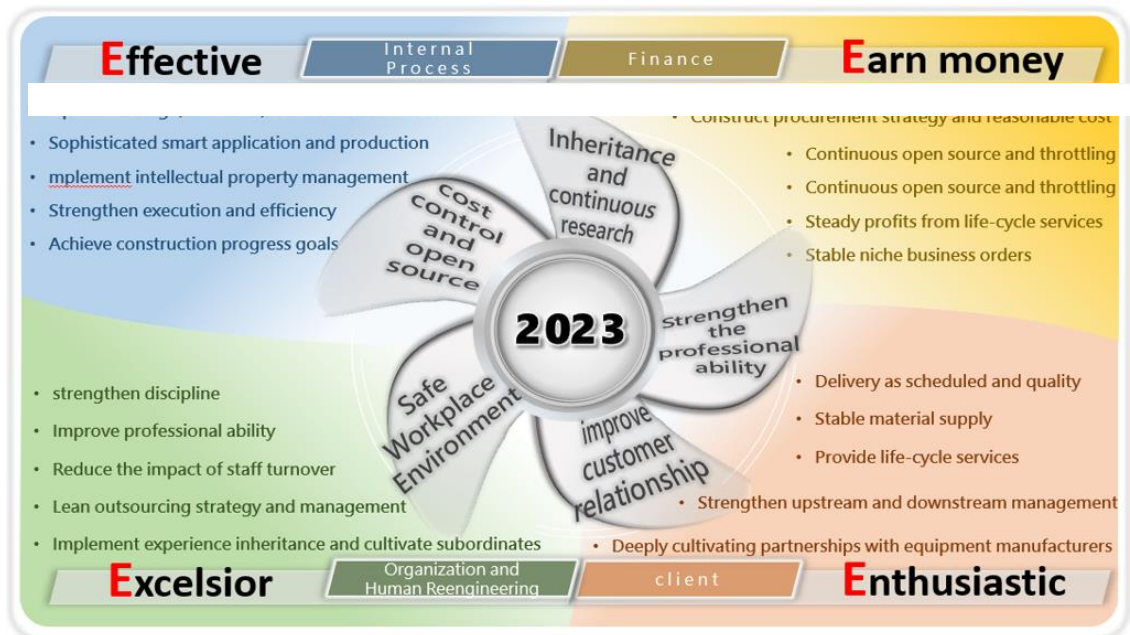
Note: "-" means not applicable (because the company is an order-based production).

5.1.4 Long-term and short-term business development plans

A. EP-10 project and a task force of increase-revenue and cost-down.

In order to achieve the goal of sustainable operation, and to ensure the successful execution of Merchant ship's business, Indigenous National defense and offshore wind power, CSBC focuses on improving and strengthening productivity and continue to promote the EP-10 improvement project (Enhance Productivity, Profit, Performance 10%) in 2022. Under the premise of increasing productivity, profitability and performance by 10%, turning losses into profits, profit from new businesses, and reorganization, a total of 101 specific tasks have been set, executed and followed up. In addition, set an increase-revenue target of NT\$116 million and a cost-down target of NT\$160 million, and the total benefit target of EP10 project in 2022 is NT\$276 million. All the EP10 tasks are followed up by monthly meeting chaired by top managers. The achievement rate of EP10 tasks throughout the year was 93.9%, and the cumulative amount of benefit targets reached the target at the same time. Looking forward to 2023, the EP-10 project and the task of increase-revenue and cost-down will continue to be promoted.

2023-EP10



B. Continue to promote and strengthen the EP10 project

The company will continue to promote and strengthen the EP10 project (Enhance Productivity, Profit, Performance 10%). And review the rationality of the recognition of the benefits of each task of EP10, so as to enhance the gold content of the benefit amount and make substantial contributions to the company's operating profit. Total 81 specific tasks have been set, executed and followed up in 2023. In addition, set an increase-revenue target of NT\$53 million and a cost-down target of NT\$128 million, and the total benefit target of EP10 project in 2023 is NT\$181 million. The monthly execution progress of EP10 project is followed up by monthly meeting chaired by top managers, and it is expected to achieve the goal of turning losses into profits and profitable growth in 2023.

C. Short-term business development plan

- (a) Actively strive for new business orders, turn losses into profits, and create profits

Merchant ship's industry will actively strive for domestic and foreign Merchant ship, Official Vessels construction and other businesses. At the same time, Indigenous National defense and offshore wind power will be new businesses that the company will actively strive for. The company has adjusted its organization and established Naval Shipbuilding PMO, CSBC-DEME Wind Engineering Co., Ltd., Department of Ship Management and CSBC ACADEMY to coordinate the limited resources of the company and make organizational adjustments, put the newly established R&D center under the Department of Planning. Cooperate with the adjustment of the company's operating strategy, dynamically adjust and integrate R&D strategies, develop and research core technologies in line with new business

development, and achieve successful transformation, which will help sustain the growth of operations and create profits.

(b) Strengthen production capacity control and reduce costs in an all-round way

The boom in international shipping is still sluggish, which has seriously affected the shipbuilding market. The low ship prices, coupled with the large fluctuations in the exchange rate and raw material prices, and the backward construction progress, have caused operating losses to expand. Except for external uncontrollable factors, control measures have been taken to ensure that the subsequent construction of new ships can be delivered on time within the contract delivery date. In order to increase productivity, the company is currently investing in an 800-ton crane and has completed the enhancement of the carrying capacity of Pier 2 in the Kaohsiung plant. For related project investment plans, please refer to Chapter 7 of the Explanation of Significant Capital Expenditure. At the same time, the company will continue to promote the throttling plan, reduce indirect costs, and strictly control the project schedule and budget. It is expected that with the improvement of production efficiency and equipment updates, and in the absence of accidents, the company will improve production efficiency on schedule, quality and budget to reduce operating costs to create profit and sustainable operation.

(c) Continuously carry out internal transformation of the company to enhance competitiveness

According to the upgrade and transformation plan, the company has set 1) Merchant ship's main business, 2) Indigenous National defense, and 3) offshore wind power as the mainstay of diversified operation. The company's internal organization was adjusted at the same time and actively promoted the upgrade and transformation plan. The management system is reviewed and revised at the same time to strengthen the staff's usual assessment, combined with the annual assessment, to reward the superior and eliminate the inferior with performance orientation, and to create a corporate culture that emphasizes both discipline and efficiency. In addition, in order to ensure the success of the operation transformation, the training center was upgraded to CSBC ACADEMY, and manpower cultivation, development and inheritance were listed as key items and tasks. At the same time, it combines industry-academic cooperation to effectively enhance the company's research and development capabilities and the establishment of core competitiveness, making the company a competitive marine business group.

(d) Improve design energy and accelerate the development of new ship types

In response to the development trend of global energy saving and carbon reduction, the company develops energy-saving ships based on the principles of environmental protection, economy, energy saving, and safety. And in response to the needs of the shipbuilding market, develop new ship types to meet customer needs and create customer value. The company has started the Energy Saving Plan (ES; Energy Saving Plan) since 2005, and achieved the energy saving target of 30%. Energy-saving design results include energy-saving ship bow (with high sea-condition adaptability),

energy saving bow (saving fuel consumption by 12%), energy-saving rudder (energy-saving 2~4% horsepower), vortex generator (a patented design, reducing propeller excitation force, noise and vibration, save 1% horsepower). At present, it has also launched the service policy of SODO (the most suitable ship design and operation technology in the real sea) innovative design brand and the smart ship development of the 4IntShip whole ship network construction plan brand. In order to enhance the design capacity, the company conducts industry-university cooperation at the same time, and actively recruits design talents from various universities and departments to invest in the design and development of new ship types, in order to strengthen the company's competitive advantage and competitiveness in the highly competitive international shipbuilding market.

D. Long-term development plan

- (a) strengthen the corporate governance system and sustainability Development.

In order to enhance the company's performance in the capital market and the transparency of company operations, the company's corporate governance aspects include safeguarding the rights and interests of shareholders and treating shareholders equally, strengthening the structure and operation of the board of directors, enhancing information transparency, and implementing sustainability Development, etc. Accept the "Corporate Governance Evaluation" every year to continuously improve the transparency of corporate governance. In addition, in order to expose the company's management and achievements in promoting sustainability Development, the company written "sustainability Report" in accordance with GRI standards every year and establishes "Area of sustainability Development " on the company website, and uploads the report to MOPs to provide interested parties with access and understanding. In response to the concerns of stakeholders, the company will continue to optimize its corporate governance system and Pursue the company's sustainable development

- (b) implement the transformation plan and diversify operations

The company has set 1) Construction and maintenance of Merchant ship, 2) Construction and maintenance of ships, 3) Offshore wind power and marine engineering as the diversified business main axis and business transformation strategy to reduce the concentration of products and the operational risk of being affected by the global economic cycle. The company's diversified upgrade and transformation has started in 2017, and the internal organization, manpower and management system will be continuously reviewed and established. In the future, the three major areas of operation will account for 1/3 of the company's revenue, and the three major areas of operation will all be related to the company's shipbuilding industry's core technologies. In the future, the company will work hard on these three major areas of operation and move towards the goal of building a competitive advantage in the marine business group.

- (c) Inheritance of knowledge and technology, build human resources

Manpower aging, technology inheritance and talent cultivation for the development of new businesses are challenges and issues that the company cannot avoid and urgently need to face. In response to challenges and issues, the company established "CSBC ACADEMY" in October 2017 to pass on training internally and recruit talents from abroad. It is also necessary to actively cultivate various professional talents for the company's business development, inherit the core

technologies of shipbuilding, Indigenous National defense and offshore industry, and develop a high-performance digital and real-field learning environment. The long-term goal will not only provide a consulting platform for talent cultivation, development and technical exchanges in the company's diversified business chain, but also play a key role in the implementation of the government's industrial development localization policy.

5.2. Market and Sales Overview

5.2.1 Market Analysis

A. Sales area of main products

Unit : NT\$ thousands

Sales area	2021		2022	
	Amount	%	Amount	%
Domestic sales	17,346,116	90.75	18,730,819	85.16
Export sales	1,767,313	9.25	3,263,231	14.84
Total	19,113,429	100.00	21,994,050	100.00

B. Market Share

The company's market positioning is a professional container shipyard. If the ship type is not divided, and the delivery volume of a single shipyard is analyzed, the company accounts for about 0.12% of the total global delivery volume (calculated by CGT).

CSBC Corporation Taiwan's market share in the past 5 years

Year	2018	2019	2020	2021	2022
Global(MCGT)	28.6	25.3	19.2	46.6	42.8
CSBC CGT	200,278	180,035	143,867	43,302	51,188
Market Share	0.70%	0.71%	0.75%	0.09%	0.12%

C. The future supply and demand situation and growth of the market

In 2021, due to the uneven recovery of the global economy and the severe stimulation of the supply chain, the overall shipping market will strengthen substantially, and the demand for newbuildings will rebound beyond expectations.

A large number of newbuilding orders, record steel prices and the recovery of investor confidence have prompted an unprecedented rise in newbuilding prices since 2008. The market expects that the container ship market will be expected to return to stability between 2022 and 2024.

However, the demand for the shipbuilding market driven by the shipping market is still closely related to the global economy. At the

same time, the global economic outlook faces four major uncertainties, including: uneven vaccination and the expansion of the impact of variant viruses; some advanced economies are facing the gradual withdrawal of loose monetary policies.

pressure; climate change brings disasters, and geopolitical conflict heats up, all should be closely watched.

In general, the growth rate of shipping market capacity supply in 2021 is still greater than the growth rate of demand. Clarksons Research Institute said that in 2021, the world economic operation may show a recovery trend after the middle of the year, and container shipping will return to the growth track, with an expected growth rate of about 5%. The growth rate of transportation capacity is about 4%, and the supply-demand relationship in the shipping market will be significantly improved. It is expected that some ship owners will restart orders for new ships that have been shelved before, especially the ultra-large container ship ordering plan. It is expected that the global container shipbuilding market will receive plenty of orders.

According to shipping analysts, the future development characteristics of container ship technology will mainly focus on large-scale, greening and intelligence. Large-scale will affect the choice of hub port. Greening, from environmental protection and energy saving equipment and technology application, main engine energy saving, promotion of efficiency improvement, ballast water treatment, environmental protection coating, waste energy utilization, etc., technologies have been gradually applied to new ships. Intelligence is mainly focused on products and technologies related to smart navigation, smart cabin, smart energy efficiency management, and smart integrated platform.

Looking forward to the future, the company will continue to steadily move towards the three major undertakings of Merchant ship, Indigenous National defense and maritime engineering. Under the implementation force, the company will fully sprint and create profits. It is hoped to make stable profits from 2021, and adhere to the company's belief of "inheriting shipbuilding and protecting the ocean" to shape the vision of "building an excellent marine business group" so that the company can operate continuously and create maximum value for shareholders.

D. Competitive niche

(a) R & D design ability

In the Merchant ship business, after the company developed and designed the first Bulk carrier in 1992, of the 26 ship types developed by 2021, 232 ships were listed as 「Significant Ships」 of the Royal Institution of Naval Architects. As of 2021, there are 14 ship types developed, and 110 ships have been selected as "SHIP OF THE YEAR in Taiwan" of Taiwan Society Naval Architects and Marine Engineers. Since 2016, there are 4 models and 32 ships have won the "Taiwan Excellence Awards" for their performance. Among them, 2019 and 2022 was selected "Gold Award of Taiwan Excellence Awards". In response to the development trend of smart ship technology, the company independently researched and developed the

4IntShip brand through cross-field alliances to develop the 4IntShip brand, actively marketing, creating added value for customers' products, and the benefits of real ship applications have been trusted and affirmed by ship owners and customers.

(b) Manufacturing capacity

Based on years of accumulated experience in shipbuilding engineering, world-class production equipment, and self-cultivation of design and development capabilities, since the establishment of CSBC, the company has successfully built more than 700 various types of cape-type Bulk Carriers in the world. Its technology and quality have been confirmed by the international shipping industry and ship owners.

(c) Marketing ability

On the domestic front, the company actively visits customers, maintains good customer relationships, proactively provides comprehensive solutions to meet customer needs, and provides customers with ship-related information in a timely manner, customizing to create customer value. Based on the homogeneity of national conditions, CSBC Corporation Taiwan has an absolute advantage in its domestic marketing capabilities. In foreign countries, CSBC Corporation Taiwan has adopted an agent system to successfully open overseas markets and build brand loyalty for domestic and foreign customers with customization, high quality, innovation, and high added value.

(d) Human Resource

Since the establishment of CSBC in 1973, the company has been nearly 50 years and has abundant technical, engineering and management manpower. The company attaches great importance to human capital and has established a sound talent cultivation system and study subsidy. Since the establishment of CSBC ACADEMY, it has actively promoted industry, government, academic, and research cooperation, cultivate professional talents in the marine industry such as shipbuilding, Indigenous National defense and offshore wind power, and plan to promote the pipeline for the use of diversified talents, carry out human resource inheritance, and ensure the company's sustainable operation. At present, the company's operating strategy has been planned and positioned as 1) shipbuilding industry, 2) Indigenous National defense and 3) offshore wind power and other offshore engineering businesses to transform in order to meet the national defense independence and energy policy and provide the company's core key technologies, build a talent development platform, and fulfill corporate social responsibility for cultivating the development of localized industries. Besides, in the shipbuilding industry and Indigenous National defense operations, it is currently gradually building "construction and maintenance in one" capacity to provide and satisfy ship owners and customers with all-round service quality.

(e) Management system verification and greenhouse gas inventory system

i. 2022 Management system verification

- ▲ The ISO 9001 certificate was obtained on December 27, 2021, and is valid until December 21, 2024.
- ▲ The ISO 14001 certificate was obtained on January 6, 2023, and is valid until December 22, 2025.
- ▲ The ISO 45001 certificate was obtained on February 5, 2021,

and it is valid until December 3, 2023.

- ▲ The CNS 45001 certificate was obtained on February 5, 2021, and it is valid until December 2, 2023.
- ▲ The ISO 3834-2 certificate was obtained on October 19, 2021 and is valid until March 26, 2024.
- ▲ The EN 1090-1 certificate will be obtained on December 7, 2022, and will be valid until March 26, 2023.
- ▲ The TIPS/2016 A-level login certificate is obtained, and it is valid until December 31, 2023.

ii. Greenhouse Gas Inventory

The company cooperates with the NCKU Research and Development Foundation Industrial Sustainability Development Center. The Kaohsiung Plant and the Keelung Plant have introduced a greenhouse gas inventory system in 2012 and 2013 respectively to ensure compliance with ISO/CNS 14064-1 and the EPA's greenhouse gas verification guidelines and obtain the DNV external verification statement, establish colleagues' impact and awareness of greenhouse gases, and truly grasp the greenhouse gas emissions, as a basis for greenhouse gas reduction, committed to slowing the trend of global warming, and fulfilling the responsibility of maintaining the earth's ecology.

Kaohsiung Yard of CSBC meets the second batch of emission sources that should be checked and registered by enterprises. Starting from 2023, it should complete the previous year's greenhouse gas emissions inventory and registration before August 31 each year.

Keelung Yard of CSBC conducts voluntary inspections of greenhouse gases every year, and the results of the inspections cooperate with the stock exchange MOPs reporting operations and provide interested parties for reference.

(f) Located in an important geographical location in the center

Taiwan is located in the shipping hub of the South Pacific, with developed shipping and many international-class shipping companies. Our company is the largest shipbuilding and repairing factory in Taiwan, and it is convenient for domestic and foreign shipping companies to repair ships.

E. Advantages and disadvantages of development prospects and countermeasures

(a) Advantages

- i. Ensure the competitiveness of the company, dynamically organize adjustments, and develop various refinement and reform plans to improve efficiency and reduce costs, strictly control indirect costs and the main schedule of construction. Under the highest guiding principle of zero occupational accidents, the business plan goals are achieved on time, quality, and budget.
- ii. Focus on customer relationship management, and cooperate with IMO to develop energy-saving, environmental protection, and safety standards and regulations, and grasp the development trend of new ship technology to meet ship owners and customers with large-scale, green and intelligent high-value-added ships.

- iii. With independent design capabilities, providing customers with customized comprehensive solutions, design, quality, cost, delivery, and service improvements at all levels, the product is positioned as a professional container shipyard, contracting niche ships, taking into account profitability and market competitiveness.

(b) Disadvantages and countermeasures

- i. The entry barrier for container ships is low, and mainland China's shipyards have rapidly increased their capacity and energy to build container ships, resulting in market price competition and low operating profit and gross profit.
Countermeasures: Strengthen customer-oriented design, create customer value, cultivate professional R&D talents, research and develop ship types that meet the needs of ship owners, ensure market competitive advantages and competitiveness, and conduct reviews through business development conferences and production and sales meetings, and conduct company operational strategy transformation to reduce operational risks and create profit for the company.
- ii. Shipbuilding is affected by the global economic climate, with excessive concentration of products and high operational risks.
Countermeasures: Transform and adjust the operating strategy, positioning 1) Merchant ship building and repairing, 2) Naval ship building and repairing, 3) diversified operation of offshore wind power and marine engineering, reducing operational risks and strengthening the company's market competitiveness.
- iii. Rising prices of raw materials, outsourcing of key equipment, and imperfect supply chain systems have resulted in the inability to effectively reduce production costs and make them uncompetitive.
Countermeasures: The company counsels' suppliers to improve production and process technology, strengthen production efficiency, and enhance competitiveness. Set up "stable quality", "shorten delivery time", and "reduce costs" as the supplier management strategy to ensure the quality and delivery of suppliers' materials and reduce procurement costs. In addition, the company will continue to promote the program of increasing income and reducing expenditure, encourage colleagues to propose improvements, and reduce unnecessary administrative expenses and management and marketing expenses.
- iv The gap of basic technical manpower, the inheritance of engineering technology management needs to be strengthened, and the cost of outsourcing salary is high.
Countermeasures: Promote industry-university cooperation and diversified channels of entry, introduce project management technology and information management, replace outsourcing with labor, reduce outsourcing costs, invest and update production equipment automation and information, improve efficiency and production volume, reduce unit labor costs and maintenance costs.

5.2.2 Important use and production process of main products

A. Important use of main products

Main product	Important use
Bulk Carrier	Transportation of grain, mine, and coal
Container Vessel	Transportation of containers
Oil tanker	Transportation of Crude Oil and Petroleum Products
Special ship	Semi-submersible heavy lift ship, cement, cold storage, floating dock, offshore operation and maintenance, etc.
Official Vessels	Coast Guard patrol operations, logistics ships, and mission ships of the Customs Department's public agencies
Navy ship	Mission ships of naval operations and logistics ships
Offshore wind power underwater foundation and steel structure, etc.	Basic components for wind power generation

B. Production process

Signing → Design → Lofting → Cutting → Bending → Initial Combination → Large Combination → Launching → Painting and Finishing → Delivery → Post-sale Service

5.2.3 Supply status of main raw materials/equipment

Main material and equipment	Supplier name	Supply state
Main engine	HYUNDAI、MITSUI、HITACHI、STX、HSD、MAN、MTU、WARTSILA	Good
Main diesel generation set	YANMAR、STX、DAIHATSU、HYUNDAI、WARTSILA、CUMMINS、CATERPILLAR	Good
Steel plate	China steel、POSCO	Good long-term supplier

5.2.4 Information on major suppliers and sales customers in the last two years

A. Information of major suppliers in the last two years

Unit : NT\$ thousands

Item	2021				2022				As of March 31, 2023 (Note2)			
	Company Name	Amount	Percentage of total annual net purchases (%)	Relation with Issuer	Company Name	Amount	Percentage of total annual net purchases (%)	Relation with Issuer	Company Name	Amount	Percentage of total annual net purchases (%)	Relation with Issuer
1	Supplier A	327	-	-	Supplier A	2,367,886	18.44	-	Supplier A	16,417	0.34	-
2	ROLLS-ROYCE SOLUTIONS ASIA PTE LTD	902,797	13.64	-	ROLLS-ROYCE SOLUTIONS ASIA PTE LTD	818,042	6.37	-	ROLLS-ROYCE SOLUTIONS ASIA PTE LTD	505	0.01	-
3	Others	5,715,981	86.36	-	Others	9,657,377	75.19	-	Others	4,761,804	99.65	-
	Net purchases	6,619,105	100.00		Net purchases	12,843,305	100.00		Net purchases	4,778,726	100.00	

Note1: A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note2: The above amounts have been reviewed by CPA.

Note3: The change of procurement amount and percentage were mainly due to the preparation of materials for various businesses according to the production schedule.

B. Information of major sales customers in the last two years

Unit : NT\$ thousands

Item	2021				2022				As of March 31, 2023 (Note2)			
	Company Name	Amount	Percentage of total annual net sales (%)	Relation with Issuer	Company Name	Amount	Percentage of total annual net sales (%)	Relation with Issuer	Company Name	Amount	Percentage of total annual net sales (%)	Relation with Issuer
1	NSDC of Ministry of National Defense, ROC	7,484,224	39.16	-	NSDC of Ministry of National Defense, ROC	12,195,838	55.45	-	NSDC of Ministry of National Defense, ROC	3,271,904	57.37	-
2	Wan Hai Lines (Singapore) Pte., Ltd.	-	-	-	Wan Hai Lines (Singapore) Pte., Ltd.	3,009,780	13.69	-	Wan Hai Lines (Singapore) Pte., Ltd.	1,492,524	26.17	-
3	Coast Guard of Executive Yuan	3,738,150	19.56	-	Coast Guard of Executive Yuan	2,710,177	12.32	-	Coast Guard of Executive Yuan	478,860	8.40	-
4	CSBC-DEME Wind Engineering Co., Ltd.	4,324,686	22.63	A joint venture where the company is a joint venture controller	CSBC-DEME Wind Engineering Co., Ltd.	1,768,669	8.04	A joint venture where the company is a joint venture controller	CSBC-DEME Wind Engineering Co., Ltd.	-140,680	-2.47	A joint venture where the company is a joint venture controller
5	Others	3,566,369	18.65	-	Others	2,309,586	10.50	-	Others	600,245	10.53	-
	Net Sales	19,113,429	100.00		Net Sales	21,994,050	100.00		Net Sales	5,702,853	100.00	

Note1: A list of any suppliers and clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note2: The above amounts have been reviewed by CPA.

Note 3: Changes in sales amount and percentage are mainly due to changes in the progress of various businesses.

5.2.5 Production in the Last Two Years

Unit : NT\$ thousands

Product Name	Unit	2021		2022		Comparison (%)	
		Quantity	Amount	Quantity	Amount	Quantity	Amount
Construction of ships and vessels	Equivalent ton	43,302	6,836,126	51,188	7,935,670	18.21	16.08
Construction of naval ships	Drainage ton	11,177	10,232,339	8,805	16,136,195	-21.22	57.70
Ship Repair Service	NT\$ thousands		598,828		858,692		43.40
Mechanical products	metric ton	7,333	526,292		-104,001	-100	-119.76
Other business projects	NT\$ thousands		364,625		264,258		-27.53
Total			18,558,210		25,090,814		35.20

5.2.6 Sales in the Last Two Years

Unit : NT\$ thousands

Product Name	Unit	2021		2022		Comparison (%)	
		Quantity	Amount	Quantity	Amount	Quantity	Amount
Construction of ships and vessels	Equivalent ton	43,302	5,976,755	51,188	5,167,993	18.21	-13.53
Construction of naval ships	Drainage ton	11,177	11,363,002	8,805	15,330,882	-21.22	34.92
Ship Repair Service	NT\$ thousands		822,077		1,163,687		41.55
Mechanical products	metric ton	7,333	473,390		-38,361	-100	-108.10
Other business projects	NT\$ thousands		478,205		369,849		-22.66
Total			19,113,429		21,994,050		15.07

5.3 The number of employees, average length of service, average age and educational background in the last two years and up to the publication date of the annual report:

Year		2021	2022	2023/3/31
Number of Employees	Management personnel	176	171	171
	Engineering personnel	688	669	670
	Technical personnel	2051	2, 094	2, 062
	Service personnel	4	2	2
	Contract personnel	0	2	1
	Special project contract personnel	0	0	0
	Total	2,919	2, 938	2, 905
Average Age		47.1	43. 5	43. 4
Average Years of Service		8.6 ^{Note}	8. 5 ^註	8. 5 ^註
Education	Ph.D.	9	8	7
	Masters	354	346	343
	Bachelor's Degree	1005	1, 063	1, 076
	Senior High School	375	362	354
	Below Senior High School	1176	1, 159	1, 125
	Total	2,919	2, 936	2, 905

Note: The working years of employees before privatization have been settled, and the working years of employees are re-calculated after privatization. The service years in this column are the average years of service of employees after privatization.

5.4 Expenditure on Environmental Protection

5.4.1 According to laws and regulations, those who should apply for a pollution set-up permit or a pollution discharge permit, or should pay pollution prevention (control) fees, or should set up a special unit for environmental protection, explain their application, payment or establishment:

1. Application, payment or establishment situation:

Item	Set up requirements	Permitted license name and content
1.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M01 Stationary pollution source operation permit for metal blasting (sandblasting) processing procedures.
2.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M02 Stationary pollution source operation permit for metal blasting (sandblasting) processing procedures.
3.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M03 Stationary pollution source operation permit for hull coating program.
4.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M06 Stationary pollution source operation permit for metal blasting (sandblasting) processing procedures.
5.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M07 Stationary pollution source operation permit for Stationary pollution source operation permit for metal surface cleaning procedures
6.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M08 Stationary pollution source operation permit for metal blasting (sandblasting) processing procedures.
7.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M09 Stationary pollution source operation permit for metal surface coating procedure
8.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M10 Stationary pollution source operation permit for metal blasting (sandblasting) processing procedures.
9.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M11 Stationary pollution source operation permit for metal surface coating procedure
10.	According to the regulations "Water pollution prevention and control measures plan and permit application review method"	Permit for the discharge of waste (sewage) water from the Kaohsiung Plant to surface water.
11.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M01* Stationary pollution source operation permit for "Metal processing procedures"
12.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M02* Stationary pollution source operation permit for "Other metal products (steel structure ship section) processing procedures"
13.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M03* Stationary pollution source operation permit for "Metal products (steel hull) processing procedures"
14.	According to the regulations "Announcement that the first to eighth batch of public and private places should apply, set up, change and operate permits to stationary pollution sources"	M04* Stationary pollution source operation permit for "Metal products (steel pipe) processing procedures"
15.	According to the regulations "Water pollution prevention and control measures plan and permit application review method"	Permit for the discharge of waste (sewage) water from the Keelung Plant to surface water.

Note: * stands for Keelung Yard

2. VOCs air pollution prevention and control fee:

In 2022, a total of more than NT\$8.8 million was paid for air pollution prevention and control fees (the Kaohsiung plant paid about NT\$8.42 million, and the Keelung plant paid about NT\$0.38 million).

3. Dedicated personnel and professional and technical personnel:

(1) Wastewater Treatment Plant: According to environmental protection laws and regulations, there are dedicated personnel responsible for wastewater treatment.

(2) Scrapyard: Set up waste removal (processing) technician positions in accordance with environmental protection laws and regulations.

5.4.2 Investment in the main equipment for preventing (controlling) environmental pollution and its use and possible benefits:

1. Stationary pollution sources:

Pollution source	Name of device	Quantity	Acquired date	Investment (NT\$)	Depreciation deduction	Uses and expected benefits
M01	Baghouse	20	2000/08	19.20 million	Depreciation period 10 years	Control objects: particulate matter
	Cyclone separator	8	2000/08	1.60 million	Depreciation period 10 years	Control objects: particulate matter
M02	Baghouse	6	2000/08	6.18 million	Depreciation period 10 years	Control objects: particulate matter
	Cyclone separator	1	2000/08	0.50 million	Depreciation period 10 years	Control objects: particulate matter
M06	Cyclone separator	4	2016/9	8.60 million	Depreciation period 10 years	Control objects: particulate matter
	Baghouse	10	6 sets: 1990/10 4 sets: 2016/9	1.60 million	Depreciation period 10 years	Control objects: particulate matter
M07	Packed scrubber	2	2020/01	7.95 million	Depreciation period 15 years	Control objects: HCl
M08	Baghouse	6	2006/04	8.60 million	Depreciation period 15 years	Control objects: particulate matter
	Cyclone separator	4	2006/04	1.20 million	Depreciation period 15 years	Control objects: particulate matter
	Wet-type dust collector	4	2006/04	1.20 million	Depreciation period 15 years	Control objects: particulate matter
M10	Baghouse	1	2010/07	11.00 million	Depreciation period 20 years	Control objects: particulate matter
M11	Regeneration type burner-RTO	1	2010/07	26.00 million	Depreciation period 20 years	Control objects: VOCs
M01*	Baghouse	1	1996/06	3.50 million	Depreciation period 10 years	Control objects: particulate matter
	Burner	1	1996/06	3.00 million	Depreciation period 10 years	Control objects: VOCs
M02*	Baghouse	4	1999/11	14.00 million	Depreciation period 10 years	Control objects: particulate matter
	Room temperature catalyst adsorption	2	1999/11	7.00 million	Depreciation period 10 years	Control objects: VOCs
	Continuous suction and desorption continuous condensing treatment equipment	2	2019/10	45.00 million	Depreciation period 10 years	Control objects: VOCs
M03*	Dust screen and Water spray facility	1	1991/06	3.44 million	Depreciation period 20 years	Control objects: particulate matter
	Dust screen and Water spray facility	1	1992/06	0.85 million	Depreciation period 20 years	Control objects: particulate matter
M04*	Wet absorber	2	1995/06	0.40 million	Depreciation period 10 years	Control objects: particulate matter
	Pumpless wet absorption tower	2	1993/02	0.70 million	Depreciation period 10 years	Control objects: VOCs

Note: * Stands for Keelung Yard

2. Wastewater Treatment Plant:

Pollution name	Quantity	Acquired date	Investment (NT\$)	Depreciation deduction	Uses and expected benefits
Kaohsiung Domestic Sewage Tertiary treatment plant	1	December 1996	114.55 million	Depreciation period 15 years	Domestic sewage treatment capacity 1,700 m ³ /day
Kaohsiung Industrial Wastewater Chemical coagulation treatment plant	1	December 2003	8 million	Depreciation period 15 years	Acid cleaning wastewater treatment capacity 210 m ³ /day
Keelung Domestic Sewage Tertiary treatment plant	1	July 1995	38.49 million	Depreciation period 20 years	Domestic sewage treatment capacity 150 m ³ /day
Keelung Industrial Wastewater Chemical coagulation treatment plant	1	July 1991	6.96 million	Depreciation period 15 years	Acid cleaning wastewater treatment capacity 12 m ³ /day

5.4.3 As of the publication date of the public brochure in the last two years, the company's process of improving environmental pollution, if there is a pollution dispute, should explain its handling process:

1. The company effectively implements management operations through waste classification and on-site inspections. At the same time, it analyzes the company-wide waste output, controls various waste quality and abnormal situations, and is committed to reducing waste generation.
2. Continuously list (1) energy saving and carbon reduction (2) equipment improvement (3) pollution prevention and control (treatment) as the 2023 environmental management system target. The Department of Environmental Protection and Public Utilities assists all units in planning and supervising their implementation to improve the company's environmental performance and fulfill corporate social responsibility.
3. Carried out the company's greenhouse gas data inventory in 2023.

5.4.4 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid) and disclosing measures (including improvement measures) being or to be taken and an estimated expenses (including the amount of possible loss, disposition and compensation) that could be incurred currently and in the future. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

Penalty unit	Penalty date	Violated law	Sanction unit	Penalty situation	Improved situation	Financial impact on CSBC
CSBC	Jan. 11 2022	Article 31, Paragraph 1, Paragraph 1 of the Waste Disposal Act	Environmental Protection Bureau Kaohsiung City Government	1. Fine NTD 6,000 2. Environmental retraining for 1 hour	1. Perform the correction procedure. 2. Pay the fine. 3. Environmental retraining for staff.	No significant impact
CSBC	Jan. 11 2022	Article 31, Paragraph 1, Paragraph 2 of the Waste Disposal Act	Environmental Protection Bureau Kaohsiung City Government	1. Fine NTD 6,000 2. Environmental retraining for 1 hour	1. Perform the correction procedure. 2. Pay the fine. 3. Environmental retraining for staff.	No significant impact
CSBC	Aug. 11 2022	Article 20, Paragraph 1 of Air Pollution Control Act	Environmental Protection Bureau Kaohsiung City Government	1. Fine NTD 240,000 2. Environmental retraining for 2 hours	1. Maintenance of the emission pipes and equipment. After retesting by the testing agency, the emission gas meets the standard 2. Environmental retraining for staff	CSBC pay fine NTD 240,000.

5.4.5 The current pollution situation and the impact of its improvement on the company's earnings, competitive position and capital expenditures and the major environmental protection capital expenditures expected in the next two years:

- Starting from 2019, in order to improve the problem of VOCs pollutants in the painting workshop, NT\$232.85 million has been invested in the airtight enclosure of P1~P6 painting booths and the installation of RTO equipment, which is expected to be completed by the end of 2023. P1~P6 spray booths will be expected to reduce VOCs pollutants and air pollution prevention and control costs every year.
- Starting from 2021, it is planned to install solar panels on the roof of the Kaohsiung yard to generate renewable electricity. The renewable energy is self-produced and used to reduce purchased electricity. The investment cost is about NT\$76.5 million. The solar panels are estimated that the built-up electric capacity will reach 1,140 kW by the end of 2023.
- The Kaohsiung yard will build a PCS 3.0MW/battery 5.0MW energy storage device, with an investment cost of about NT\$138 million. Energy storage device is expected to be put into operation in 2023, providing self-use or Taiwan Power Company frequency regulation auxiliary services.

5.5 Labor Relations

Set all employee benefit measures, opportunities for professional development and training, and the pension system, and the status of their implementation. Also describe any negotiations/agreements between employer and employees and any measures to safeguard employee interests.:

5.5.1 Employee benefit measures and the status of the implementation

The benefit measures provided by the company include labor insurance, health insurance, employee mutual aid fund insurance, and 5 million group accident insurance for employees, safety insurance for overseas business trips, employee health checks, and subsidies for cultural and recreational, club, and sports activities.

5.5.2 Professional development and training of employee

A. CSBC academy is set up under the Department of Human Resources and Administration of the company, which is responsible for planning talent cultivation, training systems, rules and regulations, training plans and the compilation and implementation of budgets. CSBC academy has various technical training field, equipment and lecturers. In addition to self-organized training, CSBC academy also handles contractor training and provides other corporate entrust training services. CSBC academy provides the company's diversified training courses and on-the-job training to cultivate talents with professional capabilities. The training budget actual expenditure in 2022 is NT\$35,343,000. The training result is as follows:

Item	Number of people trained		Training Time (hr)	
	Male	Female	Male	Female
Senior supervisor training	105	6	368	27
Mid-level supervisor training	189	35	757	160
Engineering management personnel training	563	133	2657	819
Technical personnel training	3125	14	20997	54
Total	3982	188	24779	1060
Technical student training	71	3	15006	8
Educational student training	4	1	32	8
Contractor training	3084	355	9513	1122

B. Technical staff skill improvement: In order to meet the needs of new businesses such as marine engineering, surface craft and underwater craft, the company actively cultivates outstanding technical talents, assists current employees and contractors of the company to obtain qualified welder licenses that meet the needs of new businesses, and ensures the skill level of construction personnel and product quality.

C. Cultivate management functions to accelerate inheritance efficiency: Handle various functional training courses for managers, including foreman reserve training, TTT(train the trainer), performance management training, project management training, etc. Improve the knowledge and abilities required by different management levels to help their colleagues to improve their work performance, build a high-quality team, inherit enterprise-related knowledge and technology, and condense the consensus and corporate culture of all employees.

D. Professional development of employee and talent training: Encourage employees to learn, develop their potential and improve their quality; Establish an organizational learning and sharing culture, attach importance to talent cultivation, and achieve sustainable development of the company. In addition, in order to encourage employees to self-educate, there are key points for long-term and short-term remedial work in spare time to encourage employees to use spare time to study and improve the quality of manpower.

5.5.3 Retirement system and implementation status

The company implements the provisions of the Labor Standards Act, and regularly allocates labor retirement reserves, which are deposited in a special account in the Department of Trusts, Bank of Taiwan. At the end of each year, actuaries are appointed to determine the adequate pension liabilities. The new labor retirement system has been implemented since July 1, 2005. According to the Labor Pension Regulations, for those who choose the new system, the company shall allocate no less than 6% of the labor's monthly salary to the labor retirement pension account and handle retirement-related matters in accordance with the provisions of the pension regulations.

5.5.4 Coordination between labor and management

The company takes the Collective Agreement Act and the Labor Standards Act as the labor-management compliance guidelines and regularly holds labor-management meetings. Up to now, the labor-management relationship is harmonious.

5.5.5 Various employee rights protection measures

In order to protect the rights and interests of employees, the company has a Collective Agreement Act with the corporate union, and in accordance with the Collective Agreement Act and the Labor Standards Act, it has formulated work rules and various management methods. The content clearly specifies the rights and obligations of employees and welfare items, and regularly reviews various methods and benefits to protect the rights of employees.

5.5.6 List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.6. Important Contracts

Contract Type	Counterparty	Period	Major Contents	Restrictions
Commercial vessels construction contract	CSBC-DEME Wind Engineering Co. Ltd.	2020.06.30~2022.10.31	Wind Turbine Installation Vessel (N6175)	None
	Wan Hai (Singapore) Pte Ltd.	2021.12.01~2023.04.30	3,000 TEU Class Container Vessel (N6185)	None
	Wan Hai (Singapore) Pte Ltd.	2022.06.01~2023.06.15	3,000 TEU Class Container Vessel (N6186)	None
	Wan Hai (Singapore) Pte Ltd.	2022.06.01~2023.07.14	3,000 TEU Class Container Vessel (N6187)	None
	Wan Hai (Singapore) Pte Ltd.	2022.09.01~2023.09.29	3,000 TEU Class Container Vessel (N6188)	None
	CPC Corporation, Taiwan	2022.07.08~2024.12.31	50,000 DWT Product Carrier (N6193)	None
Naval and official vessels construction contract	Ministry of National Defense, ROC	2018.04.14~2022.04.13	New Type Amphibious Landing Platform Dock (N6103)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2022.04.30	100 Tonnage Class Patrol Rescue Craft (N2147)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2022.07.31	100 Tonnage Class Patrol Rescue Craft (N2148)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2022.10.31	100 Tonnage Class Patrol Rescue Craft (N2149)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2023.01.31	100 Tonnage Class Patrol Rescue Craft (N2150)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2023.04.30	100 Tonnage Class Patrol and Rescue Craft (N2151)	None

Naval and official vessels construction contract	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2023.07.31	100 Tonnage Class Patrol and Rescue Craft (N2152)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.14~2023.10.31	100 Tonnage Class Patrol and Rescue Craft (N2153)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.18~2022.03.10	4,000 Tonnage Class Frigate (N6155)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.18~2024.10.31	4,000 Tonnage Class Frigate (N6156)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2018.07.18~2026.09.30	4,000 Tonnage Class Frigate (N6157)	None
	Ministry of National Defense, ROC	2019.05.03~2025.11.02	Indigenous Defense Sub-marine prototype (N6168)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2019.05.03~2022.07.05	1,000 Tonnage Class Frigate (N2169)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2019.05.03~2023.11.03	1,000 Tonnage Class Frigate (N2170)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2019.05.03~2024.11.02	1,000 Tonnage Class Frigate (N2171)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2019.05.03~2025.10.31	1,000 Tonnage Class Frigate (N2172)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2019.05.03~2026.10.31	1,000 Tonnage Class Frigate (N2173)	None
	Fleet Branch, Coast Guard Administration, Ocean Affairs Council	2019.05.03~2027.10.31	1,000 Tonnage Class Frigate (N2174)	None
	Customs Administration, Ministry of Finance	2020.05.25~2022.06.26	100 Tonnage Class Revenue Cutter (N6177)	None

	Customs Administration, Ministry of Finance	2020.05.25~2022.11.26	100 Tonnage Class Revenue Cutter (N6178)	None
	Customs Administration, Ministry of Finance	2020.05.25~2023.02.26	100 Tonnage Class Revenue Cutter (N6179)	None
	Customs Administration, Ministry of Finance	2020.05.25~2023.04.26	100 Tonnage Class Revenue Cutter (N6180)	None
	Ministry of National Defense, ROC	2020.12.05~2023.08.04	New Salvage and Rescue Vessel (N6181)	None
	National Kaohsiung University of Science and Technology	2021.01.26~2023.11.30	Training ship (N6182)	None
	Kaohsiung City Shipping Co., Ltd.	2022.12.26~2023.12.31	49 Tonnage Electric Driven Ferry (N6194)	None
	Kaohsiung City Shipping Co., Ltd.	2022.12.26~2023.07.31	49 Tonnage Electric Driven Harbor Cruise (N6195)	None
	Kaohsiung City Shipping Co., Ltd.	2022.12.26~2024.11.30	99 Tonnage Electric Driven Ferry (N6196)	None
Engineering Contract	HAILONG OFFSHORE WIND	2022.11.24~2024.07.08	HAILONG OFFSHORE WIND FARM PIN PILES FABRICATION CONTRACT(P6282)	None
	Ministry of National Defense, ROC	2021.02.10~2026.02.09	Docking Operations of Ships in the North District	None
	National Chung-Shan Institute of Science & Technology	2021.12.31~2026.12.31	Platform Engineer Installation & work two items	None
	National Chung-Shan Institute of Science & Technology	2023.02.06~2030.04.30	Vessel Platform Performance upgrade one item(R8062)	None
Long-term lease	Taiwan International Port Corporation, Ltd. Kaohsiung Branch	2006.01.01~2025.12.31	Land leasing	None
	Taiwan International Port Corporation, Ltd.	2022.01.01~2025.12.31	90/91 wharf leasing	None

	Kaohsiung Branch			
	National Property Administration	2018.11.01~2027.12.31	Land lease×6/Keelung	None
	Taiwan International Port Corporation, Ltd. Keelung Branch	2008.01.01~2027.12.31	Land lease×5; building lease×23	None
	Taiwan International Port Corporation, Ltd. Kaohsiung Branch	2020.01.01~2024.12.31	Part of the land in Area C of the rear line of Pier 75 of the Kaohsiung Plant /facilities rent and management fees	None
	Taishin International Bank	2021.06.21-2024.06.20	FRCP NT\$ 500 million.	None
Long-term Loan	International Bills Finance Corp	2021.06.22-2024.06.21	FRCP NT\$ 500 million.	(Note 1)
	China Bills Finance Corporation	2021.09.26-2024.09.25	FRCP NT\$ 500 million.	(Note 2)
	Mega Bills Finance Co Ltd	2021.09.24-2024.09.24	FRCP NT\$ 500 million.	(Note 3)
	China Bills Finance Corporation	2021.10.26-2024.10.25	FRCP NT\$ 200 million.	(Note 4)
	Taishin International Bank	2021.12.20-2024.12.20	FRCP NT\$ 300 million.	None
	Mega Bills Finance Co Ltd	2021.12.15-2024.12.15	FRCP NT\$ 500 million.	(Note 5)
	Syndicated Loan	2022.05.16-2028.08.16	Quota NT\$ 6 billion	(Note 6)

Note 1: The utilization rate for two years must be more than 70%.

Note 2: The utilization rate for two years must be more than 70%.

Note 3: Maintain a balance of at least 350 million yuan for two years

Note 4: The utilization rate for two years must be more than 70%.

Note 5: Maintain a balance of at least 350 million yuan for two years

Note 6:1. The current ratio must not be lower than 100%.

2. The financial liability ratio shall not be higher than 350%.

3. Equity must not be less than NT\$5 billion.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed balance sheet and comprehensive income statement

A. Condensed Consolidated Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years ; Note 1					As of March 31, 2023 Note 3
		2018	2019	2020	2021	2022	
Current asset		10,416,166	18,451,704	19,532,384	24,052,542	26,780,753	26,593,710
Investments accounted for using equity method		10,992	29,408	1,059,433	1,466,880	1,437,395	1,366,146
Property, plant and equipment ; Note 2		10,581,323	10,955,512	11,331,068	12,848,497	13,049,687	13,003,029
Intangible assets		14,611	10,121	21,476	39,426	53,606	52,820
Other assets		1,803,339	5,629,442	5,303,205	5,314,166	5,316,683	5,304,180
Total assets		22,826,431	35,076,187	37,247,566	43,721,511	46,638,124	46,319,885
Current liabilities	Before distribution	8,783,614	17,205,708	20,595,852	20,452,886	22,557,512	24,055,350
	After distribution	8,783,614	17,205,708	20,595,852	20,452,886	Note 4	Note 4
Non-current liabilities		8,057,263	11,413,221	11,643,633	10,005,085	14,266,985	14,160,740
Total liabilities	Before distribution	16,840,877	28,618,929	32,239,485	30,457,971	36,824,497	38,216,090
	After distribution	16,840,877	28,618,929	32,239,485	30,457,971	Note 4	Note 4
Equity attributable to owners of parent		5,941,758	6,457,258	5,008,081	13,237,222	9,809,948	8,103,643
Share Capital		3,729,918	4,729,918	4,730,555	9,317,873	9,317,873	9,317,873
Capital surplus		2,005,515	1,338,798	97,071	3,692,913	752,878	752,878
Retained earnings	Before distribution	206,325	388,542	180,455	226,436	-260,803	-1,967,108
	After distribution	206,325	388,542	180,455	226,436	Note 4	Note 4
Other equity interest		—	—	—	—	—	—
Treasury stock		—	—	—	—	—	—
Non-controlling interest		43,796	—	—	26,318	3,679	152
Total equity	Before distribution	5,985,554	6,457,258	5,008,081	13,263,540	9,813,627	8,103,795
	After distribution	5,985,554	6,457,258	5,008,081	13,263,540	Note 4	Note 4

Note 1: The financial statements listed above have all been verified by CPA.

Note 2: The company conducted a land revaluation in December 2011, and the revaluation added up to NT\$622,616,000.

Note 3: The financial statements listed above have been reviewed by CPA.

Note 4: As of the printing date of the annual report, the 2022 loss allocation proposal has not yet been resolved by the shareholders' meeting.

B. Condensed Non-consolidated Balance Sheet– Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Current asset	10,230,698	18,166,792	19,160,498	23,521,253	26,152,163
Investments accounted for using equity method	113,184	199,025	1,233,871	1,685,071	1,668,442
Property, plant and equipment (Note 2)	10,578,045	10,931,031	11,306,002	12,815,078	12,983,367
Intangible assets	14,583	10,040	21,345	36,473	34,774
Other assets	1,800,294	5,625,005	5,297,645	5,308,339	5,225,601
Total assets	22,736,804	34,931,893	37,019,361	43,366,214	46,064,347
Current liabilities	Before distribution	8,742,822	17,071,816	20,389,230	20,154,518
	After distribution	8,742,822	17,071,816	20,389,230	Note 3
Non-current liabilities	8,052,224	11,402,819	11,622,050	9,974,474	14,150,326
Total liabilities	Before distribution	16,795,046	28,474,635	32,011,280	30,128,992
	After distribution	16,795,046	28,474,635	32,011,280	Note 3
Share Capital	3,729,918	4,729,918	4,730,555	9,317,873	9,317,873
Capital surplus	2,005,515	1,338,798	97,071	3,692,913	752,878
Retained earnings	Before distribution	206,325	388,542	180,455	226,436
	After distribution	206,325	388,542	180,455	Note 3
Other equity interest	—	—	—	—	—
Treasury stock	—	—	—	—	—
Total equity	Before distribution	5,941,758	6,457,258	5,008,081	13,237,222
	After distribution	5,941,758	6,457,258	5,008,081	Note 3

Note 1: The financial statements listed above have all been verified by CPA.

Note 2: The company conducted a land revaluation in December 2011, and the revaluation added up to NT\$622,616,000.

Note 3: As of the printing date of the annual report, the loss allocation proposal of 2022 has not yet been resolved by the shareholders' meeting.

C. Condensed Consolidated Statement of Comprehensive Income-Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years Note 1					As of March 31, 2023 ; Note 2
	2018	2019	2020	2021	2022	
Operating revenue	13,012,326	16,540,899	25,296,629	19,113,429	21,994,050	5,702,853
Gross profit (loss)	(2,593,864)	(1,190,381)	(1,409,474)	555,219	(3,096,764)	(1,442,239)
Income (loss) from operations	(3,417,597)	(1,706,140)	(1,907,395)	(2,914)	(3,758,339)	(1,600,885)
Non-operating income and expenses	78,656	(102,770)	308,645	13,229	216,002	(109,400)
Income (loss) before tax	(3,338,941)	(1,808,910)	(1,598,750)	10,315	(3,542,337)	(1,710,285)
Net profit (loss) of continuing business unit	(3,100,084)	(1,815,518)	(1,600,087)	9,553	(3,548,488)	(1,709,832)
Loss of closed business units	—	—	—	—	—	—
Net Income (loss)	(3,100,084)	(1,815,518)	(1,600,087)	9,553	(3,548,488)	(1,709,832)
Other comprehensive income (income after tax)	103,004	72,722	53,202	32,746	116,125	—
Total comprehensive income (loss)	(2,997,080)	(1,742,796)	(1,546,885)	42,299	(3,432,363)	(1,709,832)
Net profit (loss) attributable to the owners of the parent company	(3,100,211)	(1,818,470)	(1,600,087)	13,235	(3,526,768)	(1,706,305)
Net profit (loss) attributable to non-controlling interests	127	2,952	—	(3,682)	(21,720)	(3,527)
Comprehensive income, attributable to owners of parent	(2,997,207)	(1,745,748)	(1,546,885)	45,981	(3,410,643)	(1,706,305)
Comprehensive income, attributable to non-controlling interests	127	2,952	—	(3,682)	(21,720)	(3,527)
Earnings (loss) per share (NT\$)	(8.87)	(3.91)	(3.38)	0.02	(3.78)	(1.83)

Note 1: The financial statements listed above have been verified by CPA.

Note 2: The financial statements listed above have been reviewed by CPA.

D. Condensed Non-consolidated Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	Note 1				
	2018	2019	2020	2021	2022
Operating revenue	12,891,628	16,248,932	25,025,522	18,851,761	21,751,274
Gross profit (loss)	(2,607,221)	(1,236,791)	(1,429,764)	542,402	(3,156,237)
Income (loss) from operations	(3,416,643)	(1,737,658)	(1,912,074)	10,071	(3,685,795)
Non-operating income and expenses	78,072	-80,814	311,985	3,127	159,027
Income (loss) before tax	(3,338,571)	(1,818,472)	(1,600,089)	13,198	(3,526,768)
Net profit (loss) of continuing business unit	(3,100,211)	(1,818,470)	(1,600,087)	13,235	(3,526,768)
Loss of closed business units	—	—	—	—	—
Net Income (loss)	(3,100,211)	(1,818,470)	(1,600,087)	13,235	(3,526,768)
Other comprehensive income (income after tax)	103,004	72,722	53,202	32,746	116,125
Total comprehensive income (loss)	(2,997,207)	(1,745,748)	(1,546,885)	45,981	(3,410,643)
Earnings (loss) per share (NT\$)	(8.87)	(3.91)	(3.38)	0.02	(3.78)

Note 1: The financial statements listed above have been verified by CPA.

6.1.2 The name and inspection opinion of the CPA who has been in the past five years

Year	Name of CPA	Audit Opinion
2018	Wang, Kuo-Hua, Wu, Chien-Chih	Unqualified
2019	Tien, Chung-Yu, Wang, Kuo-Hua	Unqualified
2020	Tien, Chung-Yu, Wang, Kuo-Hua	Unqualified
2021	Wang, Kuo-Hua, Wu, Chien-Chih	Unqualified
2022	Wang, Kuo-Hua, Wu, Chien-Chih	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Year Item		Financial Analysis for the Last Five Years (Note 1)					As of March 31, 2023(Note 2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt ratio	73.78	81.59	86.55	69.66	78.96	82.50
	Ratio of long-term capital to property, plant and equipment	132.71	163.12	146.96	181.10	184.53	171.23
Solvency%	Current ratio	118.59	107.24	94.84	117.60	118.72	110.55
	Quick ratio	13.04	32.31	12.07	23.70	17.07	14.28
	Interest earned ratio	(39.81)	(11.20)	(8.46)	1.06	(13.63)	(16.83)
Operating performance	Accounts receivable turnover (times)	9.89	11.65	16.15	9.84	10.90	14.02
	Average collection period	36.91	31.33	22.60	37.09	33.49	26.03
	Inventory turnover (times)	8.37	10.94	12.53	7.06	5.94	4.34
	Accounts payable turnover (times)	12.31	14.06	17.23	13.24	20.33	17.72
	Average days in sales	43.61	33.36	29.13	51.70	61.45	84.10
	Property, plant and equipment turnover (times)	1.23	1.54	2.27	1.58	1.70	1.75
	Total assets turnover (times)	0.58	0.57	0.70	0.47	0.49	0.49
Profitability	Return on total assets (%)	(13.45)	(5.86)	(4.05)	0.37	(7.43)	(3.51)
	Return on stockholders' equity (%)	(50.14)	(29.18)	(27.91)	0.10	(30.75)	(19.09)
	Pre-tax income to paid-in capital (%)	(89.52)	(38.24)	(33.80)	0.11	(38.02)	(18.35)
	Profit ratio (%)	(23.82)	(10.98)	(6.33)	0.05	(16.13)	(29.98)
	Earnings (loss) per share (NT\$)	(8.87)	(3.91)	(3.38)	0.02	(3.78)	(1.83)
Cash flow	Cash flow ratio (%)	Note 3	2.79	Note 3	3.90	Note 3	2.68
	Cash flow adequacy ratio (%)	89.19	103.09	7.91	19.32	13.05	16.99
	Cash flow reinvestment ratio (%)	—	1.38	—	1.94	—	1.58
Degree of leverage	Degree of operating leverage	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4
	Degree of financial leverage	0.98	0.92	0.92	0.02	0.94	0.94
Reasons for changes in various financial ratios in the last two years: (Analysis is exempt if the increase or decrease does not reach 20%)							
(1) The decrease in quick ratio was mainly due to the decrease in cash and cash equivalents and accounts receivable and increase in short-term borrowings.							
(2) The interest earned ratio changed from positive to negative was mainly due to a turn from profit to loss in 2022.							

- (3) The increase in accounts payable turnover was mainly due to the increase in operating costs due to the construction of new type vessels.
- (4) The return on total assets changed from positive to negative was mainly due to the construction of new type vessels which resulted in the increase in operating costs and the net loss in 2022.
- (5) The reason for the return on stockholders' equity changed from positive to negative is the same as (4).
- (6) The reason for the pre-tax income to paid-in capital changed from positive to negative is the same as (4).
- (7) The reason for the profit ratio changed from positive to negative is the same as (4).
- (8) The reason for the earnings per share changed from positive to negative is the same as (4).
- (9) The decrease in cash flow ratio was mainly due to net cash outflow from operating activities this year.
- (10) The decrease in cash flow adequacy ratio was mainly due to the increase in inventory for the production in 2022.
- (11) The reason for the decrease in cash flow reinvestment ratio is the same as (9).
- (12) The increase in degree of financial leverage was mainly due to the increase in the loss from operations.

Note 1: The financial statements for the years listed above have been verified by CPA.

Note 2: The financial statements for 2023 Q1 have been reviewed by CPA.

Note 3: The cash flow of business activities in the current year is the outflow, so it has not been calculated.

Note 4: The current year is an operating loss, so it has not been calculated.

6.2.2 Non-consolidated Financial Analysis – Based on IFRS

Year (Note 1) Item		Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	73.87	81.51	86.47	69.48	78.70
	Ratio of long-term capital to property, plant and equipment	132.29	163.39	147.09	181.13	184.55
Solvency%	Current ratio	117.02	106.41	93.97	116.70	118.31
	Quick ratio	11.72	32.18	11.73	23.15	16.86
	Interest earned ratio	(39.81)	(11.26)	(8.49)	1.08	(13.69)
Operating performance	Accounts receivable turnover (times)	9.91	11.49	16.01	9.79	10.94
	Average collection period	36.83	31.77	22.80	37.28	33.36
	Inventory turnover (times)	8.32	10.79	12.42	6.97	5.92
	Accounts payable turnover (times)	12.37	14.65	18.27	14.42	23.69
	Average days in sales	43.87	33.83	29.39	52.37	61.66
	Property, plant and equipment turnover (times)	1.22	1.51	2.25	1.56	1.69
	Total assets turnover (times)	0.57	0.56	0.70	0.47	0.49
Profitability	Return on total assets (%)	(13.50)	(5.90)	(4.07)	0.38	(7.46)
	Return on stockholders' equity (%)	(50.50)	(29.33)	(27.91)	0.15	(30.60)
	Pre-tax income to paid-in capital (%)	(89.51)	(38.45)	(33.82)	0.14	(37.85)
	Profit ratio (%)	(24.05)	(11.19)	(6.39)	0.07	(16.21)
	Earnings (loss) per share(NT\$)	(8.87)	(3.91)	(3.38)	0.02	(3.78)
Cash flow	Cash flow ratio (%)	Note 2	3.02	Note 2	4.02	Note 2
	Cash flow adequacy ratio (%)	87.73	102.52	8.56	20.17	13.70
	Cash flow reinvestment ratio (%)	—	1.48	—	1.97	—
Degree of leverage	Degree of operating leverage	Note 3	Note 3	Note 3	319.38	Note 3
	Degree of financial leverage	0.98	0.92	0.92	(0.06)	0.94
Reasons for changes in various financial ratios in the last two years: (Analysis is exempted if the increase or decrease does not reach 20%)						
(1)The decrease in quick ratio was mainly due to the decrease in cash and cash equivalents and accounts receivable and increase in short-term borrowings.						
(2)The interest earned ratio changed from positive to negative was mainly due to a turn from profit to loss in 2022.						

- (3) The increase in accounts payable turnover was mainly due to the increase in operating costs due to the construction of new type vessels.
- (4) The return on total assets changed from positive to negative was mainly due to the construction of new type vessels which resulted in the increase in operating costs, and the net loss in 2022.
- (5) The reason for the return on stockholders' equity changed from positive to negative is the same as (4).
- (6) The reason for the pre-tax income to paid-in capital changed from positive to negative is the same as (4).
- (7) The reason for the profit ratio changed from positive to negative is the same as (4).
- (8) The reason for the earnings per share changed from positive to negative is the same as (4).
- (9) The decrease in cash flow ratio was mainly due to net cash outflow from operating activities this year.
- (10) The decrease in cash flow adequacy ratio was mainly due to the increase in inventory for the production in 2022.
- (11) The reason for the decrease in cash flow reinvestment ratio is the same as (9).
- (12) The increase in degree of financial leverage was mainly due to the loss from operations.

Note 1: The financial statements for the years listed above have been verified by CPA.

Note 2: The cash flow of business activities in the current year is the outflow, so it has not been calculated.

Note 3: The current year is an operating loss, so it has not been calculated.

Note 4 : Calculation formulas are as follow:

1. Financial structure

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

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net real estate, plant and equipment.

2. Solvency

(1) Current ratio = Current assets / Current Liabilities.

(2) Quick Ratio = (Current assets – Inventory – Prepaid Expenses) / Current Liabilities.

(3) Interest earned ratio = Net income before tax and interest expense / Interest expense.

3. Operating performance

(1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales/average balance of account receivable (including accounts receivable and notes

(2) Average collection period = 365 / Accounts receivable turnover.

(3) Inventory turnover = cost of goods sold/average inventory

(4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)

(5) Average days in sales = 365 / Inventory turnover.

(6) Property, plant and equipment turnover = Net sales / Average Net real estate, plant and equipment.

(7) Total assets turnover = net sales/average total assets

4. Profitability

(1) Return on total assets [net income + interest expense * (1 - tax rate)] / average total assets

(2) Return on stockholders' equity = net income/average total equity.

(3) Profit ratio = net income/net sales.

(4) Earnings per share = (net income - preferred stock dividend) / weighted average stock shares issued. (Note 5)

5. Cash flow

(1) Cash flow ratio = Cash Flows from Operating Activities / Current Liabilities.

(2) Cash flow adequacy ratio = Cash Flows from Operating Activities in the last five years / (net cash flow from operating activities within five year / (capital expenditure + inventory increase + cash dividend) within five year

(3) Cash flow reinvestment ratio = (Cash Flows from Operating Activities – Cash dividend) / (total fixed assets + long-term investment + other assets + working capital). (Note 6)

6. Degree of leverage

(1) Degree of operating leverage = (Net operating income – operating variable cost and expense) / operating income (Note 7).

(2) Degree of Financial Leverage = Operating income / (operating income – interest expense).

Note 5: The formula for calculating earnings per share on the open, should pay special attention to the following matters when measuring:

1. It is based on the weighted average number of common shares, not based on the number of issued shares at the end of the year.
2. Those who have cash capital increase or treasury stock trading should consider their circulation period and calculate the weighted average number of shares.
3. Where there is a capital increase from surplus or a capital increase from capital reserves, when calculating the earnings per share for previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the period of the capital increase.
4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (regardless of whether they are paid) should be deducted from the net profit after tax or increase the net loss after tax. If the special stock is non-cumulative, in the case of net profit after tax, the dividend of the special stock shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.

Note 6: Special attention should be paid to the following items when measuring Cash flow analysis:

1. Cash Flows from Operating Activities refers to the net cash inflows from operating activities in the Cash flow table.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in Inventory is only counted when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividend includes cash dividend for ordinary shares and special shares.
5. Gross real property, plant and equipment refers to the total amount of real property, plant and equipment before deduction of accumulated depreciation.

Note 7: The issuer shall classify the operating costs and operating expenses into fixed and variable ones according to their nature. If it involved estimation or subjective judgment, the rationality should be paid attention to and consistency should be maintained.

Note 8: If the company's stock has no denomination or the denomination per share is not NT\$10, the calculation of the ratio of paid-up capital in the previous statement will be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

6.3 Audit Committee's Report in the Most Recent Year

Audit Committee's Review report

This proposal is the presentation by the Board of Directors of the Company's 2022 Business Report, Financial Statements, and the Deficit Compensation Proposal. Of these items, the Financial Statements have been audited by external auditors of PricewaterhouseCoopers(PwC) Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Deficit Compensation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-5 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To:

2023 General Shareholders' Meeting of CSBC Corporation.

CSBC CORPORATION,TAIWAN

Audit Committee Convenor: LIEU, DER-MING

March 10, 2023

- 6.4 The consolidated financial report of the most recent year that has been verified by CPA: Please refer to page APPENDIX 1.
- 6.5 The non-consolidated financial report of the most recent year that has been verified by CPA: Please refer to page APPENDIX 2.
- 6.6 The company and its affiliated companies have experienced financial difficulties in the most recent year and as of the printing date of the annual report: None.

VII. Review and analyses of Financial Position, and Financial Performance, and Assessment of Risk Items

7.1. Financial Condition

7.1.1 Financial situation comparative analysis table

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference		Description
			A m o u n t	%	
Current assets	26,780,753	24,052,542	2,728,211	11.34	—
Investments accounted for under equity method	1,437,395	1,466,880	-29,485	-2.01	—
Property, plant and equipment	13,049,687	12,848,497	201,190	1.57	—
Intangible assets	53,606	39,426	14,180	35.97	Note 1
Other assets	5,316,683	5,314,166	2,517	0.05	—
Total assets	46,638,124	43,721,511	2,916,613	6.67	—
Current liabilities	22,557,512	20,452,886	2,104,626	10.29	—
Non-current liabilities	14,266,985	10,005,085	4,261,900	42.60	Note 2
Total liabilities	36,824,497	30,457,971	6,366,526	20.90	Note 3
Share capital	9,317,873	9,317,873	—	—	—
Capital surplus	752,878	3,692,913	-2,940,035	-79.61	Note 4
Retained earnings	-260,803	226,436	-487,239	-215.18	Note 5
Equity attributable to owners of parent	9,809,948	13,237,222	-3,427,274	-25.89	Note 6
Non-controlling interest	3,679	26,318	-22,639	-86.02	Note 7
Total equity	9,813,627	13,263,540	-3,449,913	-26.01	Note 8
Description of major changes (the change is 20% in the early and late period and the change amount is NT\$10 million):					
Note 1: The increase in intangible assets was due to the business combination.					
Note 2: The increase in non-current liabilities was mainly due to the increase in long-term borrowings.					
Note 3: The reason for the increase in total liabilities is the same as Note (2).					
Note 4: The reason for the decrease in capital surplus is that capital surplus was used to cover the deficit.					
Note 5: The decrease in retained earnings was due to a turn from profit to loss in 2022.					
Note 6: The reason for the decrease in equity attributable to owners of parent is the same as Note (5).					
Note 7: The decrease in non-controlling interest was mainly due to the loss attributable to non-controlling interest.					
Note 8: The reason for the decrease in total equity is the same as Note (5).					

7.2 Financial Performance

7.2.1 Financial Performance Analysis and Comparison Table

Unit: NT\$ thousands

Item \ Year	2022	2021	Increase (decrease) amount	Change ratio (%)	Change analysis
Sales revenue	21,994,050	19,113,429	2,880,621	15.07	—
Operating costs	25,090,814	18,558,210	6,532,604	35.20	Note 1
Gross profit (loss)	(3,096,764)	555,219	(3,651,983)	(657.76)	Note 2
Operating expenses	661,575	558,133	103,442	18.53	—
Operating profit (loss)	(3,758,339)	(2,914)	(3,755,425)	128,875.26	Note 3
Non-operating income and expenses	216,002	13,229	202,773	1,532.79	Note 4
Profit (loss) before income tax	(3,542,337)	10,315	(3,552,652)	(34,441.61)	Note 5
Income tax expense (benefit)	6,151	762	5,389	707.22	Note 6
Current net profit (loss) of continuing business unit's	(3,548,488)	9,553	(3,558,041)	(37,245.27)	Note 7
Other comprehensive income (income after tax)	116,125	32,746	83,379	254.62	Note 8
Total comprehensive income (loss)	(3,432,363)	42,299	(3,474,662)	(8,214.53)	Note 9
Description of major changes (changes up to 20% in the early and late periods) Note 1: The increase in operating costs was due to the construction of new type vessels. Note 2: Gross profit changed from positive to negative was mainly due to the increase in operating costs due to the construction of new type vessels. Note 3: The reason for the increase in operating loss is the same as Note 2. Note 4: The increase in non-operating income and expenses was mainly due to the increase in foreign exchange gains. Note 5: The reason that profit before income tax changed from positive to negative is the same as Note 2. Note 6: The increase in income tax expense was due to the increase in earnings of subsidiaries. Note 7: The reason that current net profit of continuing business unit's changed from positive to negative is the same as Note 2. Note 8: The increase in other comprehensive income (income after tax) was due to the gains on remeasurement of defined benefit plans. Note 9: The reason for the decrease in total comprehensive income is the same as Note 2.					

7.3 Cash Flow:

7.3.1 Analysis and explanation of cash flow changes in recent years

Year Item	2022	2021	Increase or decrease (-) ratio (%)
Cash flow ratio (%)	Note 1	3.90	—
Cash flow adequacy ratio (%)	13.05	19.32	(32.45)
Cash flow reinvestment ratio (%)	—	1.94	—
Analysis of changes in the increase and decrease ratio: (1) The decrease in cash flow ratio was mainly due to net cash outflow from operating activities this year. (2) The decrease in cash flow adequacy ratio was mainly due to the increase in inventory for the production in 2022. (3) The reason for the decrease in cash flow reinvestment ratio is the same as (1).			

Note 1: The net cash flow from operating activities in the current year is the outflow and is not calculated.

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year ①	Expected annual net cash inflow from operating activities ②	Estimated annual cash outflow ③	Estimated cash surplus (insufficient) amount ①+②-③	Remedial measures for expected cash shortage	
				Investment Plans	Financing Plans
2,460,846	(3,823,534)	1,503,114	(2,865,802)	0	2,865,802
Description: 1. Analysis of cash flow changes in the next year: (1) Business activities: Mainly activities related to operations. (2) Investment activities: Mainly for the improvement and expansion of fixed assets. (3) Fund-raising activities: mainly repayment of lease liabilities. 2. Remedial measures for expected cash shortage: Increase bank borrowing.					

7.4 The Impact of any Material Capital Expenditure over the Most Recent Fiscal Year:

The real estate plant and equipment investment plan includes new production lines, production equipment upgrades and updates, and other general projects. The total investment amount of real estate, plant and equipment investment plan in 2022 is NT\$1,698,754 million.

- (a) Project investment plan with an investment amount of more than NT\$100 million for 2022 are as follows:

(Unit : NTD million)

Project Name	property and Expected benefits	Investment Amount	actual or scheduled Completion date
Investment project of muti-purpose steel structure production line in Kaohsiung Plant	New investment: Settling up the capability of Oceanographic engineering	679	July 2022 Note 1
Investment project of replacing two Goliath cranes in Kaohsiung Plant	Replacement and Upgrade : Enhance Shipbuilding capability and Efficiency of Kaohsiung Plant	2,500	March 2025 Note 2
Investment project of obtaining two Anchor Handling Towing Supply Vessel(AHTs)	New investment: Raising up the capability of Oceanographic engineering	336	April 2023 Note 3
Energy storage system construction project	New investment: Increase self-owned green energy equipment	138	December 2023 Note 4

Note 1: All equipment of the project was accepted and completed at the end of July 2022.

Note 2: The original planned date was March 2017 to September 2020. In May 2019, the contract was terminated due to the original contract manufacturer's failure to pay the performance bond as scheduled. Procurement will be restarted when the manufacturer is determined.

Note 3: Due to the need to upgrade ship specifications, approved by the board of directors in August 2022, the original planned purchase setting was changed from 2 selections to 1 selection, and the planned investment funds increased from 279 million to 336 million.

Note 4: The project was approved by the board of directors in August 2022.

(b) In the general investment plan for real estate, plant and equipment in 2022, the major projects with an investment of NT\$40 million or more are as follows:

1. Kaohsiung Plant ditch replacement project for public pipes from the ground cockpit to the pipe workshop
2. Kaohsiung Plant P3-P6 painting workshop gate enclosure project
3. Kaohsiung Plant spray painting plant VOCs prevention equipment and RTO treatment system construction
4. Replacement of high voltage switchboard in Kaohsiung Plant self-provided substation
5. The improvement project of the distribution board in the E14~E50 assemble block of Kaohsiung Plant

6. Renovation of pipe pickling workshop in Kaohsiung Plant
7. The construction of solar equipment on the roof of new plant in Kaohsiung Plant

(c) None of the above has a significant impact on the company's current year's finances.

7.5 The FCM's Financial Policy for the Most Recent Year on Investment in other Companies, the Main Reasons for Profit/ Losses Resulting therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year:

CSBC Coating Solutions Co., Ltd. was approved for establishment on September 13, 2010, with a paid-in capital of NT\$154,715 thousand. The main business is anti-corrosion coating business, and CSBC holds 100% shares. In 2021, the subsidiary's annual net profit after tax is NT\$28,614 thousand.

Taiwan Offshore Wind Farm Services Corporation was approved for establishment on September 10, 2014, with a paid-in capital of NT\$1,000 thousand. The main business is to undertake the operation and maintenance of offshore wind farms. The company holds 40% of the shares and Taiwan Generations Corporation holds 60% of the shares. Since the fourth quarter of 2018, the company has ceased to recognize its loss share of affiliated companies.

Fuhai Wind Power Company was approved for establishment on June 30, 2015, with a paid-in capital of NT\$477,168 thousand. The main business is power generation. The company holds 31.44% of the shares, and Taiwan Generations Corporation holds 68.56% of the shares. Since the third quarter of 2017, the company has ceased to recognize the loss share of its affiliates.

Taiwan International Windpower Training Corporation Ltd. was approved for establishment on May 17, 2018, with a paid-in capital of NT\$100 million, and the company holds 12% of the shares. Taiwan International Windpower Training Corporation Ltd. has 7 directors and 1 supervisor, 2 seats each for TIPC and TAIWAN POWER, and 1 each for CSBC, China Steel and CWind Taiwan. Taiwan International Windpower Training Corporation Ltd.'s business project is safety and professional training courses for offshore wind power personnel. In 2022, the company's annual net profit after tax is NT\$6,845 thousand, and the company's annual investment benefit is NT\$821 thousand.

In order to achieve the goal of diversified operations, the company formed an alliance with the Belgian DEME Group on

February 26, 2019 and established a joint venture CSBC-DEME Wind Engineering Co. Ltd. (CDWE) to undertake wind farm business, with a paid-in capital of NT\$3,098,994 thousand. The company holds 50.0001% of the shares, and DEME holds 49.9999% of the shares. In 2022, the company's annual after-tax loss was 60,612 thousand yuan, and CSBC recognized an investment loss of NT\$30,306 thousand for the whole year.

CSBC Power Technology Co., Ltd was approved for establishment on March 15, 2021, with a paid-in capital of NT\$75,000 thousand, and the company holds 86.67% of the shares. CSBC Power Technology Co., Ltd has 5 directors and 1 supervisor. In 2022, the company's annual net loss after tax is NT\$38,209 thousand, and the company's annual investment loss is NT\$16,489 thousand.

In the coming year, CSBC will continue to strengthen the management of reinvestment, increase investment income, and deepen the shipbuilding industry. Based on the shipbuilding industry, it will expand related businesses outside the core and carry out reinvestment development.

7.6. The Matters that shall be Analyzed and Assessed in the Section on Risks:

A. The impact of interest rate changes on the company's profit and loss and future measures

Unit: NT\$ thousands	
Item	2022
Net interest income (loss)(A)	(156,023)
Net revenue(B)	21,994,050
Operating Income(loss) (C)	(3,758,339)
Net interest income (loss)(A)/Net revenue(B)	(0.71%)
Net interest income (loss)(A)/Operating Income(loss) (C)	4.15%

The company's interest rate risk comes from long-term and short-term loans with fixed interest rates. The company's operations are normal, so the interest rate risk has no significant impact on the company.

B. The impact of exchange rate changes on the company's profit and loss and future measures:

Unit: NT\$ thousands

Item	2022
Exchange benefit (loss)(A)	274,958
Net revenue(B)	21,994,050
Operating Income(loss) (C)	(3,758,339)
Exchange benefit (loss)(A)/Net revenue(B)	1.25%
Exchange benefit (loss)(A)/Operating Income(loss) (C)	(7.32%)

The company's business involves certain non-functional currencies, so it is affected by exchange rate fluctuations, foreign currency asset information that has significant exchange rate fluctuations, and the New Taiwan Dollar appreciates or depreciates in foreign currencies by 1%, and all other factors remain unchanged. The impact on net profit after tax and other information are as follows:

<u>Financial assets</u>	<u>December 31, 2022</u>		
<u>Monetary items</u>	<u>Foreign</u>	<u>exchange</u>	<u>carrying amount</u>
	<u>currency</u>	<u>rate</u>	<u>(NT\$)</u>
	<u>(thousand)</u>		
USD: NT\$	\$87,891	30.66	\$2,694,738
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NT\$	1,019	30.76	31,344
EUR: NT\$	587	32.92	19,324
<u>1% appreciation or depreciation of foreign currency against NT\$</u>			<u>2022</u>
Increase or decrease in net profit and loss after tax			<u>\$21,153</u>

The company's shipbuilding sales revenue is mainly US Dollar and NT Dollar. In order to cope with the impact of exchange rate fluctuations on Gross Sales, recently, when negotiating new ship orders with domestic and foreign carriers, some of the contract prices were changed to New Taiwan Dollars, and the prepayment ratio for new ships was increased. Since the company's main income is US Dollar, it adopts a natural hedging method. About 60% of foreign currency income is used to offset foreign currency expenditures on

imported goods, reducing exchange rate risk. In addition, for the net exposure of US Dollar revenue and expenditure, hedging foreign exchange operations are adopted to avoid Exchange rate risk, and carefully evaluate hedging strategies based on exchange rate trends to reduce the impact of exchange rate changes.

The company's handling of foreign exchange is based on the principle of avoiding risks, not for the purpose of trading. In addition to paying attention to financial information and changes in the foreign exchange market at any time, financial personnel can fully grasp exchange rate trends, and strengthen the establishment of relations with banks. The foreign exchange bank recommends making foreign exchange hedging operations more flexible.

7.6.2 Policies for engaging in high-risk, high-leverage investments, loaning funds to others, endorsements and derivatives trading, the main reasons for profit or loss and future measures:

- A. The company has not engaged in high-risk or high-leverage investments in the most recent year and as of the publication date of this annual report.
- B. The company's dealings in derivatives are handled in accordance with the company's internal regulations on "Key Points for Asset Management Acquisition or Disposal". As of the end of December 2022, the contract amount for non-transactional foreign exchange is zero.
- C. The company's endorsement guarantee cases are handled in accordance with the company's "Procedures for endorsing or providing guarantees for others". As of the end of December 2022, the balance of endorsement guarantees is NT\$ 29,438,120 thousand dollars.
- D. The company's loaning funds to others are handled in accordance with the company's "Procedures for loaning funds to others". As of the end of December 2022, the balance of loaning funds to others is NT\$ 210,000 thousand dollars.

7.6.3 Future R&D plans and estimated R&D expenses:

The 2023 research and development plan are divided into self-research, cooperative research and commissioned research. Self-research includes 4 items including basic design and development of new ships. The cooperative research includes 4 items including 15MW semi-submersible floating wind system for Taiwan offshore wind farm, etc. There are a total of 8 R&D projects, with a total R&D cost of approximately NT\$ 1 million.

7.6.4 The impact of important domestic and foreign policies and legal changes on the company's financial business and corresponding measures:

The company usually maintains a high degree of attention and ability to respond appropriately to domestic and foreign political and economic developments and legal changes. In the most recent year and as of the publication date of the annual report, important domestic and foreign policy and legal changes have not had a significant impact on the company's financial business.

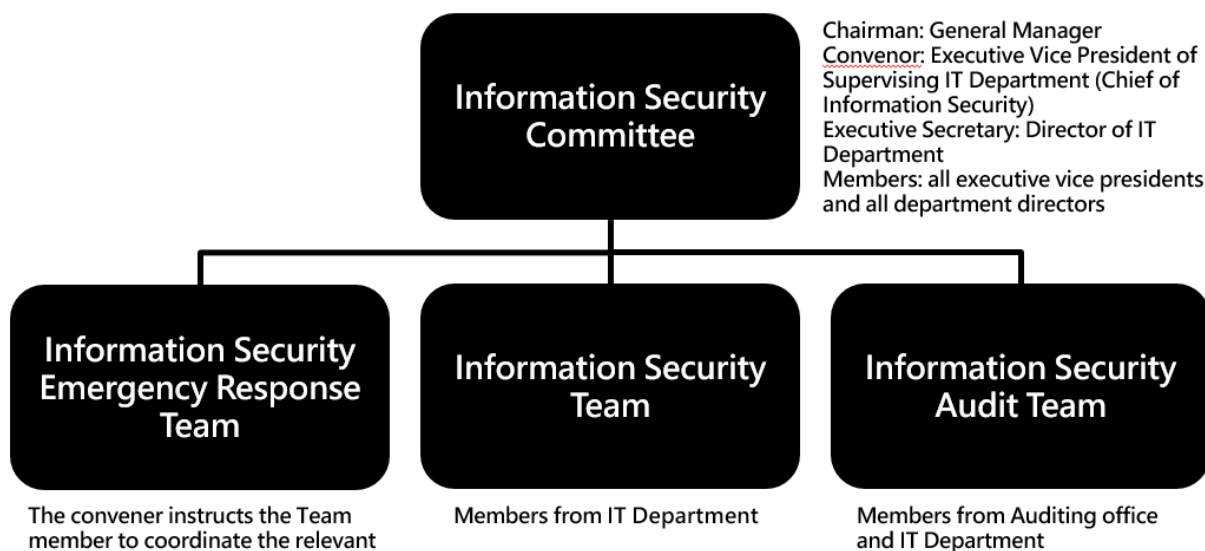
7.6.5 The impact of technological changes(included Information security risk) and industrial changes on the company's financial business and corresponding measures:

A. In addition to participating in foreign shipbuilding technology seminars or annual conferences, shipbuilding and shipping exhibitions, the company also conducts seminars organized by domestic shipbuilding industry alliances, joint ship design centers, and related surveying associations, schools and research institutions to obtain industry information and grasp the latest market information and use innovative designs to cater to the needs of shipping companies. In addition to increasing the company's profit, it also improves the development of shipbuilding and management technology.

B. The company proposes the following countermeasures for various risks of information security as follows:

(a)Information Security Committee

In order to implement and promote information security management, CSBC has established the Information Department as a dedicated unit and established an "Information Security Committee" (Figure 1). There are three groups under it. Committee meetings are held regularly twice a year to discuss and resolve issues related to information security, Included in tracking control.



▲ Information Security Committee

(b) Information Security Management System

In response to the development needs of the national shipbuilding business, CSBC passed the external verification certificate of "Maturity Integration Model and Information Security Management System" (CMMI Level 2 and ISO 27001 : 2013) in 2020, which is very important for the company to promote national shipbuilding information security management, Build the confidence of owners, customers, and the public, and enhance the company's image.



▲ CMMI Verification Certificate



▲ ISO 27001 : 2013 Verification Certificate

(c) Information Security Policy

The information security policy was approved and promulgated on July 26, 2021 and announced on the company's external website :

<http://www.csbcnet.com.tw/SiteInfo/InfoSecurityPolicy.htm>

In line with the requirements of the company's information security policy, after considering the applicable information security requirements, as well as the results of risk assessment and risk management, the information security objectives are formulated and achieved/handled as follows:

Information Security Goals	Achieved/handled
1. Protect the company's critical business information from unauthorized access and tampering. 2. Maintain the continuous operation of the core information system to ensure that the company has prepare an information environment for business continuity. 3. Conduct information security education and training to improve personnel's awareness of information security and strengthen their awareness of relevant responsibilities.	1. According to the requirements of the operation or project, the operation area is divided into network entities and the construction of information security software and hardware, supplemented by access control and surveillance system control measures, and the introduction of data encryption technology, etc., to ensure that the company's key business information can be accessed. are closely guarded. 2. The operation continuity drill plan is drawn up for the core information system every year, and it is implemented after being approved by the convener; the operation continuity drill record is approved by the convener for future reference. 3. The company regularly schedules social engineering drills every year, and arranges personnel information security education and training according to the drill results; 2022 year the company conduct 2 social engineering drills, totaling 2,025 person-times; for high-risk personnel, 3 training sessions are held in Kaohsiung and Keelung plants respectively. Training, total of 80 people.

(d) Information security specific management plan

The company's information security management specific management plan is implemented by formulating network security protection measures and self-protection measures and announcing them on the company's external website :

(e) Information security risk management and operation process:

The company has introduced the information security management system, and has issued the "Risk Assessment Management Procedures" and "Risk Assessment Operation Procedures" (CSBC-I-P06), according to which the annual risk assessment is carried out, and the convener is required to approve it. Accept the risk value, risk assessment results, risk improvement plans and control measures.

2022 annual risk assessment, a total of 132 items in seven categories (personnel, documents, software, communication, hardware, data, and environment) were identified, of which 3 hardware category was an unacceptable risk, and after a risk improvement plan was drawn up, the Items have been reduced to acceptable risks, and have been included in self-management, and relevant evaluation records are available for reference.

The information security risk management framework is formulated and announced on the company's external website.

(f) Information Security Emergency Notification and Response Operations:

The information security event reporting process and the information security event drill process are formulated and announced on the company's external website.

(g) Impact of major information security incidents on the company and countermeasures

The company is a listed company. In the event of a major information security incident in accordance with Article 4, Paragraph 26 of the "Procedures for the Verification and Disclosure of Material Information of Listed Companies in Marketable Securities" by the Stock Exchange, it shall be handled in accordance with the company's information security emergency notification and response operations. If the estimated loss in accordance with Article 11 after deducting the amount of compensation calculated according to the insurance contract exceeds 20% of the company's share capital or NT\$300 million or more, the convener of the report will hold a meeting after approval. Important information to explain the press conference. No major information security incident occurred in 2022.

7.6.6 The impact of corporate image change on corporate crisis management and corresponding measures:

The company's image in the industry has always been good, and it was listed on December 22, 2008. The company cooperates with the stock exchange's corporate governance system evaluation every year and improves corporate governance in accordance with the requirements of the indicators, which has a positive significance for the company's corporate image and operational transparency.

7.6.7 Expected benefits, possible risks and countermeasures of M&A: None.

7.6.8 Expected benefits, possible risks and countermeasures of expanding the plant: None.

7.6.9 Risks faced by purchase or sales concentration and corresponding measures:

CSBC main supplier for steel plate is China steel, because they are local exclusive providing marine steel plate which can meet our development request, moreover, the product quality is good and their location is closed to us which is able to deliver plate to our storage yard directly. Therefore we have good long-term relationship with them.

The main reason of sales concentration is that CSBC focuses on the container vessel market, and container vessel usually operates in team comprise the same serie of vessels. Besides, CSBC adopts a single design for several vessels in order to reduce production costs and increase profits. Therefore, it seems customers concentrate in a single year. CSBC is working on the diversification and expanding our business scope to governmental vessel, offshore wind farm engineering, as well as machinery manufacturing. In this way, CSBC could reduce the risk of sales concentration.

In the future, the purchase and sale of goods will continue to develop in the direction of diversification and customer oriented design to avoid potential operational risks.

7.6.10 Directors, supervisors or major shareholders holding more than 10% of the shares, the impact of a large number of transfers or replacement of equity on the company, risks and countermeasures: None.

7.6.11 The impact of changes in management rights on the company, risks and countermeasures:

The company completed the stock listing and privatization on December 22, 2008. As of November 18, 2021, government agencies held

approximately 25.88% of the equity. The remaining equity is dispersed, there is no centralized consortium, and the listed company operates decently in accordance with laws and regulations and does not have a significant impact and risk on the company due to privatization.

7.6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

(1) List major litigious, non-litigious or administrative disputes that have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(2) List major litigious, non-litigious or administrative disputes that involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities as of the date of publication of the annual report: None.

7.6.13 Other important risks and countermeasures: None.

7.7 Other Important Matters:

Risk Management Organization:

Important risk assessment items	Risk Control Business Management Unit First mechanism	Risk review and control Second mechanism	Audit Office/Board of Director Third mechanism - Note
1. Interest rate, exchange rate and financial risk	Department of Finance and Accounting	Foreign Exchange Execution Team	Audit Office/Board of Director
2. High-risk and high- leverage investment, loans to others, derivative commodity trading, financial investment	Department of Finance and Accounting	Foreign Exchange Execution Team	Audit Office/Board of Director
3. R&D plan	Department of Planning, Department of Design and Each proposal control unit	Research and Development Committee	Audit Office/Board of Director
4. Changes of Policy and legal	Department of Finance and Accounting, Legal Affairs Office, Department of Planning	Business Development Conference	Audit Office/Board of Director
5. Changes of Technology and Industry	Department of Design, Plants, Department of Planning, Department of Information Technology	Work report/ Business Development Conference	Audit Office/Board of Director
6.Changes of Corporate image	Department of Sales, Department of Human Resources and Administration, Department of Planning, Department of Quality Assurance, Plants	Business Development Conference	Audit Office/Board of Director
7. Investment, reinvestment and M&A benefits	Department of Finance and Accounting, Legal	New Business Development Committee	Audit Office/Board of Director

	Affairs Office, Department of Planning		
8. Expansion of plant or production	Plants, Department of Planning, Department of Environmental Protection and Public Utilities	Project Investment Review Meeting, Work report	Audit Office/Board of Director
9. Centralized purchase or sale	Department of Sales, Department of Material	Business Weekly Meeting	Audit Office/Board of Director
10. Transfer of shares of directors, supervisors and major shareholders	Department of Finance and Accounting, Department of Planning	Business Development Conference	Audit Office/Board of Director
11. Change in operating rights	Department of Finance and Accounting, Legal Affairs Office, Department of Planning	Business Development Conference	Audit Office/Board of Director
12. Litigation and non- litigation matters	Legal Affairs Office, Department of Finance and Accounting, Department of Human Resources and Administration, Department of Planning	Business Development Conference	Audit Office/Board of Director
13. Other operational matters	Department of Planning, Legal Affairs Office	Business Development Conference/ Risk Management Committee	Audit Office/Board of Director
14. Personnel behavior, ethics and conduct	Supervisors at all levels, Department of Human Resources and Administration	Personnel Review Committee/ Reward and Punishment Review Committee/ Complaint Handling Team Committee	Audit Office/Board of Director
15. Compliance with SOP	Supervisors at all	Risk Management	Audit Office

and regulations	levels, Department of Occupational Safety and Health, Department of Quality Assurance, Department of Planning Department of Environmental Protection and Public Utilities	Committee	
16. Functional committee meeting management	Secretariat Office of the Board Department of Human Resources and Administration	Supervisor of Corporate Governance (Note)	Audit Office/Board of Director
17.Risk Management	Department of Quality Assurance, Department of Environmental Protection and Public Utilities, Department of Occupational Safety and Health, Department of Planning	Risk Management Committee	Audit Office/Board of Director

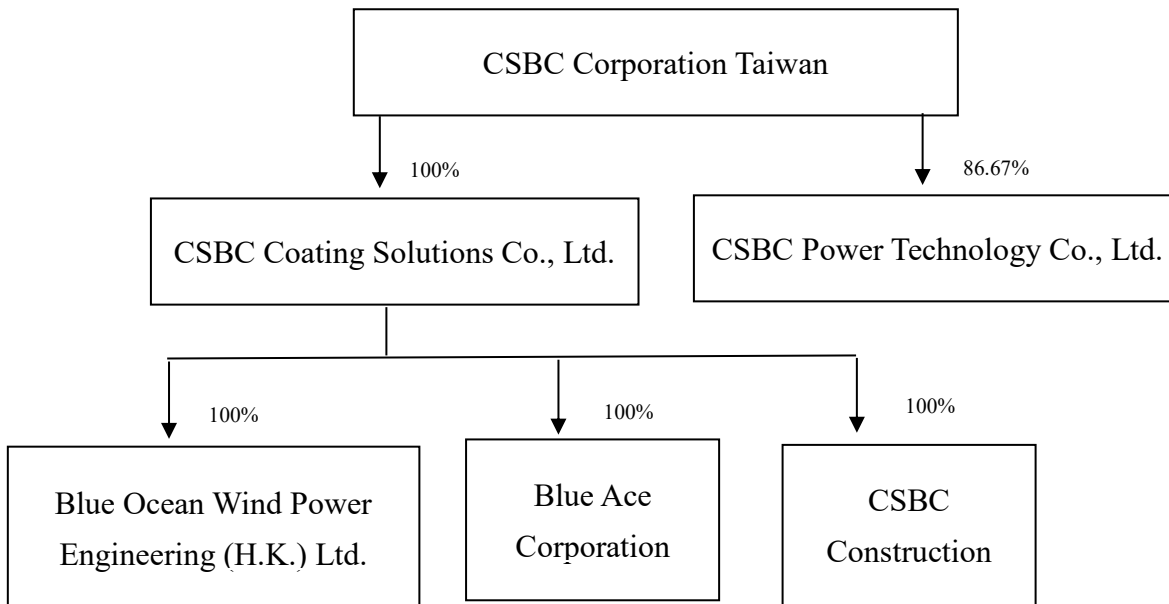
Note: The Board of Director mechanism is the decision-making and final control of risk assessment and control; The Audit Office mechanism is risk inspection, assessment, supervision, improvement tracking and reporting; The Supervisor of Corporate Governance is currently concurrently held by the Director of planning Department.

VIII. Special Items

8.1 Information Related to the Company's Affiliates

8.1.1 Business report on merger of related companies for the most recent year

1. Organization Chart of Affiliated Enterprises



2. Basic Information of Affiliated Enterprises

Name of Affiliated Enterprises	Date of Incorporation	Address	Paid-In Capital	Main Business Area
CSBC Coating Solutions Co., Ltd.	SEP 13, 2010	No.3, Jhonggang Rd., Siaogang District, Kaohsiung City	NT\$154,715 thousand	Anti-corrosion, anti-rust, paint, sandblasting works, etc.
CSBC Power Technology Co., Ltd	Mar 15, 2021	No.224, He 1st Rd.,Zhongzheng Dist.,Keelung City	NT\$75,000 thousand	Manufacture of Ships, Parts and Components
BLUE ACE CORPORATION	July 28, 2016	No.224, He 1st Rd.,Zhongzheng Dist.,Keelung City	NT\$25,000 thousand	Anti-corrosion, anti-rust, paint, sandblasting works, and HR outsourcing etc.
CSBC Construction	Apr 18,2022	No.3, Jhonggang Rd., Siaogang District, Kaohsiung City	NT\$22,500 thousand	Construction
Blue Ocean Wind Power Engineering (H.K.) Ltd.	July 11, 2014	RM 2401,24/F 101 King's Rd. Fortress Hill Hong Kong	USD10,000 (exchange rate 29.98)	Maritime Engineering Information and Services

Note1: All affiliated enterprises, regardless of their size, should be exposed.

Note2: If each affiliated enterprise has a factory, and the sales value of the factory's products exceeds 10% of the operating income of the controlling company, the name of the factory, date of establishment, address and the main production items of the factory should be added.

Note3: If an Affiliated enterprise is a foreign company, the name and address of the company may be expressed in English, the date of establishment may also be expressed in AD dates, and the amount of paid-in capital may be expressed in foreign currency (specify the exchange rate)

3. Presumed to be in control and subordination: None.

4. The industries covered by the business of the overall affiliated enterprise:

Name of Affiliated Enterprises	Main Business Area	Division of labor
CSBC Coating Solutions Co., Ltd.	Anti-corrosion, anti-rust, paint, sandblasting works, etc.	Yes
CSBC Power Technology Co., Ltd	Manufacture of Ships, Parts and Components	Yes
Blue Ace Corporation	Anti-corrosion, anti-rust, paint, sandblasting works, and HR outsourcing etc.	Yes
CSBC Construction	Construction	Yes
Blue Ocean Wind Power Engineering (H.K.) Ltd.	Maritime Engineering Information and Services	Yes

Note1: In order to develop offshore wind power and offshore engineering strategies, CSBC established Blue Ocean Wind Power Engineering (H.K.) Ltd., an overseas subsidiary in Hong Kong, through CSBC Coating Solutions Co., Ltd.

Note2: In order to consolidate the strength of Taiwanese vessels to contract merchants, CSBC introduced foreign workers in a timely manner based on business development, provided sufficient construction manpower for Taiwan vessels, and strengthened the labor structure. Through CSBC Coating Solutions Co., Ltd., BLUE ACE CORPORATION was established to meet the group's strategic development goals.

Note3: In order to develop domestic arms industry, CSBC and AnEnergy established CSBC Power Technology Co., Ltd.

Note4: In order to develop construction industry, CSBC established CSBC Construction, through CSBC Coating Solutions Co., Ltd..

5. Information on directors, supervisors and general managers of affiliated enterprises

(Base date: Dec. 31, 2022, Foreign companies are expressed in terms of the amount held in the original currency)

Unit: Share, %

Name of enterprise	Title	Name or representative	Holding shares	
			share	%
CSBC Coating Solutions Co., Ltd.	Chairman	CSBC Corporation, Taiwan Representative: Wei, Cheng-Tzu	15,471,504	100%
	Director	CSBC Corporation, Taiwan Representative: Cheng, Wen-Lon		
	Director	CSBC Corporation, Taiwan Representative: Chen, Chiu-Wen		
	Supervisor	Csbc Corporation, Taiwan Representative: Shen, Hua-Rong		
CSBC Power Technology Co., Ltd	Chairman	CSBC Corporation, Taiwan Representative: Cheng, Wen-Lon	6,500,000	86.67%
	Director	CSBC Corporation, Taiwan Representative: Wei, Cheng-Tzu		
	Director	CSBC Corporation, Taiwan Representative: Yu, Mao-Hua		
	Director	CSBC corporation, Taiwan Representative: Tsai, Kun-Tsung		
Blue Ace Corporation	Director	CSBC Coating Solutions Co., Ltd. Representative: Chen, Chiu-Wen	(Non-stock company)	100%
Blue Ocean Wind Power Engineering (H.K.) Ltd.	Director	CSBC Coating Solutions Co., Ltd. Representative: Guo, Kuen-Cherng	100	100%
CSBC Construction	Director	CSBC Coating Solutions Co., Ltd. Representative: Chen, Chiu-Wen	(Non-stock company)	100%

Note1: If affiliated enterprises are foreign companies, they shall be listed as those with equivalent positions.

Note2: If the invested company is a company limited by shares, please fill in the number of shares and shareholding ratio; otherwise, please fill in the amount of capital contribution and the ratio of capital contribution and indicate it.

Note3: When the directors and supervisors are institutional shareholders, they shall additionally disclose relevant information of the representatives.

6. Operation overview of each affiliated enterprise

December 31, 2022 (Unit: NT\$ thousand)

Name of Enterprise	Paid-in capital	Total Assets	Total Liabilities	Net Worth	Revenue	Operation Profit	Net income	EPS (Unit: NT\$)
CSBC Coating Solutions Co., Ltd.	154,715	810,275	602,593	207,682	522,606	27,985	28,614	1.85
CSBC Power Technology Co., Ltd.	75,000	167,462	139,877	27,584	650	(104,668)	(38,209)	(5.09)
Blue Ace Corporation	25,000	60,845	31,190	29,656	165,975	4,949	3,971	Limited company No shares
Blue Ocean Wind Power Engineering (H.K.) Ltd.	300	984	1,126	-142	0	(92)	(169)	(1,687)
CSBC Construction	22,500	9,988	2,780	7,208	4,381	1,390	3,227	Limited company No shares

8.1.2 Consolidated Financial Statements of Affiliated Companies: Please refer to VI. Financial Information 4.

8.1.3 Affiliation Reports: Not applicable.

8.2. Where the Company has Carried Out a Private Placement of Securities during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report : None.

8.3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: None

8.4. Other Matters that Require Additional Description: None.

IX. Matters of Significant impact

The situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: None

**CSBC CORPORATION, TAIWAN AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CSBC CORPORATION, TAIWAN

WEN-LON CHENG

March 10, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000504

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying consolidated balance sheets of CSBC CORPORATION, TAIWAN and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(31) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Group is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Group's internal control regarding the estimation process of total cost of construction contract. This includes:
 - (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.
 - (2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.
 - (3) Whether the segregation of duties is appropriate.
2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CSBC CORPORATION TAIWAN, as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Wang, Kuo-Hua

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,460,846	5	\$ 2,731,884	6
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	21,044	-
1136	Current financial assets at amortised cost	6(3) and 8	17,862	-	16,841	-
1140	Current contract assets	6(22)(26) and 7	4,672,768	10	3,105,843	7
1170	Accounts receivable, net	6(4)(22) and 7	1,331,521	3	2,047,312	5
1200	Other receivables		9,447	-	10,628	-
1210	Other receivables - related parties	7	-	-	117	-
130X	Inventories	6(5)(22)	5,548,029	12	2,827,237	7
1410	Prepayments	6(6) and 7	12,710,110	27	13,272,237	30
1479	Other current assets, others		30,170	-	19,399	-
11XX	Current Assets		26,780,753	57	24,052,542	55
Non-current assets						
1535	Non-current financial assets at amortised cost	6(3) and 8	1,259	-	-	-
1550	Investments accounted for under equity method	6(7)(35) and 7	1,437,395	3	1,466,880	3
1600	Property, plant and equipment	6(8)	13,049,687	28	12,848,497	29
1755	Right-of-use assets	6(9)	3,150,472	7	3,399,477	8
1760	Investment property - net	6(10)(11)	211,559	1	212,239	1
1780	Intangible assets	6(12)	53,606	-	39,426	-
1840	Deferred income tax assets	6(32)	1,496,828	3	1,523,988	4
1920	Guarantee deposits paid		325,168	1	167,059	-
1975	Net defined benefit asset, non-current	6(20)	131,397	-	11,403	-
15XX	Non-current assets		19,857,371	43	19,668,969	45
1XXX	Total assets		\$ 46,638,124	100	\$ 43,721,511	100

(Continued)

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(13)	\$ 7,174,580	15	\$ 2,875,834	7
2110	Short-term notes and bills payable	6(14)	3,648,608	8	3,599,104	8
2130	Current contract liabilities	6(22)(26) and 7	7,688,807	17	10,387,846	24
2150	Notes payable	6(22)	17	-	32,424	-
2170	Accounts payable	6(22) and 7	1,385,564	3	1,050,437	2
2200	Other payables	6(15)	1,131,560	2	1,200,085	3
2230	Current income tax liabilities		6,637	-	801	-
2250	Provisions for liabilities - current	6(16)(22)	1,154,186	2	1,018,386	2
2280	Current lease liabilities	6(9)	269,504	1	273,379	1
2310	Advance receipts		98,049	-	14,590	-
21XX	Current Liabilities		<u>22,557,512</u>	<u>48</u>	<u>20,452,886</u>	<u>47</u>
	Non-current liabilities					
2500	Non-current financial liabilities at fair value through profit or loss	6(2)(17)	15,896	-	7,045	-
2530	Bonds payable	6(17)	1,775,013	4	1,760,726	4
2540	Long-term borrowings	6(18)	7,076,985	15	2,548,831	6
2570	Deferred income tax liabilities	6(32)	1,324,697	3	1,325,335	3
2580	Non-current lease liabilities	6(9)	2,947,811	6	3,181,022	7
2610	Long-term notes and accounts payable	6(19)	717,121	2	705,134	2
2630	Long-term deferred revenue	6(19)	125,238	-	181,604	-
2645	Guarantee deposits received		283,091	1	287,431	1
2670	Other non-current liabilities, others		1,133	-	7,957	-
25XX	Non-current liabilities		<u>14,266,985</u>	<u>31</u>	<u>10,005,085</u>	<u>23</u>
2XXX	Total Liabilities		<u>36,824,497</u>	<u>79</u>	<u>30,457,971</u>	<u>70</u>
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(21)(23) and 7	9,317,873	20	9,317,873	22
	Capital surplus					
3200	Capital surplus	6(17)(24)	752,878	1	3,692,913	8
	Retained earnings	6(24)(25)				
3320	Special reserve		3,166,471	7	3,166,471	7
3350	Accumulated deficit		(3,427,274)	(7)	(2,940,035)	(7)
31XX	Equity attributable to owners of the parent		<u>9,809,948</u>	<u>21</u>	<u>13,237,222</u>	<u>30</u>
36XX	Non-controlling interests		<u>3,679</u>	<u>-</u>	<u>26,318</u>	<u>-</u>
3XXX	Total equity		<u>9,813,627</u>	<u>21</u>	<u>13,263,540</u>	<u>30</u>
	Significant contingent liabilities and unrecognised contract commitments	7 and 9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 46,638,124</u>	<u>100</u>	<u>\$ 43,721,511</u>	<u>100</u>

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings (losses) per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(26) and 7		\$ 21,994,050	100	\$ 19,113,429	100
5000 Operating costs	6(5)(12)(30)(31) and 7		(25,090,814)	(114)	(18,558,210)	(97)
5900 Net operating margin			(3,096,764)	(14)	(555,219)	(3)
Operating expenses	6(12)(30)(31)					
6100 Selling expenses			(66,007)	-	(66,478)	-
6200 General and administrative expenses			(362,014)	(2)	(360,333)	(2)
6300 Research and development expenses			(209,163)	(1)	(124,101)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		(24,391)	-	(7,221)	-
6000 Total operating expenses			(661,575)	(3)	(558,133)	(3)
6900 Operating loss			(3,758,339)	(17)	(2,914)	-
Non-operating income and expenses						
7100 Interest income			19,377	-	1,249	-
7010 Other income	6(10)(19)(27)		179,342	1	219,867	1
7020 Other gains and losses	6(28)		209,228	1	(64,134)	-
7050 Finance costs	6(8)(9)(19)(29)		(162,460)	(1)	(101,200)	(1)
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)		(29,485)	-	(42,553)	-
7000 Total non-operating income and expenses			216,002	1	13,229	-
7900 Profit (loss) before income tax			(3,542,337)	(16)	10,315	-
7950 Income tax expense	6(32)		(6,151)	-	(762)	-
8200 Profit (loss) for the year			(\$ 3,548,488)	(16)	(\$ 9,553)	-
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial gain on defined benefit plan	6(20)		\$ 145,156	-	\$ 40,933	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(32)		(29,031)	-	(8,187)	-
8300 Total other comprehensive income for the year			\$ 116,125	-	\$ 32,746	-
8500 Total comprehensive (loss) income for the year			(\$ 3,432,363)	(16)	(\$ 42,299)	-
Profit (loss), attributable to:						
8610 Owners of the parent			(\$ 3,526,768)	(16)	\$ 13,235	-
8620 Non-controlling interest			(21,720)	-	(3,682)	-
Total			(\$ 3,548,488)	(16)	(\$ 9,553)	-
Comprehensive income (loss) attributable to:						
8710 Owners of the parent			(\$ 3,410,643)	(16)	\$ 45,981	-
8720 Non-controlling interest			(21,720)	-	(3,682)	-
Total			(\$ 3,432,363)	(16)	(\$ 42,299)	-
Basic earnings (losses) per share	6(33)					
9750 Total basic earnings (losses) per share			(\$ 3.78)		(\$ 0.02)	

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent						
		Share capital - common stock	Capital surplus	Retained Earnings		Total	Non-controlling interests	Total equity
Notes	Special reserve			Accumulated deficit				
<u>2021</u>								
Balance at January 2021		\$ 4,730,555	\$ 97,071	\$ 3,166,471	(\$ 2,986,016)	\$ 5,008,081	\$ -	\$ 5,008,081
Profit (loss)		-	-	-	13,235	13,235	(3,682)	9,553
Other comprehensive income		-	-	-	32,746	32,746	-	32,746
Total comprehensive income (loss)		-	-	-	45,981	45,981	(3,682)	42,299
Cash capital increase	6(23)(24) and 7	4,500,000	3,367,059	-	-	7,867,059	-	7,867,059
Share-based payments	6(21)(24) and 7	-	128,818	-	-	128,818	-	128,818
Conversion of convertible bonds	6(17)(23)(24)	87,318	99,965	-	-	187,283	-	187,283
Acquisition of non-controlling interest of a subsidiary	6(35)	-	-	-	-	-	30,000	30,000
Balance at December 31, 2021		<u>\$ 9,317,873</u>	<u>\$ 3,692,913</u>	<u>\$ 3,166,471</u>	<u>(\$ 2,940,035)</u>	<u>\$ 13,237,222</u>	<u>\$ 26,318</u>	<u>\$ 13,263,540</u>
<u>2022</u>								
Balance at January 2022		<u>\$ 9,317,873</u>	<u>\$ 3,692,913</u>	<u>\$ 3,166,471</u>	<u>(\$ 2,940,035)</u>	<u>\$ 13,237,222</u>	<u>\$ 26,318</u>	<u>\$ 13,263,540</u>
Loss		-	-	-	(3,526,768)	(3,526,768)	(21,720)	(3,548,488)
Other comprehensive income		-	-	-	116,125	116,125	-	116,125
Total comprehensive loss		-	-	-	(3,410,643)	(3,410,643)	(21,720)	(3,432,363)
Capital surplus used to offset accumulated deficit	6(24)(25)	-	(2,940,035)	-	2,940,035	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(34)	-	-	-	(16,631)	(16,631)	(919)	(17,550)
Balance at December 31, 2022		<u>\$ 9,317,873</u>	<u>\$ 752,878</u>	<u>\$ 3,166,471</u>	<u>(\$ 3,427,274)</u>	<u>\$ 9,809,948</u>	<u>\$ 3,679</u>	<u>\$ 9,813,627</u>

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 3,542,337)	\$ 10,315
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	24,391	7,221
Depreciation of property, plant and equipment	6(8)(30)	655,832	654,269
Depreciation of right-of-use assets	6(9)(30)	246,367	246,569
Depreciation of investment property	6(11)	680	679
Amortization	6(12)(30)	21,857	12,461
Share of loss of investments accounted for using equity method	6(7)	29,485	42,553
Interest income		(19,377)	(1,249)
Government grant income	6(27)(29)(36)	(11,987)	(11,787)
Gain on valuation of financial assets and liabilities at fair value through profit or loss	6(28)	18,245	(19,055)
Loss on disposal of property, plant and equipment	6(28)	522	5,715
Interest expense	6(29)	162,460	101,200
Share-based payments	6(21)	-	128,818
Changes in operating assets and liabilities			
Changes in operating assets			
Loss on financial assets and liabilities at fair value through profit or loss - current		11,649	-
(Increase) decrease in current contract assets	(	1,582,275)	1,688,881
Decrease (increase) in accounts receivable		715,114	(860,454)
Decrease in other receivables		1,867	15,853
Decrease in other receivables - related parties		117	21,828
Increase in inventories	(	2,720,792)	(477,875)
Decrease (increase) in prepayments		562,127	(3,369,435)
Increase in other current assets	(	11,009)	(14,662)
Decrease (increase) in net defined benefit asset-non-current		25,162	(11,403)
Changes in operating liabilities			
(Decrease) increase in current liabilities	(	2,699,039)	3,689,055
(Decrease) increase in notes payable	(	32,407)	24,308
Decrease in notes payable - related parties		-	(111,592)
Increase (decrease) in accounts payable		335,127	(550,450)
Decrease in other payables	(	70,392)	(106,518)
Increase (decrease) in provisions - current		135,800	(274,376)
Increase (decrease) in receipts in advance		39,081	(5,870)
Increase in net defined benefit liability-non-current		-	37,532
Cash (outflow) inflow generated from operations	(	7,703,732)	872,531
Interest received		18,691	1,232
Interest paid	(	131,167)	(74,940)
Income tax paid	(	2,585)	(813)
Net cash flows (used in) from operating activities	(	7,818,793)	798,010

(Continued)

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in current financial assets at amortised cost		(\$ 1,021)	(\$ 16,841)
Increase in financial assets at amortised cost - non-current		(1,259)	-
Acquisition of investments accounted for using equity method	6(7)	-	(473,000)
Net cash flow from acquisition of subsidiaries	6(35)(36)	(12,407)	53,000
Cash payments for the purchase of property, plant and equipment	6(36)	(881,130)	(2,199,457)
Proceeds from disposal of property, plant and equipment		263	-
Acquisition of intangible assets	6(12)	(23,037)	(30,411)
Increase in refundable deposits		(268,591)	(116,920)
Decrease in refundable deposits		118,173	6,036
Net cash flows used in investing activities		(1,069,009)	(2,777,593)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(37)	4,298,746	(2,403,312)
Increase in short-term notes and bills payable	6(37)	50,000	900,000
Proceeds from long-term debt	6(37)	4,531,180	-
Repayments of long-term debt	6(37)	-	(2,650,000)
Repayments of principal portion of lease liabilities	6(37)	(234,448)	(231,993)
Increase in guarantee deposit received	6(37)	143,419	145,342
Decrease in guarantee deposit received	6(37)	(147,759)	(141,303)
Decrease in other non-current liabilities	6(37)	(6,824)	(12,171)
Acquisition of ownership interests in subsidiaries	6(34)	(17,550)	-
Cash capital increase	6(23)	-	7,867,059
Net cash flows from financing activities		8,616,764	3,473,622
Net (decrease) increase in cash and cash equivalents		(271,038)	1,494,039
Cash and cash equivalents at beginning of year	6(1)	2,731,884	1,237,845
Cash and cash equivalents at end of year	6(1)	\$ 2,460,846	\$ 2,731,884

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies ‘Taiwan Machinery Corporation’ and ‘Taiwan Shipbuilding Corporation (TSBC)’ to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung which is the current place of business for CSBC CORPORATION, TAIWAN (the “Company”).
- (2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and techniques were supported by TSBC and they were both reverted to become state - owned companies under the Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation became the surviving company. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment, ship coating, anti-corrosion coating on large steel structure, surface treatment and professional coating.
- (3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.
- (4) The Company became a listed company since December 22, 2008.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			<u>% of shares held as of</u>		
			<u>December 31,</u>		
<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>2022</u>	<u>2021</u>	<u>Description</u>
CSBC CORPORATION, TAIWAN	CSBC Coating Solutions Co., Ltd.	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	
	CSBC Power Technology Co., Ltd.	Manufacturing of ships and its components etc.	86.67	60	Note 1
CSBC Coating Solutions Co., Ltd.	BLUE ACE CORPORATION	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	
	CSBC Construction Co., Ltd.	Construction project	100	-	Note 2
CSBC Coating Solutions Co., Ltd.	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Marine works services	100	100	

Note 1: On August 12, 2021, the Company cumulatively held a 60% equity interest and obtained control over the investee. Furthermore, on October 12, 2022, the Company acquired an additional 26.67% of outstanding shares in that investee. Refer to Notes 6(34) and 6(35) for further information.

Note 2: On April 18, 2022, the subsidiary acquired 100% of ownership interest in this company to acquire control over this company. Refer to Note 6(35) for further information.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(5) Classification of current and non-current items

- A. The Company is engaged in the business of shipbuilding, vessel building, major machinery building and ship repairing such that the contractual periods of these projects are usually over one year. Therefore, the assets and liabilities of these projects are classified as current assets or liabilities if the period of the project is shorter than the operating cycle; otherwise they are classified as non-current assets or liabilities. The classification criteria of assets and liabilities that are not project related are as follows : Current assets include cash, the assets held for trading or the assets arising from operating activities that are expected to be consumed or to be realized within twelve months from the balance sheet date; fixed assets and other assets that are not classified as current assets are non-current assets. Current liabilities include the liabilities arising mainly from trading activities and are expected to be settled within twelve months from the balance sheet date. The liabilities that are not classified as current liabilities are non-current liabilities.
- B. Classification of current and non-current items of the Company's subsidiaries is as follows:
 - (a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - i. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - ii. Assets held mainly for trading purposes;
 - iii. Assets that are expected to be realised within twelve months from the balance sheet date;
 - iv. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- i. Liabilities that are expected to be settled within the normal operating cycle;
- ii. Liabilities arising mainly from trading activities;
- iii. Liabilities that are to be settled within twelve months from the balance sheet date;
- iv. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(14) Investments accounted for under the equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Investment accounted for using equity method-joint ventures

Investment of joint arrangements are classified as joint ventures based on its contractual rights and obligations. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated 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 must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	5 ~ 50 years
Buildings and structures	8 ~ 65 years
Machinery and equipment	2 ~ 58 years
Transportation equipment	3 ~ 40 years
Leasehold improvements	3 ~ 14 years
Other equipment	2 ~ 14 years

(17) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable;

- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(19) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Convertible bonds

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus - share options’.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and nonvesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

- A. The revenues from construction contracts in relation to shipbuilding, vessel construction and machinery manufacturing are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the workload completed to the total expected workload of the contracts. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- B. The revenues from service contract in relation to ship/vessel repairs and anti-corrosion coating are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the actual cost incurred to the total expected cost of the contracts. At the beginning of the contract period, as the Group may find it difficult to estimate the result of obligation performance, it estimates the actual cost incurred for performing obligations which could be recovered. The contract revenue should be recognised only to the extent of actual costs incurred until the result of obligation performance could be measured reasonably.
- C. The Group's estimate about revenue, costs and percentage-of-completion is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

- D. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, according to the agreements, the Group does not adjust the transaction price to reflect the time value of money.
- E. The Company classifies its ship leasing business as an operating lease. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(32) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(33) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Construction contracts

The Group recognises construction contract revenue and costs using the percentage-of-completion method, wherein the revenue to be recognised is equal to the percentage of completed work out of the total estimated work.

Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

If the estimated total contract costs had increased/ decreased by 1% with all other variables held constant, construction profit for the year ended December 31, 2022 would have decreased by \$544,800 or increased by \$595,734 (the construction profit for the year ended December 31, 2021 would have decreased by \$445,900 or increased by \$365,873).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 620	\$ 696
Checking accounts and demand deposits	766,500	2,073,781
Time deposits	<u>1,693,726</u>	<u>657,407</u>
	<u>\$ 2,460,846</u>	<u>\$ 2,731,884</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. On December 31, 2022 and 2021, due to the issuance of letters of credit and letters of guarantee, pledges and collateral, the Group had restricted cash and cash equivalents in the amounts of \$15,441 and \$16,841, respectively, which were classified as financial assets at amortised cost. Refer to Note 6(3) for further information.

(2) Financial assets (liabilities) at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Cross currency swap	\$ -	\$ 21,044
Non-current items:		
Financial liabilities designated as at fair value through profit or loss		
Call and put options embedded in convertible bonds	(\$ 16,805)	(\$ 16,805)
Valuation adjustment	909	9,760
	<u>(\$ 15,896)</u>	<u>(\$ 7,045)</u>

A. Information about the amounts recognised in profit or loss in relation to financial assets (liabilities) at fair value through profit or loss is provided in Note 6(28).

B. The Group entered into cross currency swap contracts to hedge risks arising from exchange rate fluctuations on forecast transactions. The information on cross currency swap contracts that are not accounted for under hedge accounting on the balance sheet date and are not expired is as follows:

December 31, 2021			
Contract amount (in thousands)	Expiry date	Interest rate of amount paid	Interest rate of amount collected
EUR 17,611	2022.11.25	-	0.433%

There was no such transaction as of December 31, 2022.

C. Information about the terms of the first domestic secured convertible bonds issued by the Group is provided in Note 6(17).

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Restricted bank deposits	\$ 15,441	\$ 16,841
Pledged time deposits	2,421	-
Total	<u>\$ 17,862</u>	<u>\$ 16,841</u>
Non-current items:		
Pledged time deposits	<u>\$ 1,259</u>	<u>\$ -</u>

- A. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$19,121 and \$16,841, respectively.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Accounts receivable, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Construction receivables	\$ 1,326,085	\$ 2,180,583
Repair receivables	250,336	118,741
Lease payments receivable	<u>1,099</u>	<u>1,099</u>
	1,577,520	2,300,423
Less: Allowance for doubtful accounts	(<u>329,872</u>)	(<u>325,722</u>)
	<u>1,247,648</u>	<u>1,974,701</u>
Accounts receivable - related parties	84,256	72,611
Less: Allowance for doubtful accounts	(<u>383</u>)	-
	<u>83,873</u>	<u>72,611</u>
	<u>\$ 1,331,521</u>	<u>\$ 2,047,312</u>

- A. As of December 31, 2022 and 2021, accounts receivable was mainly from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers (including related parties) amounted to \$1,469,706.
- B. As at December 31, 2022 and 2021, with taking into account collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company' accounts receivable (including related parties) was \$1,331,521 and \$2,047,312, respectively.
- C. The Group had no past due accounts receivable.
- D. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,263,424	(\$ 37,271)	\$ 5,226,153
Work in process and repair of goods	286,937	-	286,937
Construction in progress	34,939	-	34,939
	<u>\$ 5,585,300</u>	<u>(\$ 37,271)</u>	<u>\$ 5,548,029</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,759,321	(\$ 38,677)	\$ 2,720,644
Work in process and repair of goods	106,593	-	106,593
	<u>\$ 2,865,914</u>	<u>(\$ 38,677)</u>	<u>\$ 2,827,237</u>

The amount of inventories recognised as expense for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,	
	2022	2021
Raw materials costs	\$ 12,733,511	\$ 7,752,754
Gain from reversal of obsolete inventories	(1,406)	(3,496)
	<u>\$ 12,732,105</u>	<u>\$ 7,749,258</u>

The Group reversed a previous inventory write-down and accounted for this transaction as a reduction of expenses because the related inventory items were scrapped or sold in 2022 and 2021.

(6) Prepayments

	December 31, 2022	December 31, 2021
Prepayments of suppliers	\$ 12,510,046	\$ 13,231,771
Excess VAT paid	114,046	10,506
Other prepayments	86,018	29,960
	<u>\$ 12,710,110</u>	<u>\$ 13,272,237</u>

(7) Investments accounted for under equity method

A. Details of investments accounted for under equity method are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,466,880	\$ 1,059,433
Additional investments accounted for using the equity method	-	473,000
Disposal investments accounted for using the equity method (Note)	- (	23,000)
Share of profit or loss of investments accounted for using the equity method	(29,485)	(42,553)
At December 31	<u>\$ 1,437,395</u>	<u>\$ 1,466,880</u>

Note: Refer to Note 6(35) for information on business combinations.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates:		
Taiwan International Windpower Training Corporation Ltd. (Note 1)	\$ 12,284	\$ 11,463
Taiwan Offshore Wind Farm Services Corporation (Note 2)	-	-
Fuhai Wind Farm Corporation (Note 3)	-	-
Joint Ventures:		
CSBC - DEME Wind Engineering Co., Ltd. (Note 4)	<u>1,425,111</u>	<u>1,455,417</u>
	<u>\$ 1,437,395</u>	<u>\$ 1,466,880</u>

Note 1: On May 11, 2018, with reporting to the Board of Directors for future reference, the Group, Taiwan International Ports Corporation, Ltd. and other companies jointly established Taiwan International Windpower Training Corporation Ltd. for investment. The Group owns 12% of the investee's share capital and one seat in the Board of Directors of the investee.

Note 2: On March 21, 2014, the Board of Directors has resolved that the Group and Taiwan Generations Corporation would jointly establish Taiwan Offshore Wind Farm Services Corporation. The Company has acquired 40% of share capital in September 2014. The Group has ceased recognising its share of losses in this company since the fourth quarter of 2018 and the unrecognised share of losses in associate for the year ended December 31, 2022 and accumulated share of losses in associate amounted to \$342 and \$10,771, respectively.

On December 13, 2022, the shareholders of Taiwan Offshore Wind Farm Services Corporation resolved to process a reduction in paid-in capital of \$9,000, and the resolution had violated the Company Act and the Articles of Incorporation. On January 17, 2023, the Group lodged a complaint to Taipei City Government, and was waiting for the reply of the executive authority.

Note 3: On August 9, 2016, the Board of Directors resolved to invest in Fuhai Wind Farm Corporation and obtained 37.97% of ownership shares. The Group has ceased recognising its share of losses in this company since the third quarter of 2017 and the unrecognised share of losses in associate for the year ended December 31, 2022 and accumulated share of losses in associate amounted to \$12,632 and \$105,768, respectively.

On November 12, 2021, the Board of Directors resolved to increase its paid-in capital by issuing 8,500 thousand new shares with a par value of \$10 (in dollars) per share. On December 23, 2021, the Company filed a litigation to the Taiwan Taipei District Court for a declaratory judgment confirming the invalidity of the resolution of the Board of Directors. On August 12, 2022, the Taiwan Taipei District Court dismissed the Company's case. The Group's ownership interest changed to 31.44%.

Note 4: On September 12, 2018, the Company's Board of Directors resolved to jointly invest in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. (formerly named GeoSea N.V.). Although the Company held a 50.0001% equity interest in CSBC-DEME Wind Engineering Co., Ltd., the resolutions presented to the Board of Directors of CSBC-DEME Wind Engineering Co., Ltd. require a unanimous approval by both the Company and DEME Offshore Holding N.V. as required by the Articles of Incorporation of CSBC-DEME Wind Engineering Co., Ltd.

On January 15, 2020 and March 18, 2021, the Company's Board of Directors resolved to jointly increase investments in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. for building a marine installation vessel in order to implement maritime engineering business. CSBC-DEME Wind Engineering Co., Ltd. completed the capital increase approximately to \$3 billion (approximately EUR 83.24 million). The Company subscribed 15,151,514 shares, equivalent to \$1,500,000, according to its shareholding ratio.

B. The Group's share of the operating results in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2022	2021
Profit for the year from continuing operations	\$ 821	\$ 552
Other comprehensive income - net of tax	-	-
Total comprehensive income	<u>\$ 821</u>	<u>\$ 552</u>

C. Share of the operating results of the Group's individually immaterial joint ventures is summarised below:

	Years ended December 31,	
	2022	2021
Loss for the year from continuing operations	(\$ 30,306)	(\$ 43,105)
Other comprehensive income - net of tax	-	-
Total comprehensive loss	<u>(\$ 30,306)</u>	<u>(\$ 43,105)</u>

D. The Group had impairment loss in investments accounted for using equity method as the carrying amount exceeds recoverable amount. As of December 31, 2022 and 2021, the accumulated impairment loss amounted to \$124,807 and \$124,915, respectively.

(8) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
<u>At January 1, 2022</u>									
Cost	\$6,093,941	\$ 1,156,680	\$ 7,865,426	\$ 12,167,910	\$ 1,590,583	\$ 1,073,756	\$ 158,673	\$ 595,933	\$30,702,902
Accumulated depreciation and impairment	-	(823,555)	(6,776,663)	(8,494,041)	(759,866)	(877,356)	(122,924)	-	(17,854,405)
	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,673,869</u>	<u>\$ 830,717</u>	<u>\$ 196,400</u>	<u>\$ 35,749</u>	<u>\$ 595,933</u>	<u>\$12,848,497</u>
<u>2022</u>									
Opening net book amount as at January 1	\$6,093,941	\$ 333,125	\$ 1,088,763	\$ 3,673,869	\$ 830,717	\$ 196,400	\$ 35,749	\$ 595,933	\$12,848,497
Additions	-	-	-	1,142	-	3,455	6,746	1,725,510	1,736,853
Reclassifications - costs (Note)	-	34,855	88,436	475,844	14,414	-	52,185	(1,544,780)	(879,046)
Disposals - costs	-	-	(897)	(64,076)	(10,671)	-	(5,191)	-	(80,835)
Depreciation charge	-	(29,854)	(60,540)	(436,478)	(72,209)	(42,603)	(14,148)	-	(655,832)
Disposals - accumulated depreciation	-	-	897	63,706	10,261	-	5,186	-	80,050
Closing net book amount as at December 31	<u>\$6,093,941</u>	<u>\$ 338,126</u>	<u>\$ 1,116,659</u>	<u>\$ 3,714,007</u>	<u>\$ 772,512</u>	<u>\$ 157,252</u>	<u>\$ 80,527</u>	<u>\$ 776,663</u>	<u>\$13,049,687</u>
<u>At December 31, 2022</u>									
Cost	\$6,093,941	\$ 1,191,535	\$ 7,952,965	\$ 12,580,820	\$ 1,594,326	\$ 1,077,211	\$ 212,413	\$ 776,663	\$31,479,874
Accumulated depreciation and impairment	-	(853,409)	(6,836,306)	(8,866,813)	(821,814)	(919,959)	(131,886)	-	(18,430,187)
	<u>\$6,093,941</u>	<u>\$ 338,126</u>	<u>\$ 1,116,659</u>	<u>\$ 3,714,007</u>	<u>\$ 772,512</u>	<u>\$ 157,252</u>	<u>\$ 80,527</u>	<u>\$ 776,663</u>	<u>\$13,049,687</u>

Note: The Group previously built a container ship for leasing to others, however, the Board of Directors approved to transfer them for selling. The Group signed a ship sale contract with an owner of ships, and thus the related cost was reclassified as inventory and revenue is recognised in accordance with the construction contract.

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2021</u>									
Cost	\$6,093,941	\$ 1,147,689	\$ 7,701,647	\$ 10,297,052	\$ 1,585,768	\$ 1,073,756	\$ 150,706	\$ 646,483	\$28,697,042
Accumulated depreciation and impairment	-	(791,864)	(6,685,290)	(8,254,867)	(689,443)	(828,611)	(115,899)	-	(17,365,974)
	<u>\$6,093,941</u>	<u>\$ 355,825</u>	<u>\$ 1,016,357</u>	<u>\$ 2,042,185</u>	<u>\$ 896,325</u>	<u>\$ 245,145</u>	<u>\$ 34,807</u>	<u>\$ 646,483</u>	<u>\$11,331,068</u>
<u>2021</u>									
Opening net book amount as at January 1	\$6,093,941	\$ 355,825	\$ 1,016,357	\$ 2,042,185	\$ 896,325	\$ 245,145	\$ 34,807	\$ 646,483	\$11,331,068
Additions	-	-	-	37	281	-	752	2,176,343	2,177,413
Reclassifications - costs	-	8,991	166,905	2,035,498	5,886	-	9,613	(2,226,893)	-
Disposals - costs	-	-	(3,126)	(164,677)	(1,352)	-	(2,398)	-	(171,553)
Depreciation charge	-	(31,691)	(94,431)	(398,295)	(71,775)	(48,745)	(9,332)	-	(654,269)
Disposals - accumulated depreciation	-	-	3,058	159,121	1,352	-	2,307	-	165,838
Closing net book amount as at December 31	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,673,869</u>	<u>\$ 830,717</u>	<u>\$ 196,400</u>	<u>\$ 35,749</u>	<u>\$ 595,933</u>	<u>\$12,848,497</u>
<u>At December 31, 2021</u>									
Cost	\$6,093,941	\$ 1,156,680	\$ 7,865,426	\$ 12,167,910	\$ 1,590,583	\$ 1,073,756	\$ 158,673	\$ 595,933	\$30,702,902
Accumulated depreciation and impairment	-	(823,555)	(6,776,663)	(8,494,041)	(759,866)	(877,356)	(122,924)	-	(17,854,405)
	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,673,869</u>	<u>\$ 830,717</u>	<u>\$ 196,400</u>	<u>\$ 35,749</u>	<u>\$ 595,933</u>	<u>\$12,848,497</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment are as follows:

	Years ended December 31,	
	2022	2021
Amount capitalised	\$ -	\$ 361
Interest rate	—	0.03%~0.97%

B. Significant components and the useful lives of land improvements, buildings, and machinery equipment of the Group are as follows:

- (a) The significant components of land improvements include construction expenses for wharf, which are depreciated over 45 years.
- (b) The significant components of buildings include shipyard, plants and warehouse, and office buildings, which are depreciated over 40, 45 and 60 years, respectively.
- (c) The significant components of machinery equipment include hoisting machine, crane and substation as well as welding machine and working platform, which are depreciated over 25, 20 and 10 years, respectively.

C. The Group's property, plant and equipment all was acquired for self-use and was not pledged to others as collateral.

(9) Lease transactions — lessee

A. The Group leases various assets including land, buildings and terminal equipment. Rental contracts are typically made for periods of 4 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and may not affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Book value	Book value
Land	\$ 2,834,626	\$ 3,010,401
Buildings and structures	69,888	80,356
Transportation equipment (terminal equipment)	245,958	308,720
	<u>\$ 3,150,472</u>	<u>\$ 3,399,477</u>
	Years ended December 31,	
	2022	2021
	Depreciation expense	Depreciation expense
Land	\$ 161,860	\$ 164,179
Buildings and structures	14,083	13,431
Transportation equipment (terminal equipment)	70,424	68,959
	<u>\$ 246,367</u>	<u>\$ 246,569</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$0 and \$145,102, respectively. In addition, the Group had a decrease in lease liabilities of \$2,638 and \$0 for the years ended December 31, 2022 and 2021, respectively, due to the impact of variable lease payments in lease liabilities, and made a corresponding adjustment to the right-of use assets.

D. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 40,391	\$ 41,458
Expense on short-term lease contracts	248,753	13,672
Expense on leases of low-value assets	1,172	645
	<u>\$ 290,316</u>	<u>\$ 55,775</u>

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$524,764 and \$287,768, respectively.

(10) Leasing arrangements – lessor

A. The Group leases various assets including land, buildings and ships. Rental contracts are typically made for periods of 2 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be used to sublease, sublet, lend, donate, sell or grant to others under any method.

In addition, the Group leases rooftop of its plants for lessees to install solar photovoltaic power generation equipment. Rental contracts are typically made for periods of 20 years. Lease payments consist of fixed base rent and variable operating rent.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$123,958 and \$209,394, respectively, based on the operating lease agreement, in which the amounts of variable lease payments were not material.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	\$ 25,197	\$ 27,507
Later than 1 year but not later than 5 years	83,330	90,142
Later than 5 years	212,630	230,349
	<u>\$ 321,157</u>	<u>\$ 347,998</u>

(11) Investment property, net

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(20,084)</u>	<u>(20,084)</u>
	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>
<u>2022</u>			
Opening net book amount as at January 1	\$ 202,578	\$ 9,661	\$ 212,239
Depreciation charge	<u>-</u>	<u>(680)</u>	<u>(680)</u>
Closing net book amount as at December 31	<u>\$ 202,578</u>	<u>\$ 8,981</u>	<u>\$ 211,559</u>
<u>At December 31, 2022</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(20,764)</u>	<u>(20,764)</u>
	<u>\$ 202,578</u>	<u>\$ 8,981</u>	<u>\$ 211,559</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(19,405)</u>	<u>(19,405)</u>
	<u>\$ 202,578</u>	<u>\$ 10,340</u>	<u>\$ 212,918</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 202,578	\$ 10,340	\$ 212,918
Depreciation charge	<u>-</u>	<u>(679)</u>	<u>(679)</u>
Closing net book amount as at December 31	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>
<u>At December 31, 2021</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	<u>-</u>	<u>(20,084)</u>	<u>(20,084)</u>
	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>

- A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2022	2021
Rental income from the lease of the investment property	\$ 26,221	\$ 27,351
Direct operating expenses arising from the investment property that generate rental income in the period	\$ 1,446	\$ 982

- B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 were \$705,345 and \$692,194, respectively, which was revalued by independent valuers. Valuations were made using the comparison method, cost method for land development analysis and the income approach.

(12) Intangible assets

	Years ended December 31, 2022		
	Software	Other intangible assets	Total
<u>At January 1</u>			
Cost	\$ 53,161	\$ -	\$ 53,161
Accumulated amortisation and impairment	(13,735)	-	(13,735)
	<u>\$ 39,426</u>	<u>\$ -</u>	<u>\$ 39,426</u>
Opening net book amount as at January 1	\$ 39,426	\$ -	\$ 39,426
Additions - acquired separately	23,037	-	23,037
Additions - acquired through business combinations	-	13,000	13,000
Disposals - costs	(11,918)	-	(11,918)
Amortisation charge	(21,857)	-	(21,857)
Disposals - accumulated amortisation	<u>11,918</u>	<u>-</u>	<u>11,918</u>
Closing net book amount as at December 31	<u>\$ 40,606</u>	<u>\$ 13,000</u>	<u>\$ 53,606</u>
<u>At December 31</u>			
Cost	\$ 64,280	\$ 13,000	\$ 77,280
Accumulated amortisation and impairment	(23,674)	-	(23,674)
	<u>\$ 40,606</u>	<u>\$ 13,000</u>	<u>\$ 53,606</u>

	Years ended December 31, 2021
	Software
<u>At January 1</u>	
Cost	\$ 34,869
Accumulated amortisation and impairment	(13,393)
	<u>\$ 21,476</u>
Opening net book amount as at January 1	\$ 21,476
Additions - acquired separately	30,411
Disposals - costs	(12,119)
Amortisation charge	(12,461)
Disposals - accumulated amortisation	12,119
Closing net book amount as at December 31	<u>\$ 39,426</u>
<u>At December 31</u>	
Cost	\$ 53,161
Accumulated amortisation and impairment	(13,735)
	<u>\$ 39,426</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	\$ 20,182	\$ 12,158
Administrative expenses	1,675	303
	<u>\$ 21,857</u>	<u>\$ 12,461</u>

(13) Short-term loans

Type of loans	December 31, 2022	Interest rate range	Collateral
Bank loans			
Unsecured loans	\$ 7,121,000	1.68%~2.30%	None
Procurement unsecured loans	53,580	0.67%~5.99%	None
	<u>\$ 7,174,580</u>		
Type of loans	December 31, 2021	Interest rate range	Collateral
Bank loans			
Unsecured loans	\$ 2,668,000	0.85%~1.80%	None
Procurement unsecured loans	207,834	0.40%~1.35%	None
	<u>\$ 2,875,834</u>		

(14) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial papers payable	\$ 3,650,000	\$ 3,600,000
Less: Unamortized discount	(1,392)	(896)
	<u>\$ 3,648,608</u>	<u>\$ 3,599,104</u>
Annual interest rates	<u>1.50%~2.09%</u>	<u>0.42%~0.72%</u>

The above commercial paper payables are guaranteed and issued by domestic bills financial institutions.

(15) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued expenses	\$ 1,065,724	\$ 1,121,026
Construction payment refund	22,896	41,711
Others	42,940	37,348
	<u>\$ 1,131,560</u>	<u>\$ 1,200,085</u>

(16) Provisions

	<u>Warranty</u>	<u>Onerous contracts</u>	<u>Total</u>
At January 1, 2022	\$ 594,915	\$ 423,471	\$ 1,018,386
Additional provisions	119,543	1,382,466	1,502,009
Used during the year	(122,927)	(1,228,200)	(1,351,127)
Unused amounts reversed	(1,239)	(13,843)	(15,082)
At December 31, 2022	<u>\$ 590,292</u>	<u>\$ 563,894</u>	<u>\$ 1,154,186</u>

The analysis of provisions is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Realised in one year	\$ 461,794	\$ 214,307	\$ 447,495
Realised after one year	692,392	804,079	845,267
	<u>\$ 1,154,186</u>	<u>\$ 1,018,386</u>	<u>\$ 1,292,762</u>

A. Provision for warranty

The Group gives warranties on contracts revenue in relation to shipbuilding, vessel construction and anti-corrosion coating. Provision for warranty is estimated based on historical warranty data of products.

B. Provision for onerous contract

Under the irrevocable contracts of shipbuilding, vessel construction and anti-corrosion coating, the Group's estimated provision for onerous contract is the difference between the inevitable cost of existing obligations to be performed in the future and the expected economic benefits from the contracts. The estimated provision may change with the actual construction situation.

(17) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The first domestic secured convertible bonds	\$ 1,806,300	\$ 1,806,300
Less: Discount on bonds payable	(31,287)	(45,574)
	1,775,013	1,760,726
Less: Expiring within one year (shown as 'long-term liabilities, current portion')	-	-
	<u>\$ 1,775,013</u>	<u>\$ 1,760,726</u>

A. The issuance of domestic convertible bonds by the Company

(a) The terms of the first domestic secured convertible bonds issued by the Company are as follows:

i. The Company issued \$2 billion, 0% first domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (February 24, 2020 ~ February 24, 2025).

The bonds will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on February 24, 2020.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (May 25, 2020) to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds. The conversion price is \$25.1 (in dollars) per share, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be recalculated based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the recalculated conversion price is lower than the conversion price before the recalculation, the conversion price will be adjusted; however, it will not be adjusted if it is higher.

Where there is an increase in the number of the Company's issued shares after the issuance of the bonds, the Company shall adjust the conversion price based on the formula stipulated in the terms of the bonds. As of December 31, 2022, the conversion price was \$22 (in dollars).

- iv. The Company may notify to repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the closing price of the Company's common shares is above the then conversion price by at least 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

Alternatively, the Company may repurchase the bonds outstanding in cash at the bonds' face value at any time if the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

- v. The bonds set the date after four years from the issue date (February 24, 2024) as the put effective date for the bondholders to early put the bonds back to the Company. The bondholders have the right to require the Company to redeem the bonds in cash at 102.0151% of the bonds' face value (a yield to put of 0.5%).
- vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2022, the bonds with a face value of \$193,700 have been converted into 8,795 thousand common shares. Refer to Note 6(23) for details.

- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$96,153 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.8084%.

(18) Long-term borrowings and long-term liabilities current portion

	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Secured borrowings				
Bank of Panshin	Borrowing period is from June 13, 2022 to June 13, 2026; interest is repayable monthly and principal is repayable in a lump sum amount at maturity.	2.80%	Note 1	\$ 60,000
Unsecured borrowings				
Syndicated loan of several banks consisting of Bank of Taiwan	Refer to note 2 for details.	1.80%~ 1.95%	None	4,000,000
Bank of Panshin	Borrowing period is from Nov. 11, 2022 to Nov. 11, 2026. Refer to note 3 for details.	2.10%	None	
				<u>21,180</u>
				<u>4,081,180</u>
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2021 to Oct. 25, 2024. Refer to note 4 for details.	1.24%~ 1.26%	None	700,000
Taishin International Bank	Borrowing period is from Jun. 21, 2021 to Dec. 20, 2024. Refer to note 4 for details.	1.09%	None	800,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 24, 2021 to Dec. 15, 2024. Refer to note 4 for details.	1.01%~ 1.24%	None	1,000,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2021 to Jun. 21, 2024. Refer to note 4 for details.	0.95%	None	500,000
Less: Discount on commercial papers payable				(<u>4,195</u>)
				<u>2,995,805</u>
				<u>\$ 7,076,985</u>

	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Commercial papers payable				
Taishin International Bank	Borrowing period is from Jun. 21, 2021 to Dec. 20, 2024. Details are set out at note 4.	0.40%	None	\$ 800,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 24, 2021 to Dec. 15, 2024. Details are set out at note 4.	0.59%	None	700,000
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2021 to Oct. 25, 2024. Details are set out at note 4.	0.55%	None	700,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2021 to Jun. 21, 2024. Details are set out at note 4.	0.50%	None	350,000
Less: Discount on commercial papers payable				(1,169)
				<u>\$ 2,548,831</u>

Note 1: It was a land and building financing of the subsidiary, CSBC Coating Solutions Co., Ltd., under a joint construction and separate sale contract signed with a non-related party. The owner of the land was the joint guarantor and created the land as the first mortgage.

Note 2: For the year ended December 31, 2022, the Group and a bank consortium signed a 5-year syndicated credit contract, and the final maturity date is in September 2027 (except for guarantee for bond issuance which matures 5 years and 3 months after proceeds from issuance of bonds are collected). The credit facilities are divided into Tranche A and Tranche B. For Tranche A long-term bank borrowings, the first installment is 30 months from the date of the first drawn and every six months is an instalments after that, in a total of 6 installment. 10% of the principal is repayable from the first to the fifth instalments, and the remaining principal is repayable in the sixth installment. Tranche B credit facilities are further divided into Tranche B1 - long-term bank borrowings, Tranche B2 - long-term commercial papers payable and Tranche B3 - guarantee for bond issuance. The Group can withdraw the facility at its discretion. For Tranches B1 and B2, when each drawdown expires, the Group can directly repay the loan principal that is originally expired with the new drawn loan, without actually remitting funds.

The syndicated credit contract stipulates several financial restrictions, and the Group did not violate those restrictions.

Note 3: Interest is repayable monthly; the grace period for the principal is 1 year, the principal is repayable monthly in the amount of \$100 from the second year, \$300 from the third year and \$500 from the fourth year, and the remaining principal is repayable at maturity.

Note 4: The Group, bills companies and banks signed the revolving issued commercial papers (60 ~ 180 days) and guaranteed underwriting purchase agreement, and the contract period is 2 ~ 3 years. The agreement can be renewed by both parties upon maturity. During the contract period, the Group only needs to pay fees and interest, and thus it was accounted as ‘long-term borrowings’.

(19) Deferred revenue

A. The Republic of China Government started to promote privatization starting from 2008. The Privatization Fund, Executive Yuan, would provide a loan in the amount of \$1,500,000 to cover a portion of the shortfall to settle the pension and severance obligation as a result of the privatization. The Group was required to repay the loan to the Privatization Fund in a period of ten years, under the condition that the Company is profitable. As approved by the Executive Yuan in November 2022, the Company can make a yearly repayment starting from 2017. If the earnings after tax in the prior year is below \$500 million, the repayment amount is 15% of earnings after tax. If the earnings after tax in the prior year is above \$500 million, the repayment amount is the aforementioned ratio plus 20% of earnings after tax exceeding \$500 million until the loan is fully repaid. The Group uses the average long-term loan interest rate on the loan for discounting. The discounted values are recorded under “long-term notes payable and payables”. The difference between the discounted value and the amount received is listed in “deferred revenue”. The amounts that are payable within one year are listed in “other financial liabilities-current”. The unamortised amounts are shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term notes and accounts receivable	\$ 717,121	\$ 705,134
Long-term deferred revenue	24,379	36,366
	<u>\$ 741,500</u>	<u>\$ 741,500</u>

B. Government grants and interest expenses that should be amortised are recognised under ‘other revenue’ and ‘finance costs’, respectively, for the years ended December 31, 2022 and 2021. For more information, please refer to Notes 6(27) and (29).

(20) Pension

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. 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 13% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. The Company has assessed that the balance is sufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of funded obligations	(\$ 1,913,322)	(\$ 1,813,037)
Fair value of plan assets	<u>2,044,719</u>	<u>1,824,440</u>
Net defined benefit asset	<u>\$ 131,397</u>	<u>\$ 11,403</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset (liability)</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	(\$ 1,813,037)	\$ 1,824,440	\$ 11,403
Current service cost	(146,232)	-	(146,232)
Interest (expense) income	(26,875)	27,945	1,070
	(1,986,144)	<u>1,852,385</u>	(133,759)
Remeasurements:			
Return on plan assets	-	125,160	125,160
Change in financial assumptions	-	-	-
Experience adjustments	<u>19,996</u>	-	<u>19,996</u>
	<u>19,996</u>	<u>125,160</u>	<u>145,156</u>
Pension fund contribution	-	120,000	120,000
Paid pension	<u>52,826</u>	(52,826)	-
Balance at December 31	<u>(\$ 1,913,322)</u>	<u>\$ 2,044,719</u>	<u>\$ 131,397</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset (liability)
<u>Year ended December 31, 2021</u>			
Balance at January 1	(\$ 1,751,981)	\$ 1,748,580	(\$ 3,401)
Current service cost	(147,030)	-	(147,030)
Interest (expense) income	(25,753)	26,654	901
	(1,924,764)	1,775,234	(149,530)
Remeasurements:			
Return on plan assets	-	4,184	4,184
Change in financial assumptions	-	-	-
Experience adjustments	36,749	-	36,749
	36,749	4,184	40,933
Pension fund contribution	-	120,000	120,000
Paid pension	74,978	(74,978)	-
Balance at December 31	(\$ 1,813,037)	\$ 1,824,440	\$ 11,403

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.50%	1.50%
Future salary increases	3.25%	3.25%

Future mortality rate is estimated with 70% of the 3rd Taiwan Standard Ordinary Experience Mortality Table. The disability rate is set based on 10% of mortality rate.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
Effect on present value of defined benefit obligation				
December 31, 2022	(\$ 34,954)	\$ 35,912	\$ 30,588	(\$ 29,976)
December 31, 2021	(\$ 36,466)	\$ 37,547	\$ 32,464	(\$ 31,750)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$120,000.
- (g) As of December 31, 2022, the weighted average duration of the defined benefit obligations is 6 years. The distribution of the present value of expected defined benefit obligations (within 10 years) is as follows:

For the year ended December 31, 2023	\$ 1,789,199
For the year ended December 31, 2024	1,783,922
For the year ended December 31, 2025	1,798,128
For the year ended December 31, 2026	1,765,933
For the year ended December 31, 2027	1,754,186
For the year ended December 31, 2028	1,615,433
For the year ended December 31, 2029	1,255,152
For the year ended December 31, 2030	819,662
For the year ended December 31, 2031	554,323
For the year ended December 31, 2032	478,114

Note: The same person who meets the retirement conditions will calculate the present value of expected defined benefit obligations in each subsequent year until he/she meets the mandatory retirement age of 65.

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$103,393 and \$101,224, respectively.

(21) Share-based payment

- A. The Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2021.02.19	33,989 thousand shares	NA	Vested immediately

The share-based payment arrangements above are settled by equity.

- B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Cash capital increase reserved for employee preemption	2021.02.19	21.29 dollars	17.5 dollars	26.61% Note 1	27 days	-	Note 2	3.79 dollars

Note 1: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options’ expected life, and the standard deviation of return on the stock during this period.

Note 2: It was calculated based on the closing price on the valuation date and interest rate of government bonds in the secondary market announced on the website of Taipei Exchange.

- C. The Group’s expenses arising from equity-settled share-based payment transactions recognised during the year ended December 31, 2021 was \$128,818. There was no such transaction for the year ended December 31, 2022.

(22) Analysis of assets and liabilities

Assets and liabilities of the Group related to the business of shipbuilding, vessel building, major machinery and ship repair, are classified as current or non-current based on the operating cycle. However, such assets and liabilities were analyzed on "one year" basis as follows:

	Less than 12 months	More than 12 months	Total
<u>December 31, 2022</u>			
Assets			
Contract assets (including related parties)	\$ 4,078,244	\$ 147,993	\$ 4,226,237
Accounts receivable, net (including related parties)	1,303,416	-	1,303,416
Inventories, net	5,508,042	-	5,508,042
	<u>\$ 10,889,702</u>	<u>\$ 147,993</u>	<u>\$ 11,037,695</u>
Liabilities			
Contract liabilities (including related parties)	\$ 304,066	\$ 7,382,944	\$ 7,687,010
Accounts payable	1,173,957	-	1,173,957
Provision for liabilities	461,147	683,322	1,144,469
	<u>\$ 1,939,170</u>	<u>\$ 8,066,266</u>	<u>\$ 10,005,436</u>
	Less than 12 months	More than 12 months	Total
<u>December 31, 2021</u>			
Assets			
Contract assets (including related parties)	\$ 2,522,428	\$ 257,715	\$ 2,780,143
Accounts receivable, net (including related parties)	1,347,575	670,981	2,018,556
Inventories, net	2,827,237	-	2,827,237
	<u>\$ 6,697,240</u>	<u>\$ 928,696</u>	<u>\$ 7,625,936</u>
Liabilities			
Contract liabilities (including related parties)	\$ 51,838	\$ 10,307,752	\$ 10,359,590
Notes payable (including related parties)	32,400	-	32,400
Accounts payable	859,084	-	859,084
Provision for liabilities	213,682	798,299	1,011,981
	<u>\$ 1,157,004</u>	<u>\$ 11,106,051</u>	<u>\$ 12,263,055</u>

(23) Common stock

- A. As of December 31, 2022, the Company's authorised capital was \$11,138,997, consisting of 1,113,899.7 thousand shares of ordinary stock and the paid-in capital was \$9,317,873, consisting of 931,787 thousand shares of ordinary stock (including private placement of 60 million shares), with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Shares in thousands	
	2022	2021
At January 1	931,787	473,056
Cash capital increase	-	450,000
Conversion of corporate bonds	-	8,731
At December 31	931,787	931,787

- B. For the year ended December 31, 2021, the Company's bonds were converted into 8,731 thousand ordinary shares, of which 8,586 thousand shares and 145 thousand shares were conducted by issuing new shares with effective dates on August 11, 2021 and November 10, 2021, respectively, as approved by the Board of Directors. The registrations have been completed. For the year ended December 31, 2020, the Company's bonds were converted into 64 thousand ordinary shares by issuing new shares with effective date on February 22, 2021, as approved by the Board of Directors. The registration has been completed.
- C. In order to fulfil its capital and repay the bank loans, as resolved by the Board of Directors on November 11, 2020, the Company conducted a public offering for cash capital increase by issuing common stock, which was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No. 1090378803, dated January 15, 2021. The Company issued 450 million common stocks at an issue price of \$17.5 (in dollars) per share. The rights and obligations of shares issued at this capital increase are the same as the original common stocks. The total amount raised was \$7.875 billion. The effective date of capital increase was on March 26, 2021 and the registration has been completed.

The abovementioned capital increase was subscribed by the Company's legal entity director, Yue-Li Investment Corporation, in the amount of \$35,324, equivalent to 2,019 thousand shares. In addition, the government related parties, Financing Investment Venture Capital, National Defense Industrial Development Foundation, and the management committee of Yao Hua Glass Co., Ltd. participated in the capital increase in the amounts of \$1,750,000, \$500,000 and \$500,000, equivalent to 100,000 thousand shares, 28,571 thousand shares, and 28,571 thousand shares, respectively.

D. The Company's special shareholders' meeting has approved the proposal regarding the capital increase through private placement on December 21, 2017. The record date for capital increase resolved by the Board of Directors at their meeting on May 11, 2018 was May 25, 2018. The amount of capital raised through the private placement was \$2,526,000 by issuing common stock amounting to 60 million shares at premium of \$42.10 (in dollars) per share, of which the government related entity, Financing Investment Venture Capital, and the management committee of Yao Hua Glass Corp., Ltd. each subscribed 30 million shares amounted to \$1,263,000. The Company has completed the registration of the capital increase. The investors in this private placement is entitled to the same rights and obligations as those of outstanding shares except that they cannot freely transfer the shares within 3 years of settlement unless under certain circumstances pursuant to Article 43-8 of Securities and Exchange Act. Under the resolution, the Board of Directors are authorised to file for listing the ordinary shares in private placement with the competent authority after 3 years of settlement.

(24) Capital surplus

A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022		
	Share premium	Share options	Total
At January 1	\$ 3,606,072	\$ 86,841	\$ 3,692,913
Capital surplus used to off set accumulated deficits	(2,940,035)	-	(2,940,035)
At December 31	<u>\$ 666,037</u>	<u>\$ 86,841</u>	<u>\$ 752,878</u>
	2021		
	Share premium	Share options	Total
At January 1	\$ 995	\$ 96,076	\$ 97,071
Cash capital increase	3,495,877	(128,818)	3,367,059
Share-based payment transactions	-	128,818	128,818
Conversion of convertible bonds	109,200	(9,235)	99,965
At December 31	<u>\$ 3,606,072</u>	<u>\$ 86,841</u>	<u>\$ 3,692,913</u>

B. Please refer to Note 6(17) for the information of capital surplus—share options.

(25) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 10% of the Company's distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve amounting to \$3,201,365 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

c) The Company disposed land in 2013 and 2018. Therefore, the Company reversed special reserve of \$34,894 to undistributed earnings.

E. The proposal for deficit compensation for the year ended December 31, 2020 was resolved by the stockholders at the regular stockholders' meeting on August 25, 2021. Dividends will not be distributed to stockholders as there were still accumulated deficits to be covered.

The proposal for deficit compensation for the year ended December 31, 2021 was resolved by the stockholders at the regular stockholders' meeting on June 22, 2022. After the deficit compensation with capital surplus, the accumulated deficits to be covered was \$0, and thus dividends will not be distributed. Additionally, the proposal for deficit compensation using the capital surplus, additional paid-in capital, of \$2,940,035 was approved.

On March 10, 2023, the Board of Directors has proposed the deficit compensation for year 2022.

(26) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 21,916,485	\$ 18,931,386
Others - ship rental revenue	77,565	182,043
	<u>\$ 21,994,050</u>	<u>\$ 19,113,429</u>

The Group's operating revenue is from contracts with customers.

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time in the following major product types:

	Years ended December 31,	
	2022	2021
Construction of ships and vessels		
Shipbuilding	\$ 5,167,993	\$ 5,976,755
Vessel construction	15,330,882	11,363,002
	<u>20,498,875</u>	<u>17,339,757</u>
All other segments		
Ship/vessel repair	1,163,687	822,077
Anti-corrosion coating	257,209	256,299
Machinery building	(38,361)	473,390
Others	35,075	39,863
	<u>1,417,610</u>	<u>1,591,629</u>
	<u>\$ 21,916,485</u>	<u>\$ 18,931,386</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	\$ 3,050,755	\$ 2,392,962	\$ 4,622,917
Contract assets - related parties	<u>1,833,313</u>	<u>904,323</u>	<u>363,249</u>
	4,884,068	3,297,285	4,986,166
Less: Loss allowance	(211,300)	(191,442)	(192,290)
	<u>\$ 4,672,768</u>	<u>\$ 3,105,843</u>	<u>\$ 4,793,876</u>
Contract liabilities	\$ 7,426,902	\$ 10,354,225	\$ 5,209,594
Contract liabilities - related parties	<u>261,905</u>	<u>33,621</u>	<u>1,489,197</u>
	<u>\$ 7,688,807</u>	<u>\$ 10,387,846</u>	<u>\$ 6,698,791</u>

Please refer to Note 7 for related party transactions.

Revenue recognised that was included in the contract liability balance at the beginning of the period

The Group had a contract liability balance at the beginning of the period, of which \$9,955,222 and \$5,711,073 was recognised as revenue for the years ended December 31, 2022 and 2021, respectively.

- C. As of December 31, 2022, the total transaction price allocated to unfulfilled contract obligations was \$38,945,610 and this amount would be recognised as revenue gradually with the completion process of shipbuilding, vessel construction and anti-corrosion coating. The shipbuilding, vessel construction and anti-corrosion coating are expected to be completed during the period from January 2023 to October 2027.

(27) Other income

	Years ended December 31,	
	2022	2021
Government grant revenue (Note)	\$ 89,763	\$ 146,757
Rental revenue	46,393	27,351
Indemnity revenue	16,138	19,642
Others	27,048	26,117
	<u>\$ 179,342</u>	<u>\$ 219,867</u>

Note: The Group recognised income of \$115,739, as a result of the application for the Salary and Working Capital Subsidies for Manufacturing Industry and its Technical Services Industry Suffered by Severe Pneumonia with Novel Pathogens (COVID-19) Handled by Industrial Development Bureau the Ministry of Economic Affairs during the year ended December 31, 2021. There was no such transaction for the year ended December 31, 2022.

(28) Other gains and losses

	Years ended December 31,	
	2022	2021
Foreign exchange gains (losses)	\$ 274,958	(\$ 37,162)
Losses on disposal of property, plant and equipment	(522)	(5,715)
(Loss) gain on financial assets and liabilities at fair value through profit or loss	(18,245)	19,055
Other losses	(46,963)	(40,312)
	<u>\$ 209,228</u>	<u>(\$ 64,134)</u>

(29) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank loans	\$ 175,400	\$ 107,135
Amortisation on lease liabilities	40,391	41,458
Amortisation on convertible bonds	14,287	14,769
Expenses amortised from government grants payable	11,987	11,787
Less: Capitalisation of qualifying assets	(79,605)	(73,949)
	<u>\$ 162,460</u>	<u>\$ 101,200</u>

(30) Expenses by nature

	Years ended December 31,	
	2022	2021
Change in inventory of finished goods and work in process	\$ 3,202,346	(\$ 70,394)
Direct materials	12,733,511	7,752,754
Employee benefit expense	3,641,796	3,757,749
Depreciation and amortisation charges	924,056	913,299
Outsourcing fees	2,872,778	3,802,637
Professional service fees	790,008	1,767,741
Other expenses	1,587,894	1,192,557
Operating costs and expenses	<u>\$ 25,752,389</u>	<u>\$ 19,116,343</u>

(31) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 3,045,884	\$ 3,029,725
Labor and health insurance fees	282,094	283,850
Pension cost	248,555	247,353
Directors' remuneration	3,435	3,550
Employee stock option	-	128,818
Other personnel expenses	61,828	64,453
	<u>\$ 3,641,796</u>	<u>\$ 3,757,749</u>

- A. According to the Articles of Incorporation of the Company, the Company shall distribute employees' compensation, based on the distributable profit of the current year, in a ratio of profit. Employees' compensation can be distributed in the form of shares or in cash. If a company has accumulated deficit, earnings should first be channeled to cover losses. Employees' compensation shall account for 1% to 5%, directors' remuneration shall account for less than 1%, of the amount of current year's pre-tax profit but excluding the employees' compensation and directors' remuneration.
- B. The Company did not recognise employees' compensation and directors' remuneration as a result of the operating deficit for the years ended December 31, 2022 and 2021.

The Board of Directors resolved not to appropriate employees' compensation and directors' remuneration as a result of the operating accumulated deficit for the years ended December 31, 2022 and 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(32) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 7,204	(\$ 816)
(Over) underestimation provision of income tax in prior year	1,456	(54)
Total current tax	8,660	(870)
Deferred tax:		
Origination and reversal of temporary differences	(2,509)	1,632
Income tax expense	<u>\$ 6,151</u>	<u>\$ 762</u>

- (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 29,031</u>	<u>\$ 8,187</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 708,467)	\$ 1,910
Tax exempt income by tax regulation	1,898 (	24,986)
Effects from items disallowed by tax regulation	12,277	10,794
Taxable loss not recognised as deferred tax assets	698,987	13,098
Over provision of income tax in prior year	1,456 (	54)
Income tax expense	<u>\$ 6,151</u>	<u>\$ 762</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

	2022			
		Recognised in profit or loss	Recognised in other comprehensive income	
	January 1			December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	\$ 84,694	\$ 28,085	\$ -	\$ 112,779
Unrealised warranty liability	118,983 (	925)	-	118,058
Unused compensated absences	62,827 (	2,530)	-	60,297
Allowance for doubtful accounts	63,318 (	913)	-	62,405
Others	26,611 (	5,981)	(29,031)	(8,401)
Tax losses	<u>1,167,555</u>	<u>(15,865)</u>	<u>-</u>	<u>1,151,690</u>
	<u>1,523,988</u>	<u>1,871</u>	<u>(29,031)</u>	<u>1,496,828</u>
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Others	(638)	638	-	-
	<u>(1,325,335)</u>	<u>638</u>	<u>-</u>	<u>(1,324,697)</u>
Total	<u>\$ 198,653</u>	<u>\$ 2,509</u>	<u>(\$ 29,031)</u>	<u>\$ 172,131</u>

2021				
		Recognised	Recognised	
		in profit or	in other	
	January 1	loss	comprehensive	December 31
			income	
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	\$ 156,086	(\$ 71,392)	\$ -	\$ 84,694
Unrealised warranty liability	102,467	16,516	-	118,983
Unused compensated absences payable	64,664	(1,837)	-	62,827
Allowance for doubtful accounts	61,916	1,402	-	63,318
Others	15,218	19,580	(8,187)	26,611
Tax losses	<u>1,132,818</u>	<u>34,737</u>	<u>-</u>	<u>1,167,555</u>
	<u>1,533,169</u>	<u>(994)</u>	<u>(8,187)</u>	<u>1,523,988</u>
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Others	<u>-</u>	<u>(638)</u>	<u>-</u>	<u>(638)</u>
	<u>(1,324,697)</u>	<u>(638)</u>	<u>-</u>	<u>(1,325,335)</u>
Total	<u>\$ 208,472</u>	<u>(\$ 1,632)</u>	<u>(\$ 8,187)</u>	<u>\$ 198,653</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
			Unrecognised	
			deferred	
Year incurred	Amount filed/ assessed	Unused amount	tax assets	Expiry year
2015	Assessed	\$ 671,021	\$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,802,895	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Assessed	2,657,346	2,657,346	2029
2020	Assessed	2,305,136	2,305,136	2030
2021	Amount filed	282,377	282,377	2031
2022	Estimated filing amount	3,409,213	3,409,213	2032

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised	Expiry year
			deferred tax assets	
2015	Assessed	\$ 671,021	\$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,723,570	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Assessed	2,657,346	2,657,346	2029
2020	Amount filed	2,305,136	2,305,136	2030
2021	Estimated filing amount	236,855	236,855	2031

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 10, 2023, there was no administrative remedies.

(33) Earnings (losses) per share

	Year ended December 31, 2022		
	Weighted average number of ordinary shares outstanding (shares in thousands)	Amount after tax	Losses per share (in dollars)
<u>Basic losses per share</u>			
Profit attributable to ordinary shareholders	931,787	(\$ 3,526,768)	(\$ 3.78)
	Year ended December 31, 2021		
	Weighted average number of ordinary shares outstanding (shares in thousands)	Amount after tax	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	824,157	\$ 13,235	\$ 0.02

The Group's convertible corporate bonds had anti-dilution effect for the years ended December 31, 2022 and 2021; thus, they were not included in the calculation of diluted gains (losses) per share.

(34) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On October 12, 2022, the Group acquired an additional 26.67% of shares of its subsidiary—CSBC Power Technology Co., Ltd. for a total cash consideration of \$17,550. The carrying amount of non-controlling interest in CSBC Power Technology Co., Ltd. was \$1,380 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$919 and a decrease in the equity attributable to owners of the parent by \$16,631. The effect of changes in interests in CSBC Power Technology Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2022 is shown below:

	<u>Year ended December 31, 2022</u>
Carrying amount of non-controlling interest acquired	\$ 919
Consideration paid to non-controlling interest	(17,550)
Difference between consideration and carrying amount of subsidiaries acquired (shown as ‘deficits to be covered’)	(\$ 16,631)

Please refer to Note 6 (35) B for the information of year ended December 31, 2021.

(35) Business combinations

A. (a) On January 20, 2022, the subsidiary, CSBC Coating Solutions Co., Ltd., contracted to acquire 100% of ownership interest of Longquan Civil Engineering Co., Ltd. for \$20,149 to obtain control over it, and the legal procedure had been completed on April 18, 2022. This entity was renamed as CSBC Construction Co., Ltd. (CSBC Construction) and is a Class A comprehensive construction enterprise.

(b) The following table summarises the consideration paid for CSBC Construction Co., Ltd. and the fair values of the assets acquired and liability assumed at the acquisition date:

	<u>April 18, 2022</u>
Purchase consideration	
Cash paid	\$ 500
Other payables	19,649
	<u>\$ 20,149</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 593
Other current assets	3,856
Intangible assets - Class A comprehensive construction enterprise registration certificate	13,000
Other non-current assets	7,691
Other current liabilities	(4,991)
Total identifiable net assets	<u>\$ 20,149</u>

(c) CSBC Construction has not generated significant operating revenue and net profit since the merger with the Group on April 18, 2022.

- B. (a) On March 18, 2021, with reporting to the Board of Directors for future reference, the Group, AND International Co., Ltd., AnEnergy Co., Ltd. and Amita Technologies Inc. jointly established CSBC Power Technology Co., Ltd.. The Group is the single largest shareholder with 30.67% of voting power from participating in the establishment and capital increase of the investee in an accumulated investment amount of \$23,000. Given that the number and distribution of voting shares held by other shareholders are not widely dispersed, and the Group has less than half of board seats, which indicates that the Group has no current ability to direct the relevant activities, the Group's management considers that it has no control, but only has significant influence, over the investee, and included the investee as an associate.
- (b) On August 12, 2021, the Group acquired an additional 29.33% equity interest in CSBC Power Technology Co., Ltd. for a cash consideration of \$22,000. Thus, the Group cumulatively held a 60% equity interest and obtained control over CSBC Power Technology Co., Ltd., which gave the Group the ability to direct the investee's operations and to strive for more policy-driven business opportunities.
- (c) The following table summarises the consideration paid for CSBC Power Technology Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the information on non-controlling interest at the acquisition date:

	<u>August 12, 2021</u>
Purchase consideration	
Cash paid	\$ 22,000
Fair value of equity interest in CSBC Power Technology Co., Ltd. held before the business combination	23,000
Non-controlling interests	<u>30,000</u>
	<u>\$ 75,000</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	<u>75,000</u>
Total identifiable net assets	<u>\$ 75,000</u>

- (d) CSBC Power Technology Co., Ltd. is a start-up business incorporated on March 15, 2021, and thus has not yet generated any significant operating profit or incurred loss.

(36) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 1,736,853	\$ 2,177,413
Add : Beginning balance of payable on equipment	41,711	63,755
Less : Ending balance of payable on equipment	(22,896)	(41,711)
Less : Reclassified to inventory	(874,538)	-
Cash paid on purchase of property, plant and equipment during the year	<u>\$ 881,130</u>	<u>\$ 2,199,457</u>

B. Investment and financing activities with no cash flow effects:

	Years ended December 31,	
	2022	2021
Interest expense amortised from government grants	\$ 11,987	\$ 11,787
Increase in right-of-use assets	\$ -	\$ 145,102
Less: Increase in lease liabilities	-	(145,102)
	\$ -	\$ -
Decrease in lease liabilities due to remeasurement	(\$ 2,638)	\$ -
Less: Decrease in right-of-use assets	2,638	-
	\$ -	\$ -
The unpaid amount for acquisition of a subsidiary (shown as 'other payables')	\$ 7,149	\$ -

(37) Changes in liabilities from financing activities

	2022			
	January 1	Changes in cash flow from financing activities	Changes in non-cash items	December 31
Short-term borrowings	\$ 2,875,834	\$ 4,298,746	\$ -	\$ 7,174,580
Short-term notes and bills payable	3,599,104	50,000	(496)	3,648,608
Corporate bonds payable	1,760,726	-	14,287	1,775,013
Long-term borrowings	2,548,831	4,531,180	(3,026)	7,076,985
Lease liability	3,454,401	(234,448)	(2,638)	3,217,315
Long-term notes and accounts payable	705,134	-	11,987	717,121
Long-term deferred revenue	181,604	-	(56,366)	125,238
Guarantee deposits received	287,431	(4,340)	-	283,091
Other non-current liabilities, others	7,957	(6,824)	-	1,133
	<u>\$ 15,421,022</u>	<u>\$ 8,634,314</u>	<u>(\$ 36,252)</u>	<u>\$ 24,019,084</u>
	2021			
	January 1	Changes in cash flow from financing activities	Changes in non-cash items	December 31
Short-term borrowings	\$ 5,279,146	(\$ 2,403,312)	\$ -	\$ 2,875,834
Short-term notes and bills payable	2,699,405	900,000	(301)	3,599,104
Corporate bonds payable	1,932,301	-	(171,575)	1,760,726
Long-term borrowings (Note)	5,198,570	(2,650,000)	261	2,548,831
Lease liability	3,541,292	(231,993)	145,102	3,454,401
Long-term notes and accounts payable	693,347	-	11,787	705,134
Long-term deferred revenue	193,391	-	(11,787)	181,604
Guarantee deposits received	283,392	4,039	-	287,431
Other non-current liabilities, others	20,128	(12,171)	-	7,957
	<u>\$ 19,840,972</u>	<u>(\$ 4,393,437)</u>	<u>(\$ 26,513)</u>	<u>\$ 15,421,022</u>

Note: Including current portion.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
CPC Corporation, Taiwan	The Company's legal entity director
Yue-Li Investment Corporation	The Company's legal entity director, that was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Corporation	The Company's legal entity director, that was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Express Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Machinery Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Sing Da Marine Structure Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Steel Castle Technology Corp.	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Taiwan International Windpower Training Corporation Ltd.	Associate
CSBC Power Technology Co., Ltd.	Associate. However, it has been included as a consolidated entity since obtaining control over the investee on August 12, 2021
Taiwan Offshore Wind Farm Services Corporation	Associate
Fuhai Wind Farm Corporation	Associate
CSBC-DEME Wind Engineering Co., Ltd.	Joint venture
COWE Green Jude Shipowner Co., Ltd.	Subsidiary of a joint venture
Financing Investment Venture Capital	Government related entity
Yao Hua Glass Co.,Ltd. Management Committee	Government related entity
National Defense Industrial Development Foundation	Government related entity

(2) Significant related party transactions and balances

A. Operating revenue

		Years ended December 31,	
		2022	2021
Other related parties:			
Joint ventures			
CSBC-DEME Wind Engineering Co., Ltd.	\$	1,768,669	\$ 4,324,686
Key management:			
Subsidiary of the Company's legal entity director			
China Steel Express Corporation		204,000	-
China Steel Machinery Corporation		-	9,354
Sing Da Marine Structure Corporation	(	82,166)	100,415
Legal entity director			
CPC Corporation, Taiwan		94,555	108,427
	\$	<u>1,985,058</u>	<u>\$ 4,542,882</u>

(a) The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

(b) On June 30, 2020, the Group entered into an agreement with CSBC-DEME Wind Engineering Co., Ltd. to build a heavy lift and installation vessel for its offshore wind power engineering. Please refer to item C for further information.

B. Purchases of goods

		Years ended December 31,	
		2022	2021
Purchases of goods:			
Key management:			
Legal entity director			
China Steel Corporation	\$	448,291	\$ 650,261
CPC Corporation, Taiwan		59,369	70,015
Purchases of services:			
Key management:			
Subsidiary of the Company's legal entity director			
Steel Castle Technology Corp.		-	26,241
	\$	<u>507,660</u>	<u>\$ 746,517</u>

The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

C. Contract assets and contract liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets:		
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	\$ 1,643,123	\$ 511,591
Associates :		
Fuhai Wind Farm Corporation (Note)	190,190	190,190
Key management:		
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	-	202,542
	1,833,313	904,323
Less: Loss allowance	(197,666)	(190,468)
	<u>\$ 1,635,647</u>	<u>\$ 713,855</u>

Note: In March 2014, the Group was commissioned by Fuhai Wind Farm Corporation (hereafter referred to as Fuhai) for the construction of a meteorological observation tower, offshore windfarm off the coast of Changhua County included in Changhua Offshore Pilot Project and Fuhai offshore windfarm for a total contract price of NT\$3.2 billion. However, Bureau of Energy, MOEA decided to reject the development project in February 2018 because of the disapproved Environmental Impact Assessment. The Group has recognised impairment loss amounting to \$190,190 since the contract assets may not be recovered as assessed.

Contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Key management:		
Legal entity director CPC Corporation, Taiwan	<u>\$ 261,905</u>	<u>\$ 33,621</u>

D. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable :		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 84,256	\$ 46,127
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	-	26,484
	84,256	72,611
Less: Loss allowance	(383)	-
	<u>83,873</u>	<u>72,611</u>
Other receivables :		
Key management:		
Legal entity director		
China Steel Corporation	-	117
	<u>\$ 83,873</u>	<u>\$ 72,728</u>

E. Prepaid accounts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 5,352	\$ 2,990
China Steel Corporation	-	8,966
	<u>\$ 5,352</u>	<u>\$ 11,956</u>

F. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 2,665	\$ 472

G. Acquisition of financial assets

Information of the Company participating in the cash capital increase of the subsidiary, CSBC Power Technology Co., Ltd., and the joint venture, CSBC-DEME Wind Engineering Co., Ltd., is provided in Note 6(7).

H. Endorsements and guarantees provided to related parties

	<u>December 31, 2022</u>
Other related parties:	
Joint ventures	
CSBC-DEME Wind Engineering Co., Ltd.	
Endorsement/guarantee amount	\$ 28,908,120
Actual amount drawn down	\$ -

The total amount of endorsement/guarantee provided to CSBC-DEME Wind Engineering Co., Ltd. by the Company amounted to EUR 883.5 million. The exchange rate of translation into New Taiwan dollars at the financial reporting date was 32.72.

(a) As of December 31, 2021: None.

(b) Information on significant events after the balance sheet date is provided in Note 11.

I Others

(a) Details on capital increase from the related parties are provided in Note 6(23).

(b) The Company's joint venture, CSBC-DEME Wind Engineering Co., Ltd. signed a Zhang Fang and West Island Offshore Wind Farm Fan Transportation and Installation Plan on November 19, 2019. The Company and DEME Offshore are the joint contractors of the plan and issued performance letter of guarantee and advance payment guarantee with a total amount of EUR 11,802 thousand for contracting the construction according to their shareholding ratios. The Company issued bank guarantee amounting to EUR 5,901 thousand (NT\$194 million) based on its shareholding ratio of 50.0001%.

(c) Information on Significant Contingent Liabilities and Unrecognised Contract Commitments is provided in Note 9.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 24,533	\$ 22,633
Post-employment benefits	2,706	2,245
Share-based payments	-	1,216
	<u>\$ 27,239</u>	<u>\$ 26,094</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Restricted bank deposits (shown as "Current financial assets at amortised cost")	\$ 15,441	\$ 16,841	Guarantee for issuance of letters of credit and letters of guarantee
Pledged time deposits (shown as 'Financial assets at amortised cost - current')	2,421	-	Construction deposits for warranty
Pledged time deposits (shown as "Non-current financial assets at amortised cost")	1,259	-	Construction deposits for warranty
	<u>\$ 19,121</u>	<u>\$ 16,841</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The balance of the Group's unused letters of credit for import of materials is as follows:

	December 31, 2022	December 31, 2021
Balance of unused letters of credit	<u>\$ 1,946,475</u>	<u>\$ 1,578,923</u>

(2) The amounts of unfulfilled contract obligations of the Group's contracts are as follows:

	December 31, 2022	December 31, 2021
Unfulfilled customer contract obligations	<u>\$ 38,945,610</u>	<u>\$ 44,584,837</u>

(3) The guaranteed credit by banks for the Group's construction projects is as follows:

	December 31, 2022	December 31, 2021
Guaranteed credit by banks	<u>\$ 11,028,922</u>	<u>\$ 12,455,404</u>

Refer to Note 7(2) I(b) for further information.

- (4) The amount of the Group’s purchase contracts and outsourcing construction contracts to be paid is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase contracts to be paid	\$ 911,253	\$ 11,002,939
Outsourcing construction contracts to be paid	<u>1,707,067</u>	<u>2,182,244</u>
	<u>\$ 2,618,320</u>	<u>\$ 13,185,183</u>

- (5) As of December 31, 2022 and 2021, the amounts of guarantee notes issued by the Group for the bank borrowings were \$57.479 billion and \$49.9 billion, respectively.
- (6) On March 16, 2022, the Board of Directors of the subsidiary, CSBC Coating Solutions Co., Ltd. (“CSBC Coating Solutions”), approved to sign a joint construction and separate sale contract with a non-related party for the land on Pingsong section, Xiaogang District. The ratios of the joint construction and separate sale for the landowner and CSBC Coating Solutions are 25% and 75%, respectively. CSBC Coating Solutions expected to invest about \$553.46 million as construction cost. The contract period starts from the signing date to December 31, 2025.
- (7) The Group, Century Iron and Steel Industrial Co., Ltd. and Taiwan Generations Corp. are the joint-originators for Fuhai Wind Farm Corporation (Fuhai Corporation). The joint-originators entered into the “Incentive Program of Offshore Wind Power Demonstration System” (“the Government Grant Scheme”) on August 19, 2013, which was granted by the Ministry of Economic Affairs, and committed to be jointly responsible for Fuhai Corporation. The total amount of endorsement/ guarantee provided by the Group amounted to \$886 million. On November 9, 2018, the Board of Directors of the Group during their meeting resolved to cease the endorsement/ guarantee amount to Fuhai Corporation.

Because Fuhai Wind Farm Corporation failed to comply with the regulation of the “Incentive Program of Offshore Wind Power Demonstration System”, the Bureau of Energy exercised the right of performance bond and took back the entire government grant. Accordingly, the Group recognised losses amounting to \$75,000 for the year ended December 31, 2018.

In addition, the Ministry of Economic Affairs claimed past due liquidated damages amounting to \$88.6 million from Fuhai Corporation, as a joint-originator of the Incentive Program, the Group was committed to be jointly responsible for Fuhai Corporation. Currently, the case is still ongoing. According to the Group’s designated lawyer, the Ministry of Economic Affairs has not indicated its intention of claiming the liquidated damages from the Group and the Group has not reached the payment stage, therefore, the Group did not estimate the possible losses on liquidated damages.

Fuhai Corporation alleged that the Group did not issue an incentive guarantee of offshore wind power demonstration system based on the Article 1 of Memorandum of Understanding which was signed under mutual agreement, whereby Fuhai Corporation could not apply a government grant of \$0.1 billion from Bureau of Energy. Fuhai Corporation filed a lawsuit to claim an equal compensation for the \$0.1 billion government grant.

After the Taiwan Taipei District Court and Taiwan High Court ruled in favour of the Group on March 24, 2020 and August 17, 2021, respectively, Fuhai Corporation filed a third instance appeal. The Supreme Court denied the appeal of Fuhai Corporation on March 3, 2022, and the appeal is affirmed. On May 25, 2022, the Supreme Court sent a notice letter that Fuhai Corporation filed an administrative appeal to Bureau of Energy, Ministry of Economic Affairs, which had been approved, and filed for a retrial. On June 15, 2022, the Supreme Court denied the retrial of the third instance of Fuhai Corporation by the judgement of Tai-Sheng-Zi No. 1724 of 2022 and transferred the case to the Taiwan High Court. According to the judgement of Zhong-Zai-Zi No.20 of 2022, because Fuhai Corporation did not pay the court costs before the due date, the Taiwan High Court ruled the retrial was illegal and denied the retrial on August 1, 2022.

- (8) Uni-wagon marine Co., Ltd. purchased a marine hull insurance for its vessel -Natchan Rera from Tokio Marine Nawa Insurance Co., Ltd.. In January 2016, the hull was damaged because of unknown reasons during a repair made by the Group. Tokio Marine Nawa Insurance Co., Ltd. and Uni-wagon marine Co., Ltd. requested compensation payments of NT\$25 million and NT\$15 million, respectively. On May 22, 2019, the Taiwan Keelung District Court rendered a decision against the Group. The Group filed a second instance appeal. On August 25, 2021, the High Court dismissed the appeal. According to the Group's designated lawyer, the Group had strict liability on the damage of the hull which resulted from the ship colliding with the dock after the rope disconnected. The Group has filed a third instance appeal for remedy. Thus, the original ruling has not yet been determined and the amount of loss to the Group cannot be ascertained.

Since the aforementioned compensation claim is covered by the Company's ship repairer liability insurance, the second instance ruling, which ruled against the Company and held the Company liable for compensation, had no material impact on the Company's operations.

- (9) Refer to Note 7 for the endorsements/guarantees provided by the Group to others.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 16, 2023, the Board of Directors of the Company approved to provide endorsements/guarantees in the amounts of NT\$110 million and EUR 96.42 million, totalling NT\$ 3.23 billion, to CSBC-DEME Wind Engineering Co., Ltd. for the business requirement.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Following the industry practices, the Group uses gearing ratio to control capital.

The Group's policy is to maintain a stable gearing ratio. Ratios are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gearing ratio	<u>79%</u>	<u>70%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ -</u>	<u>\$ 21,044</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,460,846	\$ 2,731,884
Financial assets at amortised cost (including non-current portion)	19,121	16,841
Accounts receivable (including related parties)	1,331,521	2,047,312
Other receivables (including related parties)	9,447	10,745
Guarantee deposits paid	325,168	167,059
	<u>\$ 4,146,103</u>	<u>\$ 4,973,841</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	<u>\$ 15,896</u>	<u>\$ 7,045</u>
Financial liabilities at amortised cost		
Short-term borrowings	\$ 7,174,580	\$ 2,875,834
Short-term notes and bills payable	3,648,608	3,599,104
Notes payable (including related parties)	17	32,424
Accounts payable	1,385,564	1,050,437
Other payables	1,131,560	1,200,085
Corporate bonds payable	1,775,013	1,760,726
Long-term borrowings	7,076,985	2,548,831
Long-term notes and accounts payable	717,121	705,134
Guarantee deposits received	283,091	287,431
	<u>\$ 23,192,539</u>	<u>\$ 14,060,006</u>
Lease liability	<u>\$ 3,217,315</u>	<u>\$ 3,454,401</u>

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as cross currency swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

For supervising management, the Board of Directors has set related rules to authorize the management to perform daily operations within acceptable risk range and requires the internal audit to inspect the management and report on a regular basis. The internal audit must report to the Board of Directors if there is any unusual situation at any time, and respond to the situations adequately.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The foreign exchange risk is mainly arising from USD and EUR. Management has set up a policy to companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the treasury. Exchange rate risk is measured through a forecast of highly probable USD revenues and JPY expenditures. Cross currency swap contracts are adopted to minimise the volatility of the exchange rate affecting forecast foreign currency income and cost of inventory purchases.
- ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	\$ 87,891	30.66	\$ 2,694,738
Financial liabilities			
Monetary items			
USD:NTD	1,019	30.76	31,344
EUR:NTD	587	32.92	19,324

December 31, 2021			
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	\$ 95,580	27.63	\$ 2,640,875
Financial liabilities			
Monetary items			
USD:NTD	208	27.73	5,768
EUR:NTD	5,870	31.52	185,022

- iii. If NTD had appreciated/ depreciated by 1% against USD with all other variables held constant, effect to post-tax profit (loss) is as follows:

If NTD had appreciated/ depreciated by 1% against tax	Years ended December 31,	
	2022	2021
Increase (decrease) in net profit (loss) after tax	\$ 21,153	\$ 19,601

- iv. The net exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$274,958 and (\$37,162), respectively.

Price risk

The Group is not exposed to significant commodity price risk.

Interest rate risk

- The convertible bonds issued by the Company are zero-interest bonds with conversion options, and its fair value is affected by the stock price volatility. Based on the assessment, there is no material change in interest rate that would expose the Group to cash flow risk.
- The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. If the interest rate had increased/decreased by 0.25% with all other variables held constant, cash flows for the years ended December 31, 2022 and 2021 would have increased/decreased by \$17,703 and \$6,375, respectively.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other receivables based on the agreed terms. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at amortised cost

The Group only trades with counterparties with good credit, in accordance with the Group's transaction policies. There is no recent violation of significant cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at amortised cost.

Contract assets, accounts receivable and other receivables

- i. The Group appointed external agency to perform proper credit investigations for customers before signing the contracts of shipbuilding, vessel construction and machinery manufacturing. The results of the credit investigations were low risk, therefore, the credit risks of relevant receivables (primarily under accounts receivable or contract assets) were low risk.
- ii. The Group's contract assets and accounts receivable were due from government (including state-owned enterprises) and general business. To maintain the quality of the accounts receivable and contract assets, the Group has established credit risk management procedures for operating. The Group considered customers' financial status, historical trading record and future economic condition in accordance with types of customer, and took into account factors that may influence customers' ability to pay to assess the credit quality of customers. The Group estimated expected credit loss by individual assessment.
- iii. In line with credit risk management procedure, when the counterparty failed to fulfil the mutual agreements nor to conduct negotiation, the default has occurred.
- iv. As of December 31, 2022 and 2021, the expected loss rates of not past due accounts receivable and contract assets were 1% and 0.455%; 1% and 0.04%, respectively.

After considering the counterparties' financial status, historical experience and other factors, the expected credit loss based on the individual assessment both amounted to \$315,838 as of December 31, 2022 and 2021.

- v. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	2022		
	Accounts receivable	Contract assets	Total
At January 1	\$ 325,722	\$ 191,442	\$ 517,164
Provision for (reversal of) impairment loss	4,533	19,858	24,391
At December 31	<u>\$ 330,255</u>	<u>\$ 211,300</u>	<u>\$ 541,555</u>

	2021		
	Accounts receivable	Contract assets	Total
At January 1	\$ 317,653	\$ 192,290	\$ 509,943
Provision for (reversal of) impairment loss	8,069	(848)	7,221
At December 31	<u>\$ 325,722</u>	<u>\$ 191,442</u>	<u>\$ 517,164</u>

For the years ended December 31, 2022 and 2021, the expected credit losses arising from accounts receivable and contract assets generated from customers' contracts amounted to \$24,391 and \$7,221, respectively.

- vi. As of December 31, 2022 and 2021, the balances of receivables and contract assets from the top three counterparties amounted to \$4,534,022 and \$3,942,596, respectively. The credit risk concentration occurs when the ability of counterparties to meet its contractual obligations is affected by changes in economic or other conditions.

(c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 7,179,480	\$ -	\$ -	\$ -
Short-term notes payable	3,650,000	-	-	-
Payables	2,819,788	685,514	443,420	155,155
Lease liability	269,504	272,504	707,274	2,367,279
Corporate bonds payable	-	-	1,806,300	-
Long-term borrowings	77,285	3,078,669	4,288,667	-
	<u>\$ 13,996,057</u>	<u>\$ 4,036,687</u>	<u>\$ 7,245,661</u>	<u>\$ 2,522,434</u>
Derivative financial liabilities:				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,896</u>	<u>\$ -</u>

December 31, 2021:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 2,876,211	\$ -	\$ -	\$ -
Short-term notes payable	3,600,000	-	-	-
Payables	2,586,462	710,287	463,325	154,300
Lease liability	273,379	273,590	759,760	2,586,887
Corporate bonds payable	-	-	1,806,300	-
Long-term borrowings	-	-	2,550,000	-
	<u>\$ 9,336,052</u>	<u>\$ 983,877</u>	<u>\$ 5,579,385</u>	<u>\$ 2,741,187</u>
Derivative financial liabilities:				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,045</u>	<u>\$ -</u>

The Group and many public and private financial institutions entered into comprehensive credit facility contracts whereby the undrawn borrowings facilities are sufficient for its future operating activities and to fulfill its capital commitments.

(3) Fair value estimation

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. Call and put options embedded in convertible bonds are included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(11).

- C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, Financial assets at amortised cost, accounts receivable (including related parties), other receivables (including related parties) guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, bonds payable, long-term borrowings, long-term notes and accounts payable, guarantee deposits received and lease liabilities are approximate to their fair values.

- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets: None.				
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	\$ -	\$ -	\$ 15,896	\$ 15,896

December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Cross currency swap	\$ -	\$ 21,044	\$ -	\$ 21,044
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	\$ -	\$ -	\$ 7,045	\$ 7,045

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. Derivative financial instruments - cross currency swap contracts are valued by adopting the valuation information provided by the counterparty bank. The counterparty uses the discounted cash flow method to estimate the future cash flows based on observable exchange rates at the end of the year and contract exchange/interest rates and discount separately at discount rates that reflect the credit risk of each counterparty.
- ii. Certain inputs used in the valuation model for measuring the fair value of the Group's debt instruments with embedded derivatives in are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022	2021
	<u>Derivative instrument</u>	<u>Derivative instrument</u>
At January 1	\$ 7,045	\$ 5,995
Losses recognised in profit or loss		
Recorded as non-operating income and expenses	8,851	1,989
Converted in the year	-	(939)
At December 31	<u>\$ 15,896</u>	<u>\$ 7,045</u>
Movement of unrealised loss in profit or loss of liabilities held as at December 31, 2022 and 2021 (Note)	<u>\$ 8,851</u>	<u>\$ 1,989</u>

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Input</u>	<u>Range (weighted average)</u>
Hybrid instrument:				
Options embedded in convertible bonds	\$15,896	Binary tree convertible bond valuation model	Stock price	19.50 dollars
			Volatility	30.23%
			Risk discount rate	1.4908%
	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Input</u>	<u>Range (weighted average)</u>
Hybrid instrument:				
Options embedded in convertible bonds	\$7,045	Binary tree convertible bond valuation model	Stock price	21.95 dollars
			Volatility	43.88%
			Risk discount rate	0.5526%

The lower the stock price, the lower the redemption value; the lower the volatility, the lower the redemption value; the higher the risk discount rate, the lower the redemption value. Thus, the redemption value for the year decreased (redemptions are financial assets of the issue company). Put options are also affected by the change in stock price, volatility and risk-free interest rate. The lower the stock price, the higher the put option value; the lower the volatility, the higher the put option value; the higher the risk discount rate, the higher the put option value. Thus, the put option value for the year increased (put options are financial liabilities of the issue company).

- J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022			
		Recognised in profit or loss			
	Input	Change	Favourable change	Unfavourable change	
Financial liabilities					
Hybrid instrument	Stock price volatility	±5%	\$ 1,626	(\$ 2,168)	
		December 31, 2021			
		Recognised in profit or loss			
	Input	Change	Favourable change	Unfavourable change	
Financial liabilities					
Hybrid instrument	Stock price volatility	±5%	\$ 181	(\$ 1,626)	

(4) Other information

Due to the COVID-19 pandemic and various epidemic prevention measures imposed by the government, the Group reduced contact between employees and risk of cross infection in compliance with the relevant measures announced by the Central Epidemic Command Centre and the relevant epidemic prevention regulations of the Communicable Disease Control Act. The pandemic had no significant impact on the Group's overall operations and financial position.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2) for the information.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: None.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Chief Operating Decision-Maker considers the business from a product perspective. The reportable operating segments derive their revenue primarily from the construction and repairing of ships and vessels. As other businesses, mainly including machinery engineering, leases and coating, do not meet the quantitative thresholds required by IFRS 8, the results of these operations are included in the 'all other segments' column.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the gross profit of each business category. This measurement basis excludes the effects of operating expenses, non-operating revenue and non-operating expenses from the operating segments.

Information about operating segments

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022				
	Construction of ships and vessels	Ship / vessel repairs	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	\$ 20,498,875	\$ 1,163,687	\$ 331,488	\$ -	\$ 21,994,050
Inter-segment revenue	-	-	451,857	(451,857)	-
Total segment revenue	<u>\$ 20,498,875</u>	<u>\$ 1,163,687</u>	<u>\$ 783,345</u>	<u>(\$ 451,857)</u>	<u>\$ 21,994,050</u>
Segment (loss) profit	<u>(\$ 3,572,990)</u>	<u>\$ 304,995</u>	<u>\$ 171,231</u>	<u>\$ -</u>	<u>(\$ 3,096,764)</u>
Undistributed amount:					
Operating expenses					(\$ 639,646)
Depreciation and amortization					(21,929)
Interest income					19,377
Interest expense					(162,460)
Income tax expense					(6,151)
Loss on investments accounted for using equity method					(29,485)
Total undistributed amount					<u>(\$ 840,294)</u>
Segment assets (Note 2)					<u>\$ 46,638,124</u>
Investments accounted for under equity method					<u>\$ 1,437,395</u>
Increase in non-current assets					<u>\$ -</u>
Segment liabilities (Note 2)					<u>\$ 36,824,498</u>

Year ended December 31, 2021

	Construction of ships and vessels	Ship / vessel repairs	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	\$ 17,339,757	\$ 822,077	\$ 951,595	\$ -	\$ 19,113,429
Inter-segment revenue	-	-	148,000	(148,000)	-
Total segment revenue	<u>\$ 17,339,757</u>	<u>\$ 822,077</u>	<u>\$ 1,099,595</u>	<u>(\$ 148,000)</u>	<u>\$ 19,113,429</u>
Segment profit	<u>\$ 271,292</u>	<u>\$ 223,249</u>	<u>\$ 60,678</u>	<u>\$ -</u>	<u>\$ 555,219</u>
Undistributed amount:					
Operating expenses					(\$ 539,317)
Depreciation and amortization					(18,816)
Interest income					1,249
Interest expense					(101,200)
Income tax expense					(762)
Loss on investments accounted for using equity method					(42,553)
Total undistributed amount					<u>(\$ 701,399)</u>
Segment assets (Note 2)					<u>\$ 43,721,511</u>
Investments accounted for under equity method					<u>\$ 1,466,880</u>
Increase in non-current assets					<u>\$ 1,433,233</u>
Segment liabilities (Note 2)					<u>\$ 30,457,971</u>

Note 1: Refers to the elimination of inter-segment revenue.

Note 2: Segment assets and liabilities are regularly provided to the Chief Operating Decision-Maker, but not distributed to each reportable segment.

(3) Information about segment profit or loss, assets and liabilities

The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment profit to (loss) profit before tax and discontinued operations is provided as follows:

	Years ended December 31,	
	2022	2021
Segment (loss) profit	(\$ 3,267,995)	\$ 494,541
Other segment profit	171,231	60,678
Total segments	(3,096,764)	555,219
Operating expenses	(661,575)	(558,133)
Non-operating income and expenses	216,002	13,229
(Loss) profit before tax and discontinued operations	(\$ 3,542,337)	\$ 10,315

(4) Information on products and services

Revenues from external customers are mainly derived from the construction of ships and vessels. Breakdown of the revenue from all sources is as follows:

	Years ended December 31,	
	2022	2021
Revenue from construction of ships and vessels	\$ 20,498,875	\$ 17,339,757
Revenue from ship/vessel repair	1,163,687	822,077
Revenue from anti-corrosion coating	257,209	256,299
Revenue from machinery manufacturing	(38,361)	473,390
Other revenue	112,640	221,906
Total	\$ 21,994,050	\$ 19,113,429

(5) Geographical information

Revenue information by geographic area:

	Year ended and as of December 31, 2022		Year ended and as of December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 18,730,819	\$ 16,465,324	\$ 17,346,116	\$ 16,499,639
Singapore	3,062,775	-	-	-
Liberia	(3,600)	-	1,419,012	-
Others	204,056	-	348,301	-
Total	\$ 21,994,050	\$ 16,465,324	\$ 19,113,429	\$ 16,499,639

(6) Major customer information

The customers accounting for more than 10% of the Group's operating revenues are as follows:

Year ended December 31, 2022		
Clients	Sales amount	Department
Client 5	\$ 12,109,972	Construction of ships and vessels
Client H	3,009,780	Construction of ships and vessels
Client D	2,708,526	Construction of ships and vessels
	<u>\$ 17,828,278</u>	
Year ended December 31, 2021		
Clients	Sales amount	Department
Client 5	\$ 7,410,960	Construction of ships and vessels
Client H	4,324,686	Construction of ships and vessels
Client D	3,738,150	Construction of ships and vessels
	<u>\$ 15,473,796</u>	

CSBC CORPORATION TAIWAN

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of	Reason for short-term financing	Allowance	Collateral		Limit on loans	Ceiling on	Footnote
					balance during year ended December 31, 2022	December 31, 2022				transactions with the borrower		for doubtful accounts	Item	Value	granted to a single party	total loans granted	
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Other receivables-related parties	Y	\$ 210,000	\$ 210,000	\$ 130,000	2.44%	For short-term financing	-	Operating turnover	-	Promissory note	\$ 210,000	\$ 980,994	\$ 3,923,979	Note 2

Note 1:The code represents the nature of loans as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2:The Company's "Procedures for Provision of Loans" are as follows:

- (1) For borrowers, the Company should not loan to any shareholders or others, except for subsidiaries or investees that require short-term financing for business requirement.
- (2) Ceiling on total loans granted is 40% of the Company's net assets.
- (3) Limit on loans granted to a single party is 10% of the Company's net assets. However, loans to directly or indirectly wholly-owned subsidiaries of the Company are not limited.

CSBC CORPORATION TAIWAN

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of asset value of the endorser/guarantor guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor											
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	2	\$ 68,669,636	\$ 530,000	\$ 530,000	\$ 500,000	\$ -	5%	\$ 78,479,584	Y	N	N	Note 3
0	CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	2	68,669,636	28,908,120	28,908,120	-	-	295%	78,479,584	N	N	N	Note 3, 4

Note 1: The explanation for colum "Number" is as follow:

(1) Fill "0" for the Issuer.

(2)The investee company is numbered sequentially starting with Arabic numeral 1 for each entity.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: The regulations on the endorsement/guarantees provided by the Company to others are as follows:

(1) Ceiling on total amount of endorsements/guarantees provided by the Company: No higher than 800% of the Company’s net assets.

(2) Limit on endorsements/guarantees provided by the Company for a single party: No higher than 700% of the Company’s net assets.

For companies having business relationship with the Company, limit on the amount of endorsements/guarantees is the amount of business transactions occurred between the creditor and borrower. The amount of the transactions is the higher value of purchasing and selling during current year on the year of financing.

Note 4: The guarantee which was denominated in foreign currency was EUR 883.5 million. The exchange rate of translation into New Taiwan dollars at the financial reporting date was 32.72.

CSBC CORPORATION TAIWAN

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Total notes/accounts receivable	
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Other related parties	Sale	(1,768,669)	(8.13%)	Note 1	Note 1	Note 1	-	-	Note 2
CSBC Corporation, Taiwan	China Steel Express Corporation	Other related parties	Purchases	(204,000)	(0.94%)	Note 1	Note 1	Note 1	-	-	Note 3
CSBC Corporation, Taiwan	China Steel Corporation	Corporate Director	Sale	448,291	4.59%	Note 1	Note 1	Note 1	-	-	Note 3
CSBC Corporation, Taiwan	CSBC Coating Solution Co., Ltd.	Subsidiary	Purchases	166,297	1.70%	Note 1	Note 1	Note 1	(6,430)	(0.54%)	-
CSBC Corporation, Taiwan	Blue Ace Corporation	Subsidiary	Purchases	121,582	1.24%	Note 1	Note 1	Note 1	(2,105)	(0.18%)	-

Note 1: Based on the contract, the payment terms is the same as in general transactions.

Note 2: The contract assets from CSBC-DEME Wind Engineering Co., Ltd. amounted to \$1,643,123.

Note 3: It was dismissed due to the expiry of term of office on June 22, 2022. Please refer to Note 7 for details.

CSBC CORPORATION TAIWAN

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2022

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Parent company	\$ 130,000	-	\$ -	-	\$ -	-

CSBC CORPORATION TAIWAN

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Outsourcing expenses	\$ 166,297	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Property, plant and equipment	90,587	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Prepayments of suppliers	53,982	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Sales revenue	28,723	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Accounts payable	6,430	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	121,582	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	2,105	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Parent company to subsidiary	Other receivable (Loans to others)	130,000	Note 5	-
1	CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	44,394	Note 4	-
1	CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	22,093	Note 4	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts, based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Based on the contract, the payment terms is the same as in general transactions.

Note 5: The terms and conditions of loans to subsidiary are that the facility of first drawn is repayable in 1 year and the interest was calculated at floating rate (2.44%). For the year ended December 31, 2022, the interest received was \$676.

CSBC CORPORATION TAIWAN

Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee	income(loss)	
									for the year ended December 31, 2022	recognised by the Company for the year ended December 31, 2022	
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Taiwan	Installation of cable, lease of ships, and contracting of ships services	\$ 1,549,500	\$ 1,549,500	15,651,515	50.00	\$ 1,425,111	(\$ 60,612)	(\$ 30,306)	Note 1
CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd.	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	125,000	125,000	15,471,504	100.00	207,141	28,426	28,426	
CSBC Corporation, Taiwan	CSBC Power Technology Co., Ltd.	Taiwan	Manufacturing of ships and its components etc.	62,550	45,000	6,500,000	86.67	23,906	(38,209)	(16,489)	
CSBC Corporation, Taiwan	Taiwan International Windpower Training Corporation Ltd.	Taiwan	Research and development, energy technology service	12,000	12,000	1,200,000	12.00	12,284	6,845	821	Note 1
CSBC Corporation, Taiwan	Taiwan Offshore Wind Farm Services Corporation	Taiwan	Manufacturing of metal structure, building component, power generation and others	4,000	4,000	400,000	40.00	-	(854)	-	Note 1
CSBC Corporation, Taiwan	Fuhai Wind Farm Corporation	Taiwan	Wind power industry	178,156	178,156	15,000,000	31.44	-	(40,017)	-	Note 1
CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	25,000	25,000	-	100.00	29,656	3,971	-	Note 2
CSBC Coating Solutions Co., Ltd	CSBC Construction Co., Ltd.	Taiwan	Building construction	20,149	-	-	100.00	20,208	59	-	Note 2
CSBC Coating Solutions Co., Ltd	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Hong Kong	Marine works services	304	304	100	100.00	(142)	(169)	-	Note 2

Note 1 : Please refer to Note 6(7) for details about investments accounted for under equity method.

Note 2 : The amount has been included in the profit (loss) of the Company's investee accounted for using equity method and has been recognised as gain (loss) on investment.

CSBC CORPORATION TAIWANMajor shareholders informationDecember 31, 2022

Table 7

Name of major shareholders	Number of shares held	Shares
		Ownership (%)
Financing Investment Venture Capital	136,032,305	14.59%
Ministry of Economic Affairs, R.O.C.	105,070,366	11.27%
Yao Hua Glass Co., Ltd. Management Committee	64,603,733	6.93%
National Defense Industrial Development Foundation	53,571,428	5.74%

Description: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may differ from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information on reported share equity of insiders, please refer to the Market Observation Post System.

(3) The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

(4) Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

(5) Total shares transferred in dematerialised form (including treasury shares) amounted to 931,787,296 shares= 931,787,296 common shares+0 preference shares.

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000519

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying parent company only balance sheets of CSBC CORPORATION, TAIWAN (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only 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 parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the 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 judgement, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(30) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Company is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Company's internal control regarding the estimation process of total cost of construction contract. This includes:
 - (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.
 - (2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.
 - (3) Whether the segregation of duties is appropriate.
2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management of the Company 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Standards of Auditing on 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 Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 of the current period 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.

Wang, Kuo-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2023

Wu, Chien-Chih

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	2,252,256	5	\$	2,597,123	6
1110	Financial assets at fair value through profit or loss - current	6(2)		-	-		21,044	
1136	Current financial assets at amortised cost	6(3) and 8		15,441	-		16,841	-
1140	Current contract assets	6(22)(26) and 7		4,226,237	9		2,780,143	6
1170	Accounts receivable, net	6(4)(22)		1,219,543	3		1,972,696	5
1180	Accounts receivable - related parties	6(4)(22) and 7		83,873	-		46,250	-
1200	Other receivables			8,159	-		10,063	-
1210	Other receivables - related parties	7		130,042	-		158	-
130X	Inventories	6(5)(22)		5,508,042	12		2,827,237	6
1410	Prepayments	6(6) and 7		12,690,526	28		13,248,776	31
1479	Other current assets, others			18,044	-		922	-
11XX	Current Assets			26,152,163	57		23,521,253	54
Non-current assets								
1550	Investments accounted for under equity method	6(7) and 7		1,668,442	4		1,685,071	4
1600	Property, plant and equipment	6(8) and 7		12,983,367	28		12,815,078	30
1755	Right-of-use assets	6(9)		3,150,472	7		3,399,266	8
1760	Investment property - net	6(10)(11)		211,559	-		212,239	-
1780	Intangible assets	6(12)		34,774	-		36,473	-
1840	Deferred income tax assets	6(32)		1,493,482	3		1,522,513	4
1920	Guarantee deposits paid			238,691	1		162,918	-
1975	Net defined benefit asset, non-current	6(20)		131,397	-		11,403	-
15XX	Non-current assets			19,912,184	43		19,844,961	46
1XXX	Total assets		\$	46,064,347	100	\$	43,366,214	100

(Continued)

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(13)	\$	7,004,580	15	\$	2,795,834	6
2110	Short-term notes and bills payable	6(14)		3,598,654	8		3,599,104	8
2130	Current contract liabilities	6(22)(26) and 7		7,687,010	17		10,359,590	24
2150	Notes payable	6(22)		-	-		32,400	-
2170	Accounts payable	6(22)		1,171,291	3		881,832	2
2180	Accounts payable - related parties	6(22) and 7		11,200	-		6,151	-
2200	Other payables	6(15)		1,126,343	2		1,179,657	3
2250	Provisions for liabilities - current	6(16)(22)		1,144,469	2		1,011,981	2
2280	Current lease liabilities	6(9)		269,504	1		273,379	1
2310	Advance receipts			91,022	-		14,590	-
21XX	Current Liabilities			22,104,073	48		20,154,518	46
Non-current liabilities								
2500	Non-current financial liabilities at fair value through profit or loss	6(2)(17)		15,896	-		7,045	-
2530	Bonds payable	6(17)		1,775,013	4		1,760,726	4
2540	Long-term borrowings	6(18)		6,995,805	15		2,548,831	6
2570	Deferred income tax liabilities	6(32)		1,324,697	3		1,324,697	3
2580	Non-current lease liabilities	6(9)		2,947,811	6		3,180,811	7
2610	Long-term notes and accounts payable	6(19)		717,121	2		705,134	2
2630	Long-term deferred revenue	6(19)		125,238	-		181,604	-
2645	Guarantee deposits received			247,340	1		257,669	1
2670	Other non-current liabilities, others			1,405	-		7,957	-
25XX	Non-current liabilities			14,150,326	31		9,974,474	23
2XXX	Total Liabilities			36,254,399	79		30,128,992	69
Equity								
Share capital								
3110	Share capital - common stock	6(21)(23) and 7		9,317,873	20		9,317,873	22
Capital surplus								
3200	Capital surplus	6(17)(24)		752,878	1		3,692,913	9
Retained earnings								
3320	Special reserve	6(25)		3,166,471	7		3,166,471	7
3350	Accumulated deficit		(	3,427,274)	(7)	(	2,940,035)	(7)
3XXX	Total equity			9,809,948	21		13,237,222	31
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$	46,064,347	100	\$	43,366,214	100

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

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings (losses) per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(26) and 7		\$ 21,751,274	100	\$ 18,851,761	100
5000 Operating costs	6(5)(12)(30)(31) and 7		(24,907,511)	(115)	(18,309,359)	(97)
5900 Net operating margin			(3,156,237)	(15)	(542,402)	(3)
Operating expenses	6(30)(31)					
6100 Selling expenses			(60,752)	-	(62,572)	-
6200 General and administrative expenses			(337,492)	(2)	(345,941)	(2)
6300 Research and development expenses			(109,870)	-	(116,810)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		(21,444)	-	(7,008)	-
6000 Total operating expenses			(529,558)	(2)	(532,331)	(3)
6900 Operating (loss) profit			(3,685,795)	(17)	(10,071)	-
Non-operating income and expenses						
7100 Interest income	7		19,712	-	1,196	-
7010 Other income	6(10)(19)(27)		111,442	1	209,296	1
7020 Other gains and losses	6(28)		205,846	1	(63,183)	-
7050 Finance costs	6(8)(9)(19)(29)		(160,425)	(1)	(100,382)	(1)
7070 Share of loss of associates and joint ventures accounted for using equity method, net	6(7)		(17,548)	-	(43,800)	-
7000 Total non-operating income and expenses			159,027	1	3,127	-
7900 Profit (loss) before income tax			(3,526,768)	(16)	13,198	-
7950 Income tax (expense) benefit	6(32)		-	-	37	-
8200 Profit (loss) for the year			(\$ 3,526,768)	(16)	(\$ 13,235)	-
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(20)		\$ 145,156	-	\$ 40,933	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(32)		(29,031)	-	(8,187)	-
8300 Other comprehensive income for the year			\$ 116,125	-	\$ 32,746	-
8500 Total comprehensive (loss) income for the year			(\$ 3,410,643)	(16)	(\$ 45,981)	-
Basic earnings (losses) per share						
9750 Total basic earnings (losses) per share	6(33)		(\$ 3.78)		(\$ 0.02)	

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

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

			Retained Earnings			
	Notes	Share capital - common stock	Capital surplus	Special reserve	Accumulated deficit	Total equity
<u>2021</u>						
Balance at January 2021		\$ 4,730,555	\$ 97,071	\$ 3,166,471	(\$ 2,986,016)	\$ 5,008,081
Profit		-	-	-	13,235	13,235
Other comprehensive income		-	-	-	32,746	32,746
Total comprehensive income		-	-	-	45,981	45,981
Cash capital increase	6(23)(24) and 7	4,500,000	3,367,059	-	-	7,867,059
Share-based payments	6(21)(24) and 7	-	128,818	-	-	128,818
Conversion of convertible bonds	6(17)(23)(24)	87,318	99,965	-	-	187,283
Balance at December 31, 2021		<u>\$ 9,317,873</u>	<u>\$ 3,692,913</u>	<u>\$ 3,166,471</u>	<u>(\$ 2,940,035)</u>	<u>\$ 13,237,222</u>
<u>2022</u>						
Balance at January 2022		<u>\$ 9,317,873</u>	<u>\$ 3,692,913</u>	<u>\$ 3,166,471</u>	<u>(\$ 2,940,035)</u>	<u>\$ 13,237,222</u>
Loss		-	-	-	(3,526,768)	(3,526,768)
Other comprehensive income		-	-	-	116,125	116,125
Total comprehensive loss		-	-	-	(3,410,643)	(3,410,643)
Capital surplus used to offset accumulated deficit	6(24)(25)	-	(2,940,035)	-	2,940,035	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(7)	-	-	-	(16,631)	(16,631)
Balance at December 31, 2022		<u>\$ 9,317,873</u>	<u>\$ 752,878</u>	<u>\$ 3,166,471</u>	<u>(\$ 3,427,274)</u>	<u>\$ 9,809,948</u>

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

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 3,526,768)	\$ 13,198
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	21,444	7,008
Depreciation of property, plant and equipment	6(8)(30)	650,897	650,135
Depreciation of right-of-use assets	6(9)(30)	246,262	246,496
Depreciation of investment property	6(11)	680	679
Amortization	6(12)(30)	20,148	12,125
Share of loss of investments accounted for using equity method	6(7)	17,548	43,800
Interest income		(19,712)	(1,196)
Government grant income	6(27)(29)(34)	(11,987)	(11,787)
Gain on valuation of financial assets and liabilities at fair value through profit or loss	6(28)	18,245	(19,055)
Loss on disposal of property, plant and equipment	6(28)	522	5,633
Interest expense	6(29)	160,425	100,382
Share-based payments	6(21)	-	128,818
Changes in operating assets and liabilities			
Changes in operating assets			
Loss on financial assets and liabilities at fair value through profit or loss - current		11,649	-
(Increase) decrease in current contract assets	(	1,459,788)	1,744,178
Decrease (increase) in accounts receivable		750,294	(810,651)
Increase in accounts receivable - related parties	(	38,006)	(25,939)
Decrease in other receivables		2,756	16,081
Decrease in other receivables - related parties		116	15,287
Increase in inventories	(	2,680,805)	(477,875)
Decrease (increase) in prepayments		558,250	(3,352,072)
(Increase) decrease in other current assets - other	(	17,122)	54
Decrease (increase) in net defined benefit asset-non-current		25,162	(11,403)
Changes in operating liabilities			
(Decrease) increase in current liabilities	(	2,672,580)	3,660,800
(Decrease) increase in notes payable	(	32,400)	24,300
Decrease in notes payable - related parties		-	(111,592)
Increase (decrease) in accounts payable		289,459	(608,735)
Increase (decrease) in accounts payable - related parties		5,049	(2,211)
Decrease in other payables	(	42,947)	(109,292)
Increase (decrease) in provisions - current		132,488	(276,697)
Increase (decrease) in receipts in advance		32,053	(5,870)
Increase in net defined benefit liability-non-current		-	37,532
Cash (outflow) inflow generated from operations	(	7,558,668)	882,131
Interest received		18,860	1,179
Interest paid	(	129,178)	(74,122)
Income tax paid		-	572
Net cash flows (used in) from operating activities	(	7,668,986)	809,760

(Continued)

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other receivables - related parties (fund loan)		(\$ 130,000)	\$ -
Decrease (increase) in current financial assets at amortised cost		1,400	(16,841)
Acquisition of investments accounted for using equity method	6(7)	(17,550)	(495,000)
Cash payments for the purchase of property, plant and equipment	6(34)	(843,031)	(2,186,888)
Acquisition of intangible assets	6(12)	(18,449)	(27,253)
Increase in refundable deposits		(143,959)	(113,068)
Decrease in refundable deposits		68,186	3,233
Net cash flows used in investing activities		(1,083,403)	(2,835,817)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(35)	4,208,746	(2,403,312)
Increase in short-term notes and bills payable	6(35)	-	900,000
Proceeds from long-term debt	6(35)	4,450,000	-
Repayments of long-term debt	6(35)	-	(2,650,000)
Repayments of principal portion of lease liabilities	6(35)	(234,343)	(231,920)
Increase in guarantee deposit received	6(35)	127,060	136,269
Decrease in guarantee deposit received	6(35)	(137,389)	(140,409)
Decrease in other non-current liabilities	6(35)	(6,552)	(12,171)
Cash capital increase	6(23)	-	7,867,059
Net cash flows from financing activities		8,407,522	3,465,516
Net (decrease) increase in cash and cash equivalents		(344,867)	1,439,459
Cash and cash equivalents at beginning of year	6(1)	2,597,123	1,157,664
Cash and cash equivalents at end of year	6(1)	\$ 2,252,256	\$ 2,597,123

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

CSBC CORPORATION, TAIWAN
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies ‘Taiwan Machinery Corporation’ and ‘Taiwan Shipbuilding Corporation (TSBC)’ to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung which is the current place of business for CSBC CORPORATION, TAIWAN (the “Company”).
- (2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and techniques were supported by TSBC and they were both reverted to become state - owned companies under the Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation became the surviving company. The Company is primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment.
- (3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.
- (4) The Company became a listed company in December 22, 2008.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 10, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts – cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018 – 2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

The Company is engaged in the business of shipbuilding, vessel building, major machinery building and ship repairing such that the contractual periods of these projects are usually over one year. Therefore, the assets and liabilities of these projects are classified as current assets or liabilities if the period of the project is shorter than the operating cycle; otherwise they are classified as non-current assets or liabilities. The classification criteria of assets and liabilities that are not project related are as follows : Current assets include cash, the assets held for trading or the assets arising from operating activities that are expected to be consumed or to be realized within twelve months from the balance sheet date; property, plant and equipment and other assets that are not classified as current assets are non-current assets. Current liabilities include the liabilities arising mainly from trading activities and are expected to be settled within twelve months from the balance sheet date. The liabilities that are not classified as current liabilities are non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(13) Investments accounted for under the equity method - subsidiaries and associates

- A. Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financials and operating policies. In general, it is presumed that the parent has the power to govern the financials and operating policies, if a parent holds, directly or indirectly, more than half of the voting power of an entity. Investments in subsidiaries are accounted for using equity method in these parent company only financial statements.

- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- I. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Investment accounted for using equity method-joint ventures

Investment of joint arrangements are classified as joint ventures based on its contractual rights and obligations. Unrealised profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated 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 must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	5 ~ 50 years
Buildings and structures	8 ~ 65 years
Machinery and equipment	2 ~ 58 years
Transportation equipment	3 ~ 40 years
Leasehold improvements	14 years
Other equipment	3 ~ 14 years

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible bonds

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus - share options'.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

- A. The revenues from construction contracts in relation to shipbuilding, vessel construction and machinery manufacturing are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the workload completed to the total expected workload of the contracts. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- B. The revenues from service contract in relation to ship/vessel repairs and anti-corrosion coating are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the actual cost incurred to the total expected cost of the contracts. At the beginning of the contract period, as the Company may find it difficult to estimate the result of obligation performance, it estimates the actual cost incurred for performing obligations which could be recovered. The contract revenue should be recognised only to the extent of actual costs incurred until the result of obligation performance could be measured reasonably.
- C. The Company's estimate about revenue, costs and percentage-of-completion is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.
- D. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, according to the agreements, the Company does not adjust the transaction price to reflect the time value of money.
- E. The Company classifies its ship leasing business as an operating lease. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Construction contracts

The Company recognises construction contract revenue and costs using the percentage-of-completion method, wherein the revenue to be recognised is equal to the percentage of completed work out of the total estimated work.

Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

If the estimated total contract costs had increased / decreased by 1% with all other variables held constant, construction profit for the year ended December 31, 2022 would have decreased by \$546,928 or increased by \$591,661 (the construction profit for the year ended December 31, 2021 would have decreased by \$437,747 or increased by \$357,961).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 410	\$ 510
Checking accounts and demand deposits	560,971	1,941,760
Time deposits	1,690,875	654,853
	<u>\$ 2,252,256</u>	<u>\$ 2,597,123</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. On December 31, 2022 and 2021, due to issuance of letters of credit and letters of guarantee, pledges and collateral, the Company had restricted cash and cash equivalents in the amounts of \$15,441 and \$16,841, respectively, which were classified as financial assets at amortised cost. Refer to Note 6(3) for further information.

(2) Financial assets (liabilities) at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Cross currency swap	\$ -	\$ 21,044
Non-current items:		
Financial liabilities designated as at fair value through profit or loss		
Call and put options embedded in convertible bonds	(\$ 16,805)	(\$ 16,805)
Valuation adjustment	909	9,760
	<u>(\$ 15,896)</u>	<u>(\$ 7,045)</u>

A. Information about the amounts recognised in profit or loss in relation to financial assets (liabilities) at fair value through profit or loss is provided in Note 6(28).

B. The Company entered into cross currency swap contracts to hedge risks arising from exchange rate fluctuations on forecast transactions. The information on cross currency swap contracts that are not accounted for under hedge accounting on the balance sheet date and are not expired is as follows:

December 31, 2021			
Contract amount (in thousands)	Expiry date	Interest rate of amount paid	Interest rate of amount collected
EUR 17,611	2022.11.25	-	0.433%

There was no such transaction as of December 31, 2022.

C. Information about the terms of the first domestic secured convertible bonds issued by the Company is provided in Note 6(17).

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Restricted bank deposits	\$ 15,441	\$ 16,841

A. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$15,441 and \$16,841, respectively.

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Accounts receivable, net

	December 31, 2022	December 31, 2021
Construction receivables	\$ 1,296,416	\$ 2,178,306
Repair receivables	250,336	118,741
Lease payments receivable	1,099	1,099
	1,547,851	2,298,146
Less: Allowance for doubtful accounts	(328,308)	(325,450)
	1,219,543	1,972,696
Accounts receivable - related parties	84,256	46,250
Less: Allowance for doubtful accounts	(383)	-
	83,873	46,250
	<u>\$ 1,303,416</u>	<u>\$ 2,018,946</u>

A. As of December 31, 2022 and 2021, accounts receivable (including related parties) was all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,464,932.

B. As of December 31, 2022 and 2021, with taking into account collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company' accounts receivable (including related parties) was \$1,303,416 and \$2,018,946, respectively.

C. The Company had no past due accounts receivable.

D. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,262,770	(\$ 37,271)	\$ 5,225,499
Work in process and repair of goods	282,543	-	282,543
	<u>\$ 5,545,313</u>	<u>(\$ 37,271)</u>	<u>\$ 5,508,042</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,759,321	(\$ 38,677)	\$ 2,720,644
Work in process and repair of goods	106,593	-	106,593
	<u>\$ 2,865,914</u>	<u>(\$ 38,677)</u>	<u>\$ 2,827,237</u>

The amount of inventories recognised as expense for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,	
	2022	2021
Raw materials costs	\$ 12,714,423	\$ 7,723,418
Gain from reversal of obsolete inventories	(1,406)	(3,496)
	<u>\$ 12,713,017</u>	<u>\$ 7,719,922</u>

The Company reversed a previous inventory write-down and accounted for this transaction as a reduction of expenses because the related inventory items were scrapped or sold in 2022 and 2021.

(6) Prepayments

	December 31, 2022	December 31, 2021
Prepayments of suppliers	\$ 12,502,189	\$ 13,213,795
Excess VAT paid	102,930	5,735
Other prepayments	85,407	29,246
	<u>\$ 12,690,526</u>	<u>\$ 13,248,776</u>

(7) Investments accounted for under equity method

A. Details of investments accounted for under equity method are as follows:

	2022	2021
At January 1	\$ 1,685,071	\$ 1,233,871
Additional investments accounted for using the equity method	919	495,000
Share of profit or loss of investments accounted for using the equity method	(17,548)	(43,800)
At December 31	<u>\$ 1,668,442</u>	<u>\$ 1,685,071</u>
	December 31, 2022	December 31, 2021
Subsidiary:		
CSBC Coating Solutions Co., Ltd.	\$ 207,141	\$ 178,715
CSBC Power Technology Co., Ltd. (Note 1)	23,906	39,476
Associates:		
Taiwan International Windpower Training Corporation Ltd. (Note 2)	12,284	11,463
Taiwan Offshore Wind Farm Services Corporation (Note 3)	-	-
Fuhai Wind Farm Corporation (Note 4)	-	-
Joint Ventures:		
CSBC - DEME Wind Engineering Co., Ltd. (Note 5)	1,425,111	1,455,417
	<u>\$ 1,668,442</u>	<u>\$ 1,685,071</u>

- Note 1: As approved by the Board of Directors on March 18, 2021, the Company, AND International Co., Ltd., AnEnergy Co., Ltd. and Amita Technologies Inc. jointly established CSBC Power Technology Co., Ltd. The Company originally held 30.67% of voting power from participating in the establishment and capital increase of CSBC Power Technology Co., Ltd. in an accumulated investment amount of \$23,000, and acquired an additional 29.33% of issued shares for a cash consideration of \$22,000 in the same year on August 12. Thus, the Company accumulatively held a total of 60% equity interest and obtained control over the investee. On October 12, 2022, the Company acquired the company's additional issued shares for a cash consideration of \$17,550 with an accumulative shareholding ratio of 86.67%. Please refer to Notes 6(34) and (35) in the Company's consolidated financial statements for the year ended December 31, 2022 for details.
- Note 2: As approved by the Board of Directors on May 11, 2018, the Company, Taiwan International Ports Corporation, Ltd. and other companies jointly established Taiwan International Windpower Training Corporation Ltd. for investment purposes. The Company owns 12% of the investee's share capital and one seat in the Board of Directors of the investee.
- Note 3: On March 21, 2014, the Board of Directors has resolved that the Company and Taiwan Generations Corporation would jointly establish Taiwan Offshore Wind Farm Services Corporation. The Company has acquired 40% of share capital in September 2014. The Company has ceased recognising its share of losses in this company since the fourth quarter of 2018 and the unrecognised share of losses in associate for the year ended December 31, 2022 and accumulated share of losses in associate amounted to \$342 and \$10,771, respectively. On December 13, 2022, the shareholders of Taiwan Offshore Wind Farm Services Corporation resolved to process a reduction in paid-in capital of \$9,000, and the resolution had violated the Company Act and the Articles of Incorporation. On January 17, 2023, the Company lodged a complaint to Taipei City Government, and was waiting for the reply of the executive authority.
- Note 4: On August 9, 2016, the Board of Directors resolved to invest in Fuhai Wind Farm Corporation and obtained 37.97% of ownership shares. The Company has ceased recognising its share of losses in this company since the third quarter of 2017 and the unrecognised share of losses in associate for the year ended December 31, 2022 and accumulated share of losses in associate amounted to \$12,632 and \$105,768, respectively. On November 12, 2021, the Board of Directors resolved to increase its paid-in capital by issuing 8,500 thousand new shares with a par value of \$10 (in dollars) per share. On December 23, 2021, the Company filed a litigation to the Taiwan Taipei District Court for a declaratory judgment confirming the invalidity of the resolution of the Board of Directors. On August 12, 2022, the Taiwan Taipei District Court dismissed the Company's case. The Company's ownership interest changed to 31.44%.

Note 5: On September 12, 2018, the Company's Board of Directors resolved to jointly invest in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. (formerly named GeoSea N.V.). Although the Company held a 50.0001% equity interest in CSBC-DEME Wind Engineering Co., Ltd., the resolutions presented to the Board of Directors of CSBC-DEME Wind Engineering Co., Ltd. require a unanimous approval by both the Company and DEME Offshore Holding N.V. as required by the Articles of Incorporation of CSBC-DEME Wind Engineering Co., Ltd.

On January 15, 2020 and March 18, 2021, the Company's Board of Directors resolved to jointly increase investments in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. for building a marine installation vessel in order to implement maritime engineering business. CSBC-DEME Wind Engineering Co., Ltd. completed the capital increase of approximately \$3 billion (approximately EUR 83.24 million). The Company subscribed to 15,151,514 shares, equivalent to \$1,500,000, according to its shareholding ratio.

B. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2022.

C. The Company's share of the operating results in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2022	2021
Profit for the year from continuing operations	\$ 821	\$ 552
Other comprehensive income - net of tax	-	-
Total comprehensive income	<u>\$ 821</u>	<u>\$ 552</u>

D. Share of the operating results of the Company's individually immaterial joint ventures is summarised below:

	Years ended December 31,	
	2022	2021
Loss for the year from continuing operations	(\$ 30,306)	(\$ 43,105)
Other comprehensive income - net of tax	-	-
Total comprehensive loss	<u>(\$ 30,306)</u>	<u>(\$ 43,105)</u>

E. The Company had impairment loss in investments accounted for using equity method as the carrying amount exceeds recoverable amount. As of December 31, 2022 and 2021, the accumulated impairment loss amounted to \$124,807 and \$124,915, respectively.

(8) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
<u>At January 1, 2022</u>									
Cost	\$6,093,941	\$ 1,156,680	\$ 7,865,426	\$ 12,140,815	\$ 1,588,674	\$ 1,072,631	\$ 155,888	\$ 584,434	\$30,658,489
Accumulated depreciation and impairment	-	(823,555)	(6,776,663)	(8,485,789)	(758,541)	(876,924)	(121,939)	-	(17,843,411)
	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,655,026</u>	<u>\$ 830,133</u>	<u>\$ 195,707</u>	<u>\$ 33,949</u>	<u>\$ 584,434</u>	<u>\$12,815,078</u>
<u>2022</u>									
Opening net book amount as at January 1	\$6,093,941	\$ 333,125	\$ 1,088,763	\$ 3,655,026	\$ 830,133	\$ 195,707	\$ 33,949	\$ 584,434	\$12,815,078
Additions	-	-	-	-	-	-	-	1,698,754	1,698,754
Reclassifications - costs (Note)	-	34,855	88,436	475,844	14,414	-	52,185	(1,544,780)	(879,046)
Disposals - costs	-	-	(897)	(64,036)	(10,221)	-	(5,191)	-	(80,345)
Depreciation charge	-	(29,854)	(60,540)	(432,917)	(72,099)	(42,292)	(13,195)	-	(650,897)
Disposals - accumulated depreciation	-	-	897	63,666	10,074	-	5,186	-	79,823
Closing net book amount as at December 31	<u>\$6,093,941</u>	<u>\$ 338,126</u>	<u>\$ 1,116,659</u>	<u>\$ 3,697,583</u>	<u>\$ 772,301</u>	<u>\$ 153,415</u>	<u>\$ 72,934</u>	<u>\$ 738,408</u>	<u>\$12,983,367</u>
<u>At December 31, 2022</u>									
Cost	\$6,093,941	\$ 1,191,535	\$ 7,952,965	\$ 12,552,623	\$ 1,592,867	\$ 1,072,631	\$ 202,882	\$ 738,408	\$31,397,852
Accumulated depreciation and impairment	-	(853,409)	(6,836,306)	(8,855,040)	(820,566)	(919,216)	(129,948)	-	(18,414,485)
	<u>\$6,093,941</u>	<u>\$ 338,126</u>	<u>\$ 1,116,659</u>	<u>\$ 3,697,583</u>	<u>\$ 772,301</u>	<u>\$ 153,415</u>	<u>\$ 72,934</u>	<u>\$ 738,408</u>	<u>\$12,983,367</u>

Note: The Company previously built a container ship for leasing to others, however, the Board of Directors approved to transfer them for selling. The Company signed a ship sale contract with an owner of ships, and thus the related cost was reclassified as inventory and revenue is recognised in accordance with the construction contract.

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2021</u>									
Cost	\$6,093,941	\$ 1,147,689	\$ 7,701,647	\$ 10,269,948	\$ 1,584,140	\$ 1,072,631	\$ 148,511	\$ 646,483	\$28,664,990
Accumulated depreciation and impairment	-	(791,864)	(6,685,290)	(8,250,076)	(688,202)	(828,302)	(115,254)	-	(17,358,988)
	<u>\$6,093,941</u>	<u>\$ 355,825</u>	<u>\$ 1,016,357</u>	<u>\$ 2,019,872</u>	<u>\$ 895,938</u>	<u>\$ 244,329</u>	<u>\$ 33,257</u>	<u>\$ 646,483</u>	<u>\$11,306,002</u>
<u>2021</u>									
Opening net book amount as at January 1	\$6,093,941	\$ 355,825	\$ 1,016,357	\$ 2,019,872	\$ 895,938	\$ 244,329	\$ 33,257	\$ 646,483	\$11,306,002
Additions	-	-	-	-	-	-	-	2,164,844	2,164,844
Reclassifications - costs	-	8,991	166,905	2,035,498	5,886	-	9,613	(2,226,893)	-
Disposals - costs	-	-	(3,126)	(164,631)	(1,352)	-	(2,236)	-	(171,345)
Depreciation charge	-	(31,691)	(94,431)	(394,789)	(71,691)	(48,622)	(8,911)	-	(650,135)
Disposals - accumulated depreciation	-	-	3,058	159,076	1,352	-	2,226	-	165,712
Closing net book amount as at December 31	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,655,026</u>	<u>\$ 830,133</u>	<u>\$ 195,707</u>	<u>\$ 33,949</u>	<u>\$ 584,434</u>	<u>\$12,815,078</u>
<u>At December 31, 2021</u>									
Cost	\$6,093,941	\$ 1,156,680	\$ 7,865,426	\$ 12,140,815	\$ 1,588,674	\$ 1,072,631	\$ 155,888	\$ 584,434	\$30,658,489
Accumulated depreciation and impairment	-	(823,555)	(6,776,663)	(8,485,789)	(758,541)	(876,924)	(121,939)	-	(17,843,411)
	<u>\$6,093,941</u>	<u>\$ 333,125</u>	<u>\$ 1,088,763</u>	<u>\$ 3,655,026</u>	<u>\$ 830,133</u>	<u>\$ 195,707</u>	<u>\$ 33,949</u>	<u>\$ 584,434</u>	<u>\$12,815,078</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment are as follows:

	Years ended December 31,	
	2022	2021
Amount capitalised	\$ -	\$ 361
Interest rate	-	0.03%~0.97%

B. Significant components and the useful lives of land improvements, buildings, and machinery equipment of the Company are as follows:

- (a) The significant components of land improvements include construction expenses for wharf, which are depreciated over 45 years.
- (b) The significant components of buildings include shipyard, plants and warehouse, and office buildings, which are depreciated over 40, 45 and 60 years, respectively.
- (c) The significant components of machinery equipment include hoisting machine, crane and substation as well as carriers, welding machine and working platform, which are depreciated over 25, 20 and 10 years, respectively.

C. The Company's property, plant and equipment all was mainly acquired for self-use and was not pledged to others as collateral.

(9) Lease transactions — lessee

A. The Company leases various assets including land, buildings and terminal equipment. Rental contracts are typically made for periods of 4 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and may not affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Book value	Book value
Land	\$ 2,834,626	\$ 3,010,401
Buildings	69,888	80,145
Transportation equipment (terminal equipment)	245,958	308,720
	<u>\$ 3,150,472</u>	<u>\$ 3,399,266</u>
	Years ended December 31,	
	2022	2021
	Depreciation expense	Depreciation expense
Land	\$ 161,860	\$ 164,179
Buildings	13,978	13,358
Transportation equipment (terminal equipment)	70,424	68,959
	<u>\$ 246,262</u>	<u>\$ 246,496</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$0 and \$144,818, respectively. In addition, the Company had a decrease in lease liabilities of \$2,532 and \$0 for the years ended December 31, 2022 and 2021, respectively, due to the impact of variable lease payments in lease liabilities, and made a corresponding adjustment to the right-of use assets.

D. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 40,391	\$ 41,458
Expense on short-term lease contracts	248,753	13,672
Expense on leases of low-value assets	1,172	645
	<u>\$ 290,316</u>	<u>\$ 55,775</u>

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$524,659 and \$287,695, respectively.

(10) Leasing arrangements – lessor

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 2 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be used to sublease, sublet, lend, donate, sell or grant to others under any method.

In addition, the Company leases rooftop of its plants for lessees to install solar photovoltaic power generation equipment. Rental contracts are typically made for periods of 20 years. Lease payments consist of fixed base rent and variable operating rent.

B. For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of \$124,795 and \$204,038 respectively, based on the operating lease agreement, in which the amounts of variable lease payments were not material.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	\$ 25,197	\$ 27,507
Later than 1 year but not later than 5 years	83,330	90,142
Later than 5 years	212,630	230,349
	<u>\$ 321,157</u>	<u>\$ 347,998</u>

(11) Investment property, net

	Land	Buildings and structures	Total
<u>At January 1, 2022</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	-	(20,084)	(20,084)
	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>
<u>2022</u>			
Opening net book amount as at January 1	\$ 202,578	\$ 9,661	\$ 212,239
Depreciation charge	-	(680)	(680)
Closing net book amount as at December 31	<u>\$ 202,578</u>	<u>\$ 8,981</u>	<u>\$ 211,559</u>
<u>At December 31, 2022</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	-	(20,764)	(20,764)
	<u>\$ 202,578</u>	<u>\$ 8,981</u>	<u>\$ 211,559</u>
	Land	Buildings and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	-	(19,405)	(19,405)
	<u>\$ 202,578</u>	<u>\$ 10,340</u>	<u>\$ 212,918</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 202,578	\$ 10,340	\$ 212,918
Depreciation charge	-	(679)	(679)
Closing net book amount as at December 31	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>
<u>At December 31, 2021</u>			
Cost	\$ 202,578	\$ 29,745	\$ 232,323
Accumulated depreciation and impairment	-	(20,084)	(20,084)
	<u>\$ 202,578</u>	<u>\$ 9,661</u>	<u>\$ 212,239</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2022	2021
Rental income from the lease of the investment property	<u>\$ 27,058</u>	<u>\$ 27,351</u>
Direct operating expenses arising from the investment property that generate rental income in the year	<u>\$ 1,446</u>	<u>\$ 982</u>

B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 were \$705,345 and \$692,194, respectively, which was revalued by independent valuers. Valuations were made using the comparison method, cost method for land development analysis and the income approach.

(12) Intangible assets

Software:	Years ended December 31,	
	2022	2021
<u>At January 1</u>		
Cost	\$ 48,650	\$ 33,516
Accumulated amortisation and impairment	(12,177)	(12,171)
	<u>\$ 36,473</u>	<u>\$ 21,345</u>
Opening net book amount as at January 1	\$ 36,473	\$ 21,345
Additions - acquired separately	18,449	27,253
Disposals - costs	(11,918)	(12,119)
Amortisation charge	(20,148)	(12,125)
Disposals - accumulated amortisation	11,918	12,119
Closing net book amount as at December 31	<u>\$ 34,774</u>	<u>\$ 36,473</u>
<u>At December 31</u>		
Cost	\$ 55,181	\$ 48,650
Accumulated amortisation and impairment	(20,407)	(12,177)
	<u>\$ 34,774</u>	<u>\$ 36,473</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	<u>\$ 20,148</u>	<u>\$ 12,125</u>

(13) Short-term loans

Type of loans	December 31, 2022	Interest rate range	Collateral
Bank loans			
Unsecured loans	\$ 6,951,000	1.68%~2.30%	None
Procurement unsecured loans	53,580	0.67%~5.99%	None
	<u>\$ 7,004,580</u>		
Type of loans	December 31, 2021	Interest rate range	Collateral
Bank loans			
Unsecured loans	\$ 2,588,000	0.85%~1.80%	None
Procurement unsecured loans	207,834	0.40%~1.35%	None
	<u>\$ 2,795,834</u>		

(14) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial papers payable	\$ 3,600,000	\$ 3,600,000
Less: Unamortized discount	(1,346)	(896)
	<u>\$ 3,598,654</u>	<u>\$ 3,599,104</u>
Annual interest rates	<u>1.50%~2.09%</u>	<u>0.42%~0.72%</u>

The above commercial paper payables are guaranteed and issued by domestic bills financial institutions.

(15) Other payables

	December 31, 2022	December 31, 2021
Accrued expenses	\$ 1,077,164	\$ 1,111,514
Payable for equipment	22,896	41,711
Others	26,283	26,432
	<u>\$ 1,126,343</u>	<u>\$ 1,179,657</u>

(16) Provisions

	Warranty	Onerous contracts	Total
At January 1, 2022	\$ 588,510	\$ 423,471	\$ 1,011,981
Additional provisions	116,218	1,382,466	1,498,684
Used during the year	(122,926)	(1,228,200)	(1,351,126)
Unused amounts reversed	(1,227)	(13,843)	(15,070)
At December 31, 2022	<u>\$ 580,575</u>	<u>\$ 563,894</u>	<u>\$ 1,144,469</u>

The analysis of provisions is as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Realised in one year	\$ 461,147	\$ 213,682	\$ 447,278
Realised after one year	683,322	798,299	841,400
	<u>\$ 1,144,469</u>	<u>\$ 1,011,981</u>	<u>\$ 1,288,678</u>

A. Provision for warranty

The Company gives warranties on contracts revenue in relation to shipbuilding, vessel construction. Provision for warranty is estimated based on historical warranty data of products.

B. Provision for onerous contract

Under the irrevocable contracts of shipbuilding, vessel construction, the Company's estimated provision for onerous contract is the difference between the inevitable cost of existing obligations to be performed in the future and the expected economic benefits from the contracts. The estimated provision may change with the actual construction situation.

(17) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The first domestic secured convertible bonds	\$ 1,806,300	\$ 1,806,300
Less: Discount on bonds payable	(31,287)	(45,574)
	1,775,013	1,760,726
Less: Expiring within one year (shown as 'long-term liabilities, current portion')	-	-
	<u>\$ 1,775,013</u>	<u>\$ 1,760,726</u>

A. The issuance of domestic convertible bonds by the Company

(a) The terms of the first domestic secured convertible bonds issued by the Company are as follows:

- i. The Company issued \$2 billion, 0% first domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (February 24, 2020 ~ February 24, 2025).

The bonds will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on February 24, 2020.

- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (May 25, 2020) to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds. The conversion price is \$25.1 (in dollars) per share, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be recalculated based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the recalculated conversion price is lower than the conversion price before the recalculation, the conversion price will be adjusted; however, it will not be adjusted if it is higher.

Where there is an increase in the number of the Company's issued shares after the issuance of the bonds, the Company shall adjust the conversion price based on the formula stipulated in the terms of the bonds. As of December 31, 2022, the conversion price was \$22 (in dollars).

- iv. The Company may notify to repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the closing price of the Company's common shares is above the then conversion price by at least 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

Alternatively, the Company may repurchase the bonds outstanding in cash at the bonds' face value at any time if the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

- v. The bonds set the date after four years from the issue date (February 24, 2024) as the put effective date for the bondholders to early put the bonds back to the Company. The bondholders have the right to require the Company to redeem the bonds in cash at 102.0151% of the bonds' face value (a yield to put of 0.5%)
 - vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2022, the bonds with a face value of \$193,700 have been converted into 8,795 thousand common shares. Refer to Note 6(23) for details.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$96,153 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39. 'Financial Instruments: Recognition and Measurement' because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.8084%.

(18) Long-term borrowings and long-term liabilities, current portion

	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Unsecured borrowings				
Syndicated loan of several banks consisting of Bank of Taiwan	Refer to note 1 for details.	1.80%~ 1.95%	None	<u>\$ 4,000,000</u>
Commercial papers payable				
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 24, 2021 to Dec. 15, 2024. Refer to note 2 for details.	1.44%~ 1.46%	None	\$ 1,000,000
Taishin International Bank	Borrowing period is from Jun. 21, 2021 to Dec. 20, 2024. Refer to note 2 for details.	1.27%	None	800,000
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2021 to Oct. 25, 2024. Refer to note 2 for details.	1.27%	None	700,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2021 to Jun. 21, 2024. Refer to note 2 for details.	1.37%	None	500,000
Less: Long-term borrowings, current portion				(4,195)
				<u>2,995,805</u>
				<u>\$ 6,995,805</u>
	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Commercial papers payable				
Taishin International Bank	Borrowing period is from Jun. 21, 2021 to Dec. 20, 2024. Refer to note 2 for details.	0.40%	None	\$ 800,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 24, 2021 to Dec. 15, 2024. Refer to note 2 for details.	0.59%	None	700,000
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2021 to Oct. 25, 2024. Refer to note 2 for details.	0.55%	None	700,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2021 to Jun. 21, 2024. Refer to note 2 for details.	0.50%	None	350,000
Less: Discount on commercial papers payable				(1,169)
				<u>\$ 2,548,831</u>

Note 1: For the year ended December 31, 2022, the Company and a bank consortium signed a 5-year syndicated credit contract, and the final maturity date is in September 2027 (except for guarantee for bond issuance which matures 5 years and 3 months after proceeds from issuance of bonds are collected). The credit facilities are divided into Tranche A and Tranche B. For Tranche A long-term bank borrowings, the first installment is 30 months from the date of the first drawn and every six months is an instalments after that, in a total of 6 installment. 10% of the principal is repayable from the first to the fifth instalments, and the remaining principal is repayable in the sixth installment. Tranche B credit facilities are further divided into Tranche B1 - long-term bank borrowings, Tranche B2 - long-term commercial papers payable and Tranche B3 - guarantee for bond issuance. The Company can withdraw the facility at its discretion. For Tranches B1 and B2, when each drawdown expires, the Company can directly repay the loan principal that is originally expired with the new drawn loan, without actually remitting funds.

The syndicated credit contract stipulates several financial restrictions, and the Company did not violate those restrictions.

Note 2: The Company entered into an agreement for recurring issuance (maturity of 60~180 days) of certificates and dealership of commercial papers with the bill finance companies. During the contract term of 2 ~ 3 years, the Company is only liable for the service fees and interest and thus the commercial papers payable is included in long-term borrowings. Both parties shall renegotiate the agreement when the agreement matures.

(19) Deferred revenue

A. The Republic of China Government started to promote privatization starting from 2008. The Privatization Fund, Executive Yuan, would provide a loan in the amount of \$1,500,000 to cover a portion of the shortfall to settle the pension and severance obligation as a result of the privatization. The Company was required to repay the loan to the Privatization Fund in a period of ten years, under the condition that the Company is profitable. As approved by the Executive Yuan in November 2022, the Company can make a yearly repayment starting from 2017. If the earnings after tax in the prior year is below \$500 million, the repayment amount is 15% of earnings after tax. If the earnings after tax in the prior year is above \$500 million, the repayment amount is the aforementioned ratio plus 20% of earnings after tax exceeding \$500 million until the loan is fully repaid. The Company uses the average long-term loan interest rate on the loan for discounting. The discounted values are recorded under “long-term notes payable and payables”. The difference between the discounted value and the amount received is listed in “deferred revenue”. The amounts that are payable within one year are listed in “other financial liabilities-current”. The unamortised amounts are shown below:

	December 31, 2022	December 31, 2021
Long-term notes and accounts receivable	\$ 717,121	\$ 705,134
Long-term deferred revenue	24,379	36,366
	<u>\$ 741,500</u>	<u>\$ 741,500</u>

- B. Government grants and interest expenses that should be amortised are recognised under ‘other revenue’ and ‘finance costs’, respectively, for the years ended December 31, 2022 and 2021. For more information, please refer to Notes 6(27) and (29).

(20) Pension

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. 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 about 13% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. The Company has assessed that the balance is sufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year.

- (b) The amounts recognised in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of funded obligations (\$	1,913,322)	(\$ 1,813,037)
Fair value of plan assets	2,044,719	1,824,440
Net defined benefit asset	\$ 131,397	\$ 11,403

- (c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	(\$ 1,813,037)	\$ 1,824,440	\$ 11,403
Current service cost	(146,232)	-	(146,232)
Interest (expense) income	(26,875)	27,945	1,070
	(1,986,144)	1,852,385	(133,759)
Remeasurements:			
Return on plan assets	-	125,160	125,160
Change in financial assumptions	-	-	-
Experience adjustments	19,996	-	19,996
	19,996	125,160	145,156
Pension fund contribution	-	120,000	120,000
Paid pension	52,826	(52,826)	-
Balance at December 31	(\$ 1,913,322)	\$ 2,044,719	\$ 131,397

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	(\$ 1,751,981)	\$ 1,748,580	(\$ 3,401)
Current service cost	(147,030)	-	(147,030)
Interest (expense) income	(25,753)	26,654	901
	(1,924,764)	1,775,234	(149,530)
Remeasurements:			
Return on plan assets	-	4,184	4,184
Change in financial assumptions	-	-	-
Experience adjustments	36,749	-	36,749
	36,749	4,184	40,933
Pension fund contribution	-	120,000	120,000
Paid pension	74,978	(74,978)	-
Balance at December 31	(\$ 1,813,037)	\$ 1,824,440	\$ 11,403

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.50%	1.50%
Future salary increases	3.25%	3.25%

Future mortality rate is estimated with 70% of the 3rd Taiwan Standard Ordinary Experience Mortality Table. The disability rate is set based on 10% of mortality rate.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation				
December 31, 2022	(\$ 34,954)	\$ 35,912	\$ 30,588	(\$ 29,976)
December 31, 2021	(\$ 36,466)	\$ 37,547	\$ 32,464	(\$ 31,750)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$120,000.
- (g) As of December 31, 2022, the weighted average duration of the defined benefit obligations is 6 years. The distribution of the present value of expected defined benefit obligations (within 10 years) is as follows:

For the year ended December 31, 2023	\$ 1,789,199
For the year ended December 31, 2024	1,783,922
For the year ended December 31, 2025	1,798,128
For the year ended December 31, 2026	1,765,933
For the year ended December 31, 2027	1,754,186
For the year ended December 31, 2028	1,615,433
For the year ended December 31, 2029	1,255,152
For the year ended December 31, 2030	819,662
For the year ended December 31, 2031	554,323
For the year ended December 31, 2032	478,114

Note: The same person who meets the retirement conditions will calculate the present value of expected defined benefit obligations in each subsequent year until he/she meets the mandatory retirement age of 65.

- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$95,050 and \$95,935, respectively.

(21) Share-based payment

- A. The Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2021.02.19	33,989 thousand shares	NA	Vested immediately

The share-based payment arrangements above are settled by equity.

- B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Cash capital increase reserved for employee preemption	2021.02.19	21.29 dollars	17.5 dollars	26.61% Note 1	27 days	-	Note 2	3.79 dollars

Note 1: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options’ expected life, and the standard deviation of return on the stock during this period.

Note 2: It was calculated based on the closing price on the valuation date and interest rate of government bonds in the secondary market announced on the website of Taipei Exchange.

- C. The Company’s expenses arising from equity-settled share-based payment transactions recognised during the year ended December 31, 2021 was \$128,818. There was no such transaction for the year ended December 31, 2022.

(22) Analysis of assets and liabilities

Assets and liabilities of the Company related to the business of shipbuilding, vessel building, major machinery and ship repair, are classified as current or non-current based on the operating cycle. However, such assets and liabilities were analyzed on "one year" basis as follows:

	Less than 12 months	More than 12 months	Total
<u>December 31, 2022</u>			
Assets			
Contract assets (including related parties)	\$ 4,078,244	\$ 147,993	\$ 4,226,237
Accounts receivable, net (including related parties)	1,303,416	-	1,303,416
Inventories, net	5,508,042	-	5,508,042
	<u>\$ 10,889,702</u>	<u>\$ 147,993</u>	<u>\$ 11,037,695</u>
Liabilities			
Contract liabilities (including related parties)	\$ 304,066	\$ 7,382,944	\$ 7,687,010
Accounts payable (including related parties)	1,182,491	-	1,182,491
Provision for liabilities	461,147	683,322	1,144,469
	<u>\$ 1,947,704</u>	<u>\$ 8,066,266</u>	<u>\$ 10,013,970</u>
	Less than 12 months	More than 12 months	Total
<u>December 31, 2021</u>			
Assets			
Contract assets (including related parties)	\$ 2,522,428	\$ 257,715	\$ 2,780,143
Accounts receivable, net (including related parties)	1,347,965	670,981	2,018,946
Inventories, net	2,827,237	-	2,827,237
	<u>\$ 6,697,630</u>	<u>\$ 928,696</u>	<u>\$ 7,626,326</u>
Liabilities			
Contract liabilities (including related parties)	\$ 51,838	\$ 10,307,752	\$ 10,359,590
Notes payable (including related parties)	32,400	-	32,400
Accounts payable (including related parties)	887,983	-	887,983
Provision for liabilities	213,682	798,299	1,011,981
	<u>\$ 1,185,903</u>	<u>\$ 11,106,051</u>	<u>\$ 12,291,954</u>

(23) Common stock

A. As of December 31, 2022, the Company's authorised capital was \$11,138,997, consisting of 1,113,899.7 thousand shares of ordinary stock and the paid-in capital was \$9,317,873, consisting of 931,787 thousand shares of ordinary stock (including private placement of 60 million shares), with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

		Shares in thousands
	2022	2021
At January 1	931,787	473,056
Cash capital increase	-	450,000
Conversion of corporate bonds	-	8,731
At December 31	931,787	931,787

B. For the year ended December 31, 2021, the Company's bonds were converted into 8,731 thousand ordinary shares, of which 8,586 thousand shares and 145 thousand shares were conducted by issuing new shares with effective dates on August 11, 2021 and November 10, 2021, respectively, as approved by the Board of Directors. The registrations have been completed. For the year ended December 31, 2020, the Company's bonds were converted into 64 thousand ordinary shares by issuing new shares with effective date on February 22, 2021, as approved by the Board of Directors. The registration has been completed.

C. In order to fulfil its capital and repay the bank loans, as resolved by the Board of Directors on November 11, 2020, the Company conducted a public offering for cash capital increase by issuing common stock, which was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No. 1090378803, dated January 15, 2021. The Company issued 450 million common stocks at an issue price of \$17.5 (in dollars) per share. The rights and obligations of shares issued at this capital increase are the same as the original common stocks. The total amount raised was \$7.875 billion. The effective date of capital increase was on March 26, 2021 and the registration has been completed.

The abovementioned capital increase was subscribed by Yue-Li Investment Corporation, in the amount of \$35,324, equivalent to 2,019 thousand shares. In addition, the government related parties, Financing Investment Venture Capital, National Defense Industrial Development Foundation, and the management committee of Yao Hua Glass Co., Ltd. participated in the capital increase in the amounts of \$1,750,000, \$500,000 and \$500,000, equivalent to 100,000 thousand shares, 28,571 thousand shares, and 28,571 thousand shares, respectively.

D. The Company's special shareholders' meeting has approved the proposal regarding the capital increase through private placement on December 21, 2017. The record date for capital increase resolved by the Board of Directors at their meeting on May 11, 2018 was May 25, 2018. The amount of capital raised through the private placement was \$2,526,000 by issuing common stock amounting to 60 million shares at a premium of \$42.10 (in dollars) per share, of which the government related entity, Financing Investment Venture Capital, and the management committee of Yao Hua Glass Corp., Ltd. each subscribed to 30 million shares amounting to \$1,263,000. The Company has completed the registration of the capital increase. The investors in this private placement is entitled to the same rights and obligations as those of outstanding shares except that they cannot freely transfer the shares within 3 years of settlement unless under certain circumstances pursuant to Article 43-8 of Securities and Exchange Act. Under the resolution, the Board of Directors are authorised to file for listing the ordinary shares in private placement with the competent authority after 3 years of settlement.

(24) Capital surplus

- A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022		
	Share premium	Share options	Total
At January 1	\$ 3,606,072	\$ 86,841	\$ 3,692,913
Capital surplus used to offset accumulated deficits	(2,940,035)	-	(2,940,035)
At December 31	<u>\$ 666,037</u>	<u>\$ 86,841</u>	<u>\$ 752,878</u>
	2021		
	Share premium	Share options	Total
At January 1	\$ 995	\$ 96,076	\$ 97,071
Cash capital increase	3,495,877	(128,818)	3,367,059
Share-based payment transactions	-	128,818	128,818
Conversion of convertible bonds	<u>109,200</u>	<u>(9,235)</u>	<u>99,965</u>
At December 31	<u>\$ 3,606,072</u>	<u>\$ 86,841</u>	<u>\$ 3,692,913</u>

- B. Please refer to Note 6(17) for the information of capital surplus—share options.

(25) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.
- B. As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 10% of the Company's distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- b) The amounts previously set aside by the Company as special reserve amounting to \$3,201,365 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- c) The Company disposed land in 2013 and 2018. Therefore, the Company reversed special reserve of \$34,894 to undistributed earnings.
- E. The proposal for deficit compensation for the year ended December 31, 2020 was resolved by the stockholders at the regular stockholders' meeting on August 25, 2021. Dividends will not be distributed to stockholders as some accumulated deficits remain uncovered.

The proposal for deficit compensation for the year ended December 31, 2021 was resolved by the stockholders at the regular stockholders' meeting on June 22, 2022. The proposal for deficit compensation for the year ended December 31, 2021 was resolved by the stockholders at the regular stockholders' meeting on June 22, 2022. After the deficit compensation with capital surplus, the accumulated deficits to be covered was \$0, and thus dividends will not be distributed. Additionally, the proposal for deficit compensation using the capital surplus, additional paid-in capital, of \$2,940,035 was approved.

On March 10, 2023, the Board of Directors has proposed the deficit compensation for year 2022.

(26) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 21,673,709	\$ 18,675,074
Others - ship rental revenue	77,565	176,687
	<u>\$ 21,751,274</u>	<u>\$ 18,851,761</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time in the following major product types:

	Years ended December 31,	
	2022	2021
Construction of ships and vessels		
Shipbuilding	\$ 5,167,993	\$ 5,976,755
Vessel construction	15,330,882	11,363,002
	<u>20,498,875</u>	<u>17,339,757</u>
All other segments		
Ship/vessel repair	1,163,687	822,077
Machinery building	(38,361)	473,390
Others	49,508	39,850
	<u>1,174,834</u>	<u>1,335,317</u>
	<u>\$ 21,673,709</u>	<u>\$ 18,675,074</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	\$ 2,602,432	\$ 2,093,086	\$ 4,375,960
Contract assets - related parties	<u>1,833,313</u>	<u>878,362</u>	<u>339,666</u>
	4,435,745	2,971,448	4,715,626
Less: Loss allowance	(209,508)	(191,305)	(192,121)
	<u>\$ 4,226,237</u>	<u>\$ 2,780,143</u>	<u>\$ 4,523,505</u>
Contract liabilities	\$ 7,425,105	\$ 10,325,969	\$ 5,209,593
Contract liabilities - related parties	<u>261,905</u>	<u>33,621</u>	<u>1,489,197</u>
	<u>\$ 7,687,010</u>	<u>\$ 10,359,590</u>	<u>\$ 6,698,790</u>

Please refer to Note 7 for related party transactions.

Revenue recognised that was included in the contract liability balance at the beginning of the period

The Company had a contract liability balance at the beginning of the period, of which \$9,926,967 and \$5,711,072 was recognised as revenue for the years ended December 31, 2022 and 2021, respectively.

- C. As of December 31, 2022, the total transaction price allocated to unfulfilled contract obligations was \$38,574,497 and this amount would be recognised as revenue gradually with the completion process of shipbuilding, vessel construction and anti-corrosion coating. The shipbuilding, vessel construction and anti-corrosion coating are expected to be completed during the period from February 2023 to October 2027.

(27) Other income

	Years ended December 31,	
	2022	2021
Government grant revenue (Note)	\$ 22,763	\$ 137,054
Rental revenue	47,230	27,351
Indemnity revenue	16,138	19,642
Others	25,311	25,249
	<u>\$ 111,442</u>	<u>\$ 209,296</u>

Note: The Company recognised income of \$107,716, as a result of the application for the Salary and Working Capital Subsidies for Manufacturing Industry and its Technical Services Industry Suffered by Severe Pneumonia with Novel Pathogens (COVID-19) Handled by Industrial Development Bureau the Ministry of Economic Affairs during the year ended December 31, 2021. There was no such transaction for the year ended December 31, 2022.

(28) Other gains and losses

	Years ended December 31,	
	2022	2021
Foreign exchange gains (losses)	\$ 271,482	(\$ 36,301)
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(18,245)	19,055
Losses on disposal of property, plant and equipment	(522)	(5,633)
Other losses	(46,869)	(40,304)
	<u>\$ 205,846</u>	<u>(\$ 63,183)</u>

(29) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank loans	\$ 173,365	\$ 106,317
Amortisation on lease liabilities	40,391	41,458
Amortisation on convertible bonds	14,287	14,769
Expenses amortised from government grants payable	11,987	11,787
Less: Capitalisation of qualifying assets	(79,605)	(73,949)
	<u>\$ 160,425</u>	<u>\$ 100,382</u>

(30) Expenses by nature

	Years ended December 31,	
	2022	2021
Change in inventory of finished goods and work in process	\$ 3,163,013	(\$ 70,394)
Direct materials	12,714,423	7,723,418
Employee benefit expense	3,444,701	3,630,615
Depreciation and amortisation charges	917,307	908,756
Outsourcing fees	2,628,353	3,670,874
Professional service fees	790,008	1,767,741
Other expenses	1,779,264	1,210,680
Operating costs and expenses	<u>\$ 25,437,069</u>	<u>\$ 18,841,690</u>

(31) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 2,876,827	\$ 2,921,627
Labor and health insurance fees	265,362	272,651
Pension cost	240,212	242,064
Directors' remuneration	3,051	3,166
Employee stock options	-	128,818
Other personnel expenses	59,249	62,289
	<u>\$ 3,444,701</u>	<u>\$ 3,630,615</u>

A. According to the Articles of Incorporation of the Company, the Company shall distribute employees' compensation, based on the distributable profit of the current year, in a ratio of profit. Employees' compensation can be distributed in the form of shares or in cash. If a company has accumulated deficit, earnings should first be channeled to cover losses. Employees' compensation shall account for 1% to 5%, directors' remuneration shall account for less than 1%, of the amount of current year's pre-tax profit but excluding the employees' compensation and directors' remuneration.

B. The Company did not recognise employees' compensation and directors' remuneration as a result of the operating deficit for the years ended December 31, 2022 and 2021.

The Board of Directors resolved not to appropriate employees' compensation and directors' remuneration as a result of the operating deficit for the years ended December 31, 2022 and 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(32) Income tax expense

A. Income tax benefit

(a) Components of income tax benefit:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Over provision of income tax in prior year	-	(37)
Income tax benefit	<u>\$ -</u>	<u>(\$ 37)</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 29,031</u>	<u>\$ 8,187</u>

B. Reconciliation between income tax benefits and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 705,354)	\$ 2,639
Tax exempt income by tax regulation	-	(21,543)
Effects from items disallowed by tax regulation	6,367	5,806
Taxable loss not recognised as deferred tax assets	698,987	13,098
Over provision of income tax in prior year	-	(37)
Income tax benefit	<u>\$ -</u>	<u>(\$ 37)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

		2022		
			Recognised	
			in profit or	in other
			loss	comprehensive
		January 1		income
				December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	\$ 84,694	\$ 28,085	\$ -	\$ 112,779
Unrealised warranty liability	117,702	(1,587)	-	116,115
Unused compensated absences payable	62,649	(2,452)	-	60,197
Allowance for doubtful accounts	63,318	(1,402)	-	61,916
Others	26,595	(6,779)	(29,031)	(9,215)
Tax losses	<u>1,167,555</u>	<u>(15,865)</u>	<u>-</u>	<u>1,151,690</u>
	<u>1,522,513</u>	<u>-</u>	<u>(29,031)</u>	<u>1,493,482</u>
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Total	<u>\$ 197,816</u>	<u>\$ -</u>	<u>(\$ 29,031)</u>	<u>\$ 168,785</u>
		2021		
			Recognised	
			in profit or	in other
			loss	comprehensive
		January 1		income
				December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	\$ 156,086	(\$ 71,392)	\$ -	\$ 84,694
Unrealised warranty liability	101,650	16,052	-	117,702
Unused compensated absences payable	64,501	(1,852)	-	62,649
Allowance for doubtful accounts	61,916	1,402	-	63,318
Others	13,729	21,053	(8,187)	26,595
Tax losses	<u>1,132,818</u>	<u>34,737</u>	<u>-</u>	<u>1,167,555</u>
	<u>1,530,700</u>	<u>-</u>	<u>(8,187)</u>	<u>1,522,513</u>
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Total	<u>\$ 206,003</u>	<u>\$ -</u>	<u>(\$ 8,187)</u>	<u>\$ 197,816</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	Unrecognised deferred tax assets	<u>Expiry year</u>
2015	Assessed	\$ 671,021	\$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,802,895	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Assessed	2,657,346	2,657,346	2029
2020	Assessed	2,305,136	2,305,136	2030
2021	Amount filed	282,377	282,377	2031
2022	Estimated filing amount	3,409,213	3,409,213	2032
December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	Unrecognised deferred tax assets	<u>Expiry year</u>
2015	Assessed	\$ 671,021	\$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,723,570	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Assessed	2,657,346	2,657,346	2029
2020	Amount filed	2,305,136	2,305,136	2030
2021	Estimated filing amount	236,855	236,855	2031

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 10, 2022, there was no administrative remedies.

(33) (Losses) earnings per share

Year ended December 31, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders	(\$ 3,526,768)	931,787	(\$ 3.78)
Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 13,235	824,157	\$ 0.02

The Company's convertible corporate bonds had anti-dilution effect for the years ended December 31, 2022 and 2021; thus, they were not included in the calculation of diluted losses per share.

(34) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 1,698,754	\$ 2,164,844
Add : Beginning balance of payable on equipment	41,711	63,755
Less : Ending balance of payable on equipment	(22,896)	(41,711)
Less : Reclassified to inventory	(874,538)	-
Cash paid on purchase of property, plant and equipment during the year	<u>\$ 843,031</u>	<u>\$ 2,186,888</u>

B. Investment and financing activities with no cash flow effects:

	Years ended December 31,	
	2022	2021
Interest expense amortised from government grants	\$ 11,987	\$ 11,787
Increase in right-of-use assets	\$ -	\$ 144,818
Less: Increase in lease liabilities	-	(144,818)
	<u>\$ -</u>	<u>\$ -</u>
Decrease in lease liabilities due to remeasurement	\$ 2,532	\$ -
Less: Decrease in right-of-use assets	(2,532)	-
	<u>\$ -</u>	<u>\$ -</u>

(35) Changes in liabilities from financing activities

	2022			
	January 1	Changes in cash flow from financing activities	Changes in other non-cash items	December 31
Short-term borrowings	\$ 2,795,834	\$ 4,208,746	\$ -	\$ 7,004,580
Short-term notes and bills payable	3,599,104	-	(450)	3,598,654
Corporate bonds payable	1,760,726	-	14,287	1,775,013
Long-term borrowings	2,548,831	4,450,000	(3,026)	6,995,805
Lease liability	3,454,190	(234,343)	(2,532)	3,217,315
Long-term notes and accounts payable	705,134	-	11,987	717,121
Long-term deferred revenue	181,604	-	(56,366)	125,238
Guarantee deposits received	257,669	(10,329)	-	247,340
Other non-current liabilities, others	7,957	(6,552)	-	1,405
	<u>\$15,311,049</u>	<u>\$ 8,407,522</u>	<u>(\$ 36,100)</u>	<u>\$ 23,682,471</u>

	2021			
	January 1	Changes in cash flow from financing activities	Changes in other non-cash items	December 31
Short-term borrowings	\$ 5,199,146	(\$ 2,403,312)	\$ -	\$ 2,795,834
Short-term notes and bills payable	2,699,405	900,000	(301)	3,599,104
Corporate bonds payable	1,932,301	-	(171,575)	1,760,726
Long-term borrowings	5,198,570	(2,650,000)	261	2,548,831
Lease liability	3,541,292	(231,920)	144,818	3,454,190
Long-term notes and accounts payable	693,347	-	11,787	705,134
Long-term deferred revenue	193,391	-	(11,787)	181,604
Guarantee deposits received	261,809	(4,140)	-	257,669
Other non-current liabilities, others	20,128	(12,171)	-	7,957
	<u>\$19,739,389</u>	<u>(\$ 4,401,543)</u>	<u>(\$ 26,797)</u>	<u>\$ 15,311,049</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
CSBC Coating Solutions Co., Ltd	The Company's subsidiary
Blue Ocean Wind Power Engineering (Hong Kong) Limited	The Company's subsidiary
BLUE ACE CORPORATION	The Company's subsidiary
CSBC Construction Co., Ltd.	The Company's subsidiary (Note 1)
CSBC Power Technology Co., Ltd.	The Company's subsidiary (Note 2)
CPC Corporation, Taiwan	The Company's legal entity director
Yue-Li Investment Corporation	The Company's legal entity director, that was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Corporation	The Company's legal entity director, that was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Express Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
China Steel Machinery Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Sing Da Marine Structure Corporation	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.

Names of related parties	Relationship with the Company
Steel Castle Technology Corp.	Subsidiary of the Company's legal entity director. However, the corporate director was dismissed due to the expiry of term of office on June 22, 2022.
Taiwan International windpower Training Corporation Ltd.	Associate
Taiwan Offshore Wind Farm Services Corporation	Associate
Fuhai Wind Farm Corporation	Associate
CSBC-DEME Wind Engineering Co., Ltd.	Joint venture
CDWE Green Jade Shipowner Co., Ltd.	Subsidiary of joint venture
Financing Investment Venture Capital	Government related entity
Yao Hua Glass Co.,Ltd. Management Committee	Government related entity
National Defense Industrial Development Foundation	Government related entity

Note 1: On April 18, 2022, the Company's subsidiary acquired 100% of ownership interest in this company to acquire control over this company.

Note 2: The Company obtained control over the entity on August 12, 2021.

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2022	2021
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	\$ 1,768,669	\$ 4,324,686
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	204,000	-
Sing Da Marine Structure Corporation	(91,865)	31,890
China Steel Machinery Corporation	-	9,354
Legal entity director		
CPC Corporation, Taiwan	94,555	108,427
Subsidiary:		
CSBC Coating Solutions Co., Ltd	28,723	1,920
	<u>\$ 2,004,082</u>	<u>\$ 4,476,277</u>

(a) The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

(b) On June 30, 2020, the Company entered into an agreement with CSBC-DEME Wind Engineering Co., Ltd. to build a heavy lift and installation vessel for its offshore wind power engineering. Please refer to item C for further information.

B. Purchases of goods

	Years ended December 31,	
	2022	2021
Purchases of goods:		
Key management:		
Legal entity director		
China Steel Corporation	\$ 448,291	\$ 650,261
CPC Corporation, Taiwan	59,369	70,015
	<u>507,660</u>	<u>720,276</u>
Purchases of services:		
Subsidiary:		
CSBC Coating Solutions Co., Ltd	166,297	3,757
BLUE ACE CORPORATION	121,582	70,649
Key management:		
Subsidiary of the Company's legal entity director		
Steel Castle Technology Corp.	-	26,241
	<u>287,879</u>	<u>100,647</u>
	<u>\$ 795,539</u>	<u>\$ 820,923</u>

The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

C. Contract assets and contract liabilities

Contract assets:		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	\$ 1,643,123	\$ 511,591
Associates :		
Fuhai Wind Farm Corporation (Note)	190,190	190,190
Key management:		
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	-	176,581
	<u>1,833,313</u>	<u>878,362</u>
Less: Loss allowance	(<u>197,666</u>)	(<u>190,468</u>)
	<u>\$ 1,635,647</u>	<u>\$ 687,894</u>

Note: In March 2014, the Company was commissioned by Fuhai Wind Farm Corporation (hereafter referred to as “Fuhai”) for the construction of a meteorological observation tower, offshore windfarm off the coast of Changhua County included in Changhua Offshore Pilot Project and Fuhai offshore windfarm for a total contract price of NT\$3.2 billion. However, Bureau of Energy, MOEA decided to reject the development project in February 2018 because of the disapproved Environmental Impact Assessment. The Company has recognised impairment loss amounting to \$190,190 since the contract assets may not be recovered as assessed.

Contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Key management:		
Legal entity director		
CPC Corporation, Taiwan	<u>\$ 261,905</u>	<u>\$ 33,621</u>

D. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable :		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	\$ 84,256	\$ 46,127
Subsidiary		
CSBC Coating Solutions Co., Ltd	<u>-</u>	<u>123</u>
	84,256	46,250
Less: Loss allowance	<u>(383)</u>	<u>-</u>
	<u>83,873</u>	<u>46,250</u>
Other receivables - Loans to others		
Subsidiary		
CSBC Power Technology Co., Ltd.	\$ 130,000	\$ -
Other receivables - others :		
Subsidiary		
BLUE ACE CORPORATION	42	41
Key management:		
Legal entity director		
CPC Corporation, Taiwan	<u>-</u>	<u>117</u>
	<u>130,042</u>	<u>158</u>
	<u>\$ 213,915</u>	<u>\$ 46,408</u>

Please refer to I. Loans to /from related parties for details.

E. Prepaid accounts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary:		
CSBC Coating Solutions Co., Ltd	\$ 53,982	\$ -
Key management:		
Legal entity director		
CPC Corporation, Taiwan	5,352	2,990
China Steel Corporation	-	8,966
	<u>\$ 59,334</u>	<u>\$ 11,956</u>

F. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiary:		
CSBC Coating Solutions Co., Ltd	\$ 6,430	\$ 3,757
BLUE ACE CORPORATION	2,105	1,922
Legal entity director		
CPC Corporation, Taiwan	2,665	472
	<u>\$ 11,200</u>	<u>\$ 6,151</u>

G. Acquisition of property, plant and equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary:		
CSBC Coating Solutions Co., Ltd	<u>\$ 90,587</u>	<u>\$ 61,841</u>

As of December 31, 2022 and 2021, the price for the construction contract that the Company signed with CSBC Coating Solutions Co., Ltd. and has not yet been fulfilled was \$263,745 and \$166,970, respectively. The Company has made a payment of \$152,428 and \$61,841, respectively, and the outstanding payment was \$111,137 and \$105,129, respectively.

H. Acquisition of financial assets

Information of the Company participating in the cash capital increase of the subsidiary, CSBC Power Technology Co., Ltd., and the joint venture, CSBC-DEME Wind Engineering Co., Ltd., is provided in Note 6(7).

I. Loans to related parties

	<u>December 31, 2022</u>
Loans to related parties:	
Ending balance:	
Subsidiary	
CSBC Power Technology Co., Ltd.	<u>\$ 130,000</u>

	Year ended December 31, 2022
Interest income:	
Subsidiary	
CSBC Power Technology Co., Ltd.	\$ 676

The terms and conditions of loans to subsidiary are that the facility of first drawn is repayable in 1 year and the interest was calculated at floating rate. On December 31, 2022, the interest rate was 2.44%. There was no such transaction for the year ended December 31, 2021.

J. Endorsement and guarantees provided to related parties

	December 31, 2022
Other related parties:	
Joint venture	
CSBC-DEME Wind Engineering Co., Ltd.	
Endorsement / guarantee amount (Note)	\$ 28,908,120
Subsidiary	
CSBC Technology Co., Ltd.	
Endorsement / guarantee amount (Note)	530,000
	\$ 29,438,120

Note: The total amount of endorsement/guarantee provided to CSBC-DEME Wind Engineering Co., Ltd. by the Company amounted to EUR 883.5 million. The exchange rate of translation into New Taiwan dollars at the financial reporting date was 32.72.

- (a) As of December 31, 2022, the actual drawn amount endorsed/guaranteed by the Company for related parties amounted to \$500,000.
- (b) As of December 31, 2021: None.
- (c) Information on significant events after the balance sheet date is provided in Note 11.

K. Others

- (a) Details on capital increase from the related parties are provided in Note 6(23).
- (b) The Company's joint venture, CSBC-DEME Wind Engineering Co., Ltd. signed a Zhang Fang and West Island Offshore Wind Farm Fan Transportation and Installation Plan on November 19, 2019. The Company and DEME Offshore are the joint contractors of the plan and issued performance letter of guarantee and advance payment guarantee with a total amount of EUR 11,802 thousand for contracting the construction according to their shareholding ratios. The Company issued bank guarantee amounting to \$194 million (EUR 5,901 thousand) based on its shareholding ratio of 50.0001%.
- (c) Information on significant contingent liabilities and unrecognised contract commitments is provided in Note 9.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 24,149	\$ 22,249
Post-employment benefits	2,706	2,245
Share-based payments	-	1,216
	<u>\$ 26,855</u>	<u>\$ 25,710</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Restricted bank deposits (shown as 'current financial assets at amortised cost')	<u>\$ 15,441</u>	<u>\$ 16,841</u>	Guarantee for issuance of letters of credit and letters of guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The balance of the Company's unused letters of credit for import of materials is as follows:

	December 31, 2022	December 31, 2021
Balance of unused letters of credit	<u>\$ 1,946,475</u>	<u>\$ 1,578,923</u>

(2) The amounts of unfulfilled contract obligations of the Company's contracts are as follows:

	December 31, 2022	December 31, 2021
Unfulfilled customer contract obligations	<u>\$ 38,574,497</u>	<u>\$ 44,065,411</u>

(3) The guaranteed credit by banks for the Company's construction projects is as follows:

	December 31, 2022	December 31, 2021
Guaranteed credit by banks	<u>\$ 10,897,982</u>	<u>\$ 12,392,205</u>

Refer to Note 7(2) K(b) for further information.

(4) The amount of the Company's purchase contracts and outsourcing construction contracts to be paid is as follows:

	December 31, 2022	December 31, 2021
Purchase contracts to be paid	\$ 910,913	\$ 11,001,205
Outsourcing construction contracts to be paid	883,269	1,432,175
	<u>\$ 1,794,182</u>	<u>\$ 12,433,380</u>

(5) As of December 31, 2022 and 2021, the guarantee notes issued by the Company for bank borrowings amounted to \$56.34 billion and \$49.45 billion, respectively.

(6) The Company, Century Iron and Steel Industrial Co., Ltd. and Taiwan Generations Corp. are the joint-originators for Fuhai Wind Farm Corporation (Fuhai Corporation). The joint-originators entered into the “Incentive Program of Offshore Wind Power Demonstration System” (“the Government Grant Scheme”) on August 19, 2013, which was granted by the Ministry of Economic Affairs, and committed to be jointly responsible for Fuhai Corporation. The total amount of endorsement/ guarantee provided by the Company amounted to \$886 million. On November 9, 2018, the Board of Directors of the Company during their meeting resolved to cease the endorsement/ guarantee amount to Fuhai Corporation.

Because Fuhai Wind Farm Corporation failed to comply with the regulation of the “Incentive Program of Offshore Wind Power Demonstration System”, the Bureau of Energy exercised the right of performance bond and took back the entire government grant. Accordingly, the Company recognised losses amounting to \$75,000 for the year ended December 31, 2018.

In addition, the Ministry of Economic Affairs claimed past due liquidated damages amounting to \$ 88.6 million from Fuhai Corporation, as a joint-originator of the Incentive Program, the Company was committed to be jointly responsible for Fuhai Corporation. Currently, the case is still ongoing. According to the Company’s designated lawyer, the Ministry of Economic Affairs has not indicated its intention of claiming the liquidated damages from the Company and the Company has not reached the payment stage, therefore, the Company did not estimate the possible losses on liquidated damages.

Fuhai Corporation alleged that the Company did not issue an incentive guarantee of offshore wind power demonstration system based on the Article 1 of Memorandum of Understanding which was signed under mutual agreement, whereby Fuhai Corporation could not apply a government grant of \$0.1 billion from Bureau of Energy. Fuhai Corporation filed a lawsuit to claim an equal compensation for the \$0.1 billion government grant. After the Taiwan Taipei District Court and Taiwan High Court ruled in favour of the Company on March 24, 2020 and August 17, 2021, respectively, Fuhai Corporation filed a third instance appeal. The Supreme Court denied the appeal of Fuhai Corporation on March 3, 2022, and the appeal is affirmed. On May 25, 2022, the Supreme Court sent a notice letter that Fuhai Corporation filed an administrative appeal to Bureau of Energy, Ministry of Economic Affairs, which had been approved, and filed for a retrial. On June 15, 2022, the Supreme Court denied the retrial of the third instance of Fuhai Corporation by the judgement of Tai-Sheng-Zi No. 1724 of 2022 and transferred the case to the Taiwan High Court. According to the judgement of Zhong-Zai-Zi No.20 of 2022, because Fuhai Corporation did not pay the court costs before the due date, the Taiwan High Court ruled the retrial was illegal and denied the retrial on August 1, 2022.

(7) Uni-wagon marine Co., Ltd. purchased a marine hull insurance for its vessel -Natchan Rera from Tokio Marine Nawa Insurance Co., Ltd.. In January 2016, the hull was damaged because of unknown reasons during a repair made by the Company. Tokio Marine Nawa Insurance Co., Ltd. and Uni-wagon marine Co., Ltd. requested compensation payments of NT\$25 million and NT\$15 million, respectively. On May 22, 2019, the Taiwan Keelung District Court rendered a decision against the Company. The Company filed a second instance appeal. On August 25, 2021, the High Court dismissed the appeal. According to the Company’s designated lawyer, the Company had strict liability on the damage of the hull which resulted from the ship colliding with the dock after the rope disconnected. The Company has filed a third instance appeal for remedy. Thus, the original ruling has not yet been determined and the amount of loss to the Company cannot be ascertained.

Since the aforementioned compensation claim is covered by the Company's ship repairer liability insurance, the second instance ruling, which ruled against the Company and held the Company liable for compensation, had no material impact on the Company's operations.

(8) Refer to Note 7 for the endorsements/guarantees provided by the Company to others.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 16, 2023, the Board of Directors of the Company approved to provide endorsements/guarantees in the amounts of NT\$110 million and EUR 96.42 million, totalling NT\$ 3.23 billion, to CSBC-DEME Wind Engineering Co., Ltd. for the business requirement.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Following the industry practices, the Company uses gearing ratio to control capital.

The Company's policy is to maintain a stable gearing ratio. Ratios are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gearing ratio	<u>79%</u>	<u>69%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ -</u>	<u>\$ 21,044</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,252,256	\$ 2,597,123
Financial assets at amortised cost	15,441	16,841
Accounts receivable (including related parties)	1,303,416	2,018,946
Other receivables (including related parties)	138,201	10,221
Guarantee deposits paid	<u>238,691</u>	<u>162,918</u>
	<u>\$ 3,948,005</u>	<u>\$ 4,806,049</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	\$ 15,896	\$ 7,045
Financial liabilities at amortised cost		
Short-term borrowings	\$ 7,004,580	\$ 2,795,834
Short-term notes and bills payable	3,598,654	3,599,104
Notes payable	-	32,400
Accounts payable (including related parties)	1,182,491	887,983
Other payables	1,126,343	1,179,657
Corporate bonds payable	1,775,013	1,760,726
Long-term borrowings	6,995,805	2,548,831
Long-term notes and accounts payable	717,121	705,134
Guarantee deposits received	247,340	257,669
	<u>\$ 22,647,347</u>	<u>\$ 13,767,338</u>
Lease liability	<u>\$ 3,217,315</u>	<u>\$ 3,454,190</u>

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as cross currency swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

For supervising management, the Board of Directors has set related rules to authorize the management to perform daily operations within acceptable risk range and requires the internal audit to inspect the management and report on a regular basis. The internal audit must report to the Board of Directors if there is any unusual situation at any time, and respond to the situations adequately.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The foreign exchange risk is mainly arising from USD and EUR. Management has set up a policy to companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the treasury. Exchange rate risk is measured through a forecast of highly probable USD and EUR revenues and expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting forecast foreign currency income and cost of inventory purchases.

- ii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	\$ 86,749	30.66	\$ 2,659,724
Financial liabilities			
Monetary items			
USD:NTD	1,019	30.76	31,344
EUR:NTD	587	32.92	19,324

December 31, 2021			
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	\$ 94,470	27.63	\$ 2,610,206
Financial liabilities			
Monetary items			
USD:NTD	208	27.73	5,768
EUR:NTD	5,870	31.52	185,022

- iii. If NTD had appreciated/ depreciated by 1% against USD and EUR with all other variables held constant, effect to post-tax profit (loss) is as follows:

Years ended December 31,		
If NTD had appreciated/ depreciated by 1% against tax	2022	2021
Increase (decrease) in net profit (loss) after tax	\$ 20,872	\$ 19,355

- iv. The net exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$271,482 and (\$36,301), respectively.

Price risk

The Company is not exposed to significant commodity price risk.

Interest rate risk

- i. The convertible bonds issued by the Company are zero-interest bonds with conversion options, and its fair value is affected by the stock price volatility. Based on the assessment, there is no material change in interest rate that would expose the Company to cash flow risk.
- ii. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. If the interest rate had increased/decreased by 0.25% with all other variables held constant, cash flows for the years ended December 31, 2022 and 2021 would have increased/decreased by \$17,500 and \$6,375, respectively.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other receivables based on the agreed terms. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at amortised cost

The Company only trades with counterparties with good credit, in accordance with the Company's transaction policies. There is no recent violation of significant cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at amortised cost.

Contract assets, accounts receivable and other receivables

- i. The Company appointed external agency to perform proper credit investigations for customers before signing the contracts of shipbuilding, vessel construction and machinery manufacturing. The results of the credit investigations were low risk, therefore, the credit risks of relevant receivables (primarily under accounts receivable or contract assets) were low risk.
- ii. The Company's contract assets and accounts receivable were due from government (including state-owned enterprises) and general business. To maintain the quality of the accounts receivable and contract assets, the Company has established credit risk management procedures for operating. The Company considered customers' financial status, historical trading record and future economic condition in accordance with types of customer, and took into account factors that may influence customers' ability to pay to assess the credit quality of customers. The Company estimated expected credit loss by individual assessment.
- iii. In line with credit risk management procedure, when the counterparty failed to fulfil the mutual agreements nor to conduct negotiation, the default has occurred.

- iv. As of December 31, 2022 and 2021, the expected loss rates of not past due accounts receivable and contract assets were 1% and 0.455% , 1% and 0.04%, respectively.

After considering the counterparties' financial status, historical experience and other factors, the expected credit loss based on the individual assessment both amounted to \$315,838 as of December 31, 2022 and 2021.

- v. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	2022		
	Accounts receivable	Contract assets	Total
At January 1	\$ 325,450	\$ 191,305	\$ 516,755
Provision for impairment loss	3,241	18,203	21,444
At December 31	<u>\$ 328,691</u>	<u>\$ 209,508</u>	<u>\$ 538,199</u>
	2021		
	Accounts receivable	Contract assets	Total
At January 1	\$ 317,626	\$ 192,121	\$ 509,747
Provision for (reversal of) impairment loss	7,824	(816)	7,008
At December 31	<u>\$ 325,450</u>	<u>\$ 191,305</u>	<u>\$ 516,755</u>

For the years ended December 31, 2022 and 2021, the expected credit gains (losses) arising from accounts receivable and contract assets generated from customers' contracts amounted to (\$21,444) and (\$7,008), respectively.

- vi. As of December 31, 2022 and 2021, the balances of receivables and contract assets from the top three counterparties amounted to \$4,534,022 and \$3,942,596, respectively. The credit risk concentration occurs when the ability of counterparties to meet its contractual obligations is affected by changes in economic or other conditions.

(c) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 7,009,480	\$ -	\$ -	\$ -
Short-term notes payable	3,600,000	-	-	-
Payables	2,575,355	676,444	443,420	155,155
Lease liability	269,504	272,504	707,274	2,367,279
Corporate bonds payable	-	-	1,806,300	-
Long-term borrowings	74,966	3,074,966	4,206,157	-
	<u>\$ 13,529,305</u>	<u>\$ 4,023,914</u>	<u>\$ 7,163,151</u>	<u>\$ 2,522,434</u>
Derivative financial liabilities:				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,896</u>	<u>\$ -</u>

December 31, 2021:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 2,796,211	\$ -	\$ -	\$ -
Short-term notes payable	3,600,000	-	-	-
Payables	2,373,167	704,507	463,325	154,300
Lease liability	273,379	273,379	759,760	2,586,887
Corporate bonds payable	-	-	1,806,300	-
Long-term borrowings	-	-	2,550,000	-
	<u>\$ 9,042,757</u>	<u>\$ 977,886</u>	<u>\$ 5,579,385</u>	<u>\$ 2,741,187</u>
Derivative financial liabilities:				
Options embedded in convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,045</u>	<u>\$ -</u>

The Company and many public and private financial institutions entered into comprehensive credit facility contracts whereby the undrawn borrowings facilities are sufficient for its future operating activities and to fulfill its capital commitments.

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3 : Unobservable inputs for the asset or liability. Call and put options embedded in convertible bonds are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes payable, notes payable, accounts payable (including related parties), other payables, bonds payable, long-term borrowings, long-term notes and accounts payable, guarantee deposits received and lease liability are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets: None.				
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	\$ -	\$ -	\$ 15,896	\$ 15,896

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Cross currency swap	\$ -	\$ 21,044	\$ -	\$ 21,044
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	\$ -	\$ -	\$ 7,045	\$ 7,045

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. Derivative financial instruments - cross currency swap contracts are valued by adopting the valuation information provided by the counterparty bank. The counterparty uses the discounted cash flow method to estimate the future cash flows based on observable exchange rates at the end of the year and contract exchange/interest rates and discount separately at discount rates that reflect the credit risk of each counterparty.
- ii. Certain inputs used in the valuation model for measuring the fair value of the Company's debt instruments with embedded derivatives in are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022	2021
	<u>Derivative instrument</u>	<u>Derivative instrument</u>
At January 1	\$ 7,045	\$ 5,995
Losses recognised in profit or loss		
Recorded as non-operating income and expenses	8,851	1,989
Converted in the year	-	(939)
At December 31	<u>\$ 15,896</u>	<u>\$ 7,045</u>
Movement of unrealised loss in profit or loss of liabilities held as at December 31, 2022 and 2021 (Note)	<u>\$ 8,851</u>	<u>\$ 1,989</u>

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2022 and 2021, there were no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Input	Range (weighted average)
Hybrid instrument:				
Options embedded in convertible	\$ 15,896	Binary tree convertible bond valuation model	Stock price	19.50
			Volatility	30.23%
			Risk discount rate	1.4908%
	Fair value at December 31, 2021	Valuation technique	Input	Range (weighted average)
Hybrid instrument:				
Options embedded in convertible	\$ 7,045	Binary tree convertible bond valuation model	Stock price	21.95
			Volatility	43.88%
			Risk discount rate	0.5526%

The lower the stock price, the lower the redemption value; the higher the volatility, the higher the redemption value; the higher the risk discount rate, the lower the redemption value. Thus, the redemption value for the year decreased (redemptions are financial assets of the issue company). Put options are also affected by the change in stock price, volatility and risk-free interest rate. The lower the stock price, the higher the put option value; the higher the volatility, the lower the put option value; the higher the risk discount rate, the higher the put option value. Thus, the put option value for the year increased (put options are financial liabilities of the issue company).

- J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022		
		Recognised in profit or loss		
	Input	Change	Favourable change	Unfavourable change
Financial liabilities				
Hybrid instrument	Stock price volatility	±5%	\$ 1,626	(\$ 2,168)
		December 31, 2021		
		Recognised in profit or loss		
	Input	Change	Favourable change	Unfavourable change
Financial liabilities				
Hybrid instrument	Stock price volatility	±5%	\$ 181	(\$ 1,626)

(4) Other information

Due to the COVID-19 pandemic and various epidemic prevention measures imposed by the government, the Company reduced contact between employees and risk of cross infection in compliance with the relevant measures announced by the Central Epidemic Command Centre and the relevant epidemic prevention regulations of the Communicable Disease Control Act. The pandemic had no significant impact on the Group's overall operations and financial position.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2) for the information.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: None.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

None.

CSBC CORPORATION TAIWAN

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Other receivables-related parties	Y	\$ 210,000	\$ 210,000	\$ 130,000	2.44%	For short-term financing	-	Operating turnover	-	Promissory note	\$ 210,000	\$ 980,994	\$ 3,923,979	Note 2

Note 1:The code represents the nature of loans as follows:

- (1) The Company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2:The Company's "Procedures for Provision of Loans" are as follows:

- (1) For borrowers, the Company should not loan to any shareholders or others, except for subsidiaries or investees that require short-term financing for business requirement.
- (2) Ceiling on total loans granted is 40% of the Company's net assets.
- (3) Limit on loans granted to a single party is 10% of the Company's net assets. However, loans to directly or indirectly wholly-owned subsidiaries of the Company are not limited.

CSBC CORPORATION TAIWAN

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being	Limit on	Maximum	Outstanding		Amount of	Ratio of accumulated	Ceiling on	Provision of	Provision of	Footnote	
			endorsed/guaranteed	endorsements/ guarantees provided for a single party (Note 2)	outstanding endorsement/ guarantee amount as of December 31, 2022	endorsement/ guarantee amount at December 31, 2022	endorsements/ guarantees secured with collateral	endorsement/guarantee amount to net asset value of asset value of the endorser/guarantor guarantor company	total amount of endorsements/ guarantees provided		endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees by subsidiary to parent company		endorsements/ guarantees to the party in Mainland China
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	2	\$ 68,669,636	\$ 530,000	\$ 530,000	\$ 500,000	\$ -	5%	\$ 78,479,584	Y	N	N	Note 3
0	CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	2	68,669,636	28,908,120	28,908,120	-	-	295%	78,479,584	N	N	N	Note 3, 4

Note 1: The explanation for colum "Number" is as follow:

(1) Fill "0" for the Issuer.

(2)The investee company is numbered sequentially starting with Arabic numeral 1 for each entity.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: The regulations on the endorsement/guarantees provided by the Company to others are as follows:

(1) Ceiling on total amount of endorsements/guarantees provided by the Company: No higher than 800% of the Company’s net assets.

(2) Limit on endorsements/guarantees provided by the Company for a single party: No higher than 700% of the Company’s net assets.

For companies having business relationship with the Company, limit on the amount of endorsements/guarantees is the amount of business transactions occurred between the creditor and borrower. The amount of the transactions is the higher value of purchasing and selling during current year on the year of financing.

Note 4: The guarantee which was denominated in foreign currency was EUR 883.5 million. The exchange rate of translation into New Taiwan dollars at the financial reporting date was 32.72.

CSBC CORPORATION TAIWAN

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Total notes/accounts receivable	
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Other related parties	Sale	(1,768,669)	(8.13%)	Note 1	Note 1	Note 1	-	-	Note 2
CSBC Corporation, Taiwan	China Steel Express Corporation	Other related parties	Purchases	(204,000)	(0.94%)	Note 1	Note 1	Note 1	-	-	Note 3
CSBC Corporation, Taiwan	China Steel Corporation	Corporate Director	Sale	448,291	4.59%	Note 1	Note 1	Note 1	-	-	Note 3
CSBC Corporation, Taiwan	CSBC Coating Solution Co., Ltd.	Subsidiary	Purchases	166,297	1.70%	Note 1	Note 1	Note 1	(6,430)	(0.54%)	-
CSBC Corporation, Taiwan	Blue Ace Corporation	Subsidiary	Purchases	121,582	1.24%	Note 1	Note 1	Note 1	(2,105)	(0.18%)	-

Note 1: Based on the contract, the payment terms is the same as in general transactions.

Note 2: The contract assets from CSBC-DEME Wind Engineering Co., Ltd. amounted to \$1,643,123.

Note 3: It was dismissed due to the expiry of term of office on June 22, 2022. Please refer to Note 7 for details.

CSBC CORPORATION TAIWAN

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2022

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Parent company	\$ 130,000	-	\$ -	-	\$ -	-

CSBC CORPORATION TAIWAN

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Outsourcing expenses	\$ 166,297	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Property, plant and equipment	90,587	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Prepayments of suppliers	53,982	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Sales revenue	28,723	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Accounts payable	6,430	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	121,582	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	2,105	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Technology Co., Ltd	Parent company to subsidiary	Other receivable (Loans to others)	130,000	Note 5	-
1	CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	44,394	Note 4	-
1	CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	22,093	Note 4	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts, based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Based on the contract, the payment terms is the same as in general transactions.

Note 5: The terms and conditions of loans to subsidiary are that the facility of first drawn is repayable in 1 year and the interest was calculated at floating rate (2.44%). For the year ended December 31, 2022, the interest received was \$676.

CSBC CORPORATION TAIWAN

Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee	income(loss)	
									for the year ended December 31, 2022	recognised by the Company for the year ended December 31, 2022	
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Taiwan	Installation of cable, lease of ships, and contracting of ships services	\$ 1,549,500	\$ 1,549,500	15,651,515	50.00	\$ 1,425,111	(\$ 60,612)	(\$ 30,306)	Note 1
CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd.	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	125,000	125,000	15,471,504	100.00	207,141	28,426	28,426	Note 1
CSBC Corporation, Taiwan	CSBC Power Technology Co., Ltd.	Taiwan	Manufacturing of ships and its components etc.	62,550	45,000	6,500,000	86.67	23,906	(38,209)	(16,489)	Note 1
CSBC Corporation, Taiwan	Taiwan International Windpower Training Corporation Ltd.	Taiwan	Research and development, energy technology service	12,000	12,000	1,200,000	12.00	12,284	6,845	821	Note 1
CSBC Corporation, Taiwan	Taiwan Offshore Wind Farm Services Corporation	Taiwan	Manufacturing of metal structure, building component, power generation and others	4,000	4,000	400,000	40.00	-	(854)	-	Note 1
CSBC Corporation, Taiwan	Fuhai Wind Farm Corporation	Taiwan	Wind power industry	178,156	178,156	15,000,000	31.44	-	(40,017)	-	Note 1
CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	25,000	25,000	-	100.00	29,656	3,971	-	Note 2
CSBC Coating Solutions Co., Ltd	CSBC Construction Co., Ltd.	Taiwan	Building construction	20,149	-	-	100.00	20,208	59	-	Note 2
CSBC Coating Solutions Co., Ltd	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Hong Kong	Marine works services	304	304	100	100.00	(142)	(169)	-	Note 2

Note 1 : Please refer to Note 6(7) for details about investments accounted for under equity method.

Note 2 : The amount has been included in the profit (loss) of the Company's investee accounted for using equity method and has been recognised as gain (loss) on investment.

CSBC CORPORATION TAIWANMajor shareholders informationDecember 31, 2022

Table 7

Name of major shareholders	Number of shares held	Shares
		Ownership (%)
Financing Investment Venture Capital	136,032,305	14.59%
Ministry of Economic Affairs, R.O.C.	105,070,366	11.27%
Yao Hua Glass Co., Ltd. Management Committee	64,603,733	6.93%
National Defense Industrial Development Foundation	53,571,428	5.74%

Description: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may differ from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information on reported share equity of insiders, please refer to the Market Observation Post System.

(3) The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

(4) Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

(5) Total shares transferred in dematerialised form (including treasury shares) amounted to 931,787,296 shares= 931,787,296 common shares+0 preference shares.

CSBC CORPORATION, TAIWAN
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022

Statement 1

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and revolving funds		\$ 410
Cash in banks	Demand deposits denominated in NTD	560,674
	Demand deposits denominated in USD (USD 10 thousand with exchange rate at 30.66)	297
	Time deposits denominated in USD (USD 55,149 thousand with exchange rate at 30.66, interest rate: 4.20%~4.27%, maturity date: 2023.01)	1,690,875
		<u>\$ 2,252,256</u>

CSBC CORPORATION, TAIWAN
CONTRACT ASSETS STATEMENTS
DECEMBER 31, 2022

Statement 2

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer D	Income from warships manufacturing	\$ 1,704,483	
Customer 3	Income from ships manufacturing	720,720	
Others		177,229	Balance of individual accounts has not exceeded 5% of total account balance
		<u>2,602,432</u>	
Less: Loss allowance		(<u>11,842</u>)	
		<u>2,590,590</u>	
Related parties:			
CSBC - DEME Wind Engineering Co., Ltd.	Income from ships manufacturing	\$ 1,643,123	
Fuhai Wind Farm Corporation	Income from machine manufacturing	<u>190,190</u>	
		1,833,313	
Less: Loss allowance		(<u>197,666</u>)	
		<u>1,635,647</u>	
		<u>\$ 4,226,237</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2022

Statement 3

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer 7	Income from ships manufacturing	\$ 919,800	
Customer D	Income from warships manufacturing	266,616	
Customer I	Income from warships manufacturing	110,000	
Others		251,435	Balance of individual accounts has not exceeded 5% of total account balance
		<u>1,547,851</u>	
Less: Loss allowance		(<u>328,308</u>)	
		<u>1,219,543</u>	
Related parties:			
CPC Corporation, Taiwan	Income from ships repairing	\$ 84,256	
Less: Loss allowance		(<u>383</u>)	
		<u>\$ 83,873</u>	

CSBC CORPORATION, TAIWAN

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

Statement 4

Expressed in thousands of NTD

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$ 5,262,770	\$ 5,225,499	Measured by lower of cost and net realizable value
Work in progress and under repair	<u>282,543</u>	<u>282,543</u>	
	5,545,313	<u>\$ 5,508,042</u>	
Less: Allowance of valuation loss	(<u>37,271</u>)		
	<u>\$ 5,508,042</u>		

CSBC CORPORATION, TAIWAN

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 5

Expressed in thousands of NTD

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Valuation	
	No. of		No. of		No. of		No. of		Ownership	Unit Price		Basis	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	(NT\$)	Total Amount		
CSBC - DEME Wind Engineering Co., Ltd.	15,651,515	\$ 1,455,417	-	\$ -	-	\$ (30,306)	15,651,515	50.00%	\$ 1,425,111	\$ 91.05	\$ 1,425,111	Equity method	None
CSBS Coating Solutions Co., Ltd.	14,832,076	178,715	639,428	28,426	-	-	15,471,504	100.00%	207,141	13.39	207,141	Equity method	None
CSBC Power Technology Co., Ltd.	4,500,000	39,476	2,000,000	919	-	(16,489)	6,500,000	86.67%	23,906	3.68	23,906	Equity method	None
Taiwan International Windpower Training Corporation Ltd.	1,200,000	11,463	-	821	-	-	1,200,000	12.00%	12,284	10.24	12,284	Equity method	None
Taiwan Offshore Wind Farm Services Corporation	400,000	-	-	-	-	-	400,000	40.00%	-	-	-	Equity method	None
Fuhai Wind Farm Corporation	15,000,000	-	-	-	-	-	15,000,000	31.44%	-	-	-	Equity method	None
Total		<u>\$ 1,685,071</u>		<u>\$ 30,166</u>		<u>\$ (46,795)</u>			<u>\$ 1,668,442</u>		<u>\$ 1,668,442</u>		

For increase and decrease during the year, please refer to Note 6(7) investments accounted for using equity method for details.

CSBC CORPORATION, TAIWAN

STATEMENT OF CHANGES IN COST OF RIGHT-OF-USE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 6

Expressed in thousands of NTD

<u>Items</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Note</u>
Land	\$ 3,507,137	\$ -	(\$ 13,915)	\$ 3,493,222	
Building and structures	119,439	3,721	-	123,160	
Transportation equipment	502,891	7,662	-	510,553	
Total	<u>\$ 4,129,467</u>	<u>\$ 11,383</u>	<u>(\$ 13,915)</u>	<u>\$ 4,126,935</u>	

For increase and decrease during the year, please refer to Note 6(9) lease transaction- lessee for details.

CSBC CORPORATION, TAIWAN

STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 7

Expressed in thousands of NTD

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Note</u>
Land	\$ 496,736	\$ 161,860	\$ -	\$ 658,596	
Building and structures	39,294	13,978	-	53,272	
Transportation equipment	194,171	70,424	-	264,595	
	<u>\$ 730,201</u>	<u>\$ 246,262</u>	<u>\$ -</u>	<u>\$ 976,463</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022

Statement 8

Expressed in thousands of NTD

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral
Bank's unsecured borrowings						
Taiwan Cooperative Bank		\$ 2,500,000	2022/12/14 ~ 2023/01/13	2.00%	Note 1	None
Taiwan Cooperative Bank and other syndicate banks		1,326,000	2022/12/23 ~ 2023/12/21	2.13%	Note 2	None
Bank of Taiwan		1,000,000	2022/11/08 ~ 2023/02/06	1.68%	Note 3	None
First Commercial Bank Co., Ltd.		700,000	2022/10/28 ~ 2023/01/18	1.75%	Note 4	None
Taiwan Business Bank		700,000	2022/10/26 ~ 2023/01/19	1.78%	Note 5	None
CTBC Bank		500,000	2022/12/07 ~ 2023/03/07	1.75%	Note 6	None
E.SUN Commercial Bank		130,000	2022/10/11 ~ 2023/01/11	2.30%	Note 7	None
Land Bank		95,000	2022/10/28 ~ 2023/01/19	1.72%	Note 8	None
		<u>6,951,000</u>				
Letter of credit for purchasing material from banks						
Cathay United Bank		24,778	2022/12/14 ~ 2023/12/14	2.31% ~ 4.82%	Note 9	None
Bank of Taiwan		11,050	2022/04/08 ~ 2023/04/08	5.99%	Note 3	None
Mega International Commercial Bank		4,153	2022/01/15 ~ 2023/01/14	5.15%	Note 10	None
First Commercial Bank Co., Ltd.		4,063	2022/04/28 ~ 2023/04/28	5.60%	Note 4	None
Taiwan Cooperative Bank		3,909	2022/11/21 ~ 2023/11/21	0.67% ~ 2.55%	Note 1	None
Chang Hwa Commercial Bank		3,807	2022/09/30 ~ 2023/09/30	5.68%	Note 11	None
E.SUN Commercial Bank		1,820	2022/03/17 ~ 2023/03/17	5.44%	Note 7	None
		<u>53,580</u>				
		<u>\$ 7,004,580</u>				

Note 1: Finance facility from banks including letter of credit and short-term loans amounted to \$4,000,000.

Note 2: Finance facility from banks including letter of credit and short-term loans amounted to \$3,750,000.

Note 3: Finance facility from banks including letter of credit, short-term loans and guarantee deposits amounted to \$5,300,000.

Note 4: Finance facility from banks including letter of credit and guarantee deposits amounted to \$3,500,000.

Note 5: Finance facility from banks including short-term loans amounted to \$700,000.

Note 6: Finance facility from banks including letter of credit, short-term loans and bills of exchange amounted to \$600,000.

Note 7: Finance facility from banks including letter of credit, short-term loans and bills of exchange amounted to \$1,000,000.

Note 8: Finance facility from banks including letter of credit and short-term loans amounted to \$100,000.

Note 9: Finance facility from banks including letter of credit and short-term loans amounted to USD 60 thousand.

Note 10: Finance facility from banks including letter of credit, guarantee deposits and overdrafts amounted to \$3,500,000.

Note 11: Finance facility from banks including letter of credit, short-term loans and bills of exchange amounted to \$2,000,000.

CSBC CORPORATION, TAIWAN
STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2022

Statement 9

Expressed in thousands of NTD

Item	Guarantor or Accepting Institution	Contract Period	Range of Interest Rate	Amount			Note
				Issuance Amount	Unamortized Discounts	Carrying Amount	
Commercial paper payable	International Bill Finance Corporation	2022/11/22-2023/01/05	1.56%	\$ 800,000	(\$ 137)	\$ 799,863	
	China Bills Finance Corporation	2022/11/25-2023/01/16	1.50%	700,000	(432)	699,568	
	"	2022/12/07-2023/01/17	1.50%	300,000	(197)	299,803	
	MEGA Bills Finance Co., Ltd.	2022/12/08-2023/01/06	2.09%	600,000	(172)	599,828	
	"	2022/12/07-2023/01/04	2.09%	600,000	(103)	599,897	
	Grand Bills Finance Corporation	2022/11/18-2023/01/16	1.65%	300,000	(203)	299,797	
	Ta Ching Bills Finance Corporation	2022/11/04-2023/01/03	2.00%	200,000	(20)	199,980	
	"	2022/11/18-2023/01/16	1.80%	100,000	(82)	99,918	
				<u>\$ 3,600,000</u>	<u>(\$ 1,346)</u>	<u>\$ 3,598,654</u>	

CSBC CORPORATION, TAIWAN
CONTRACT LIABILITIES STATEMENTS
DECEMBER 31, 2022

Statement 10

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer 5	Income from warships manufacturing	\$ 6,625,516	
Customer D	Income from warships manufacturing	401,463	
Others		398,126	Balance of individual accounts has not exceeded 5% of total account balance
		<u>7,425,105</u>	
Related parties:			
CPC Corporation, Taiwan	Income from ships repairing	<u>261,905</u>	
		<u>\$ 7,687,010</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2022

Statement 11

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Far Lan Machinery Corporation		\$ 40,427	
Tzong Wan Engineering Co., Ltd.		28,331	
Jin Ching Machinery Co., Ltd.		23,908	
Others		1,078,625	Balance of individual accounts has not exceeded 3% of total account balance
		<u>\$ 1,171,291</u>	
Related parties:			
CSBS Coating Solutions Co., Ltd.		\$ 6,430	
CPC Corporation, Taiwan		2,665	
BLUE ACE CORPORATION		<u>2,105</u>	
		<u>\$ 11,200</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2022

Statement 12

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary and bonus payable		\$ 684,334	
Commission payable		74,835	
Other accrued expenses		317,995	
Others		49,179	Balance of individual accounts has not exceeded 5% of total account balance
		<u>\$ 1,126,343</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2022

Statement 13

Expressed in thousands of NTD

Amount												
Bonds Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate	Total Issuance Amount	Repayment Paid or Transferred	Outstanding Balance	Unamortized Premiums (Discounts)	Carrying Amount	Repayment Term	Collateral	Note
Domestic first secured convertible corporate bond	TAIPEI FUBON COMMERCIAL BANK CO., LTD	2020.2.24	-	Note 1	\$ 2,000,000	(\$ 193,700)	\$ 1,806,300	(\$ 31,287)	\$ 1,775,013	Note 1	Note 2	
Less: Maturity within one year									-			
									<u>\$ 1,775,013</u>			

Note 1: Please refer to Note 6(17) for details.

Note 2: CHANG HWA COMMERCIAL BANK, LTD. was commissioned to guarantee the corporate bond.

CSBC CORPORATION, TAIWAN
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022

Statement 14

Expressed in thousands of NTD

(A) Long-term bank borrowings

Creditor	Description	Amount (in thousands)	Contract Period	Interest Rate	Collateral	Note
Unsecured borrowings						
Syndicated loan of several banks consisting of Bank of Taiwan	Note	<u>\$ 4,000,000</u>	2022/5/16~ 2027/9/27	1.80%~1.95%	None	

Note: The revolving credit line for bank borrowings amounted to \$4 billion. The credit term is 5 years from the first drawing date with 180 days at the most for each drawing. The principal of the borrowing is repayable in a lump sum amount at maturity. The borrower can directly repay the loan principal that is originally expired with the new drawn loan, without actually remitting funds.

(B) Commercial paper payables

Item	Guarantor or Accepting Institution	Contract Period	Range of Interest Rate	Amount			Note
				Unamortized Issuance Amount	Discounts	Book Value	
Commercial paper payable	MEGA Bills Finance Co., Ltd.	2021/09/24~ 2024/12/15	1.44%~1.46%	\$ 1,000,000	(\$ 1,930)	\$ 998,070	None
	Taishin International Bank Co. Ltd.	2021/06/21~ 2024/12/20	1.27%	800,000	(446)	799,554	None
	China Bills Finance Corporation	2021/09/26~ 2024/10/25	1.27%	700,000	(806)	699,194	None
	International Bill Finance Corporation	2021/06/22~ 2024/06/21	1.37%	500,000	(1,013)	498,987	None
				<u>\$ 3,000,000</u>	<u>(\$ 4,195)</u>	<u>\$ 2,995,805</u>	

Note: Revolving issuance of commercial paper which has contract periods of 2~3 years and shown as long-term borrowings. Please refer to Note 6(18) for details.

CSBC CORPORATION, TAIWAN
STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022

Statement 15

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Lease Period</u>	<u>Discount Rate</u>	<u>Ending Balance</u>	<u>Note</u>
Land		2006.01.01~2045.12.31	1.21%	\$ 2,888,439	
Buildings and structures		2011.10.01~2027.12.31	1.21%	72,768	
Transportation equipment	Terminal facilities	2011.10.01~2027.12.31	1.21%	<u>256,108</u>	
				3,217,315	
		Less: Maturity within one year		(<u>269,504</u>)	
				<u>\$ 2,947,811</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2022

Statement 16

Expressed in thousands of NTD

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Construction contract revenue			
Income from warships manufacturing		\$ 15,330,882	
Income from ships manufacturing		5,167,993	
Income from ships repairing		1,163,687	
Others		88,712	Balance of individual accounts has not exceeded 3% of total account balance
		<u>\$ 21,751,274</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022

Statement 17

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Direct raw materials		\$ 12,714,423	
Direct labor		1,354,694	
Manufacturing expense		<u>7,804,321</u>	
Input cost in manufacture and repair in the year		21,873,438	
Add: Beginning work in progress and under repair		106,593	
Others		3,210,023	
Less: Ending work in progress and under repair		(<u>282,543</u>)	
		<u>\$ 24,907,511</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF MANUFACTURING EXPENSE
YEAR ENDED DECEMBER 31, 2022

Statement 18

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Subcontractors' fees		\$ 2,621,546	
Salary		1,494,012	
Depreciation		877,964	
Professional service expense		696,880	
Others		2,113,919	Balance of individual accounts has not exceeded 5% of total account balance
		<u>\$ 7,804,321</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2022

Statement 19

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary		\$ 38,177	
Professional service expense		6,299	
Subcontractors' fees		3,487	
Others		12,789	Balance of individual accounts has not exceeded 5% of total account balance
		<u>\$ 60,752</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022

Statement 20

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary		\$ 139,863	
Professional service expense		43,579	
Employee training expense		40,357	
Others		113,693	Balance of individual accounts has not exceeded 5% of total account balance
		<u>\$ 337,492</u>	

CSBC CORPORATION, TAIWAN
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022

Statement 21

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary		\$ 47,772	
Professional service expense		43,250	
Material		9,212	
Others		9,636	Balance of individual accounts has not exceeded 5% of total account balance
		<u>\$ 109,870</u>	

CSBC CORPORATION, TAIWAN
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS,
DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2022

Statement 22

Expressed in thousands of NTD

Classification	Year ended December 31, 2022			
	Classified as cost of sales	Classified as operating expenses	Non-operating expenses	Total
Employee benefit expenses	\$ 3,165,780	\$ 278,920	\$ -	\$ 3,444,700
Wages and salaries	2,651,015	225,812	-	2,876,827
Labor and health insurance fees	240,274	25,088	-	265,362
Pension costs	219,471	20,740	-	240,211
Board compensation	-	3,051	-	3,051
Others	55,020	4,229	-	59,249
Depreciation expense	877,964	19,195	680	897,839
Amortization expense	20,148	-	-	20,148

Classification	Year ended December 31, 2021			
	Classified as cost of sales	Classified as operating expenses	Non-operating expenses	Total
Employee benefit expenses	\$ 3,331,273	\$ 299,342	\$ -	\$ 3,630,615
Wages and salaries	2,689,754	231,873	-	2,921,627
Labor and health insurance fees	246,160	26,491	-	272,651
Pension costs	219,912	22,152	-	242,064
Board compensation	-	3,166	-	3,166
Employee stock options	120,145	8,673	-	128,818
Others	55,302	6,987	-	62,289
Depreciation expense	878,306	18,325	679	897,310
Amortization expense	12,125	-	-	12,125

Note:

- A. As of December 31, 2022 and 2021, the Company had 3,046 and 3,088 employees respectively, including 10 non-employee directors for both years.
- B.(a) For the years ended December 31, 2022 and 2021, average employee benefit expense was \$1,131 and \$1,187, respectively.
- (b) For the years ended December 31, 2022 and 2021, average employee salary was \$945 and \$956, respectively.
- (c) Changes of adjustments of average employees' salary was (1.17%).
- (d) For the years ended December 31, 2022 and 2021, supervisors' remuneration was both \$(Note).
- (e) The Company has a salary and remuneration committee which sets and periodically reviews directors' and managers' performance assessment standards, annual and long-term performance target and policies, mechanics, standards and structures of salary and remuneration, periodically assesses the achievement of directors' and managers' performance targets and set the content and amount of salary and remuneration based on the assessment results from the performance assessment standards.

In accordance with the Articles of Incorporation, the remuneration of the Company's directors and supervisors, a ratio of distributable profit of the current year, if any, shall be appropriated as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1~5% for employees' compensation which can be in the form of shares or in cash and shall not be higher than 1% for directors' remuneration.

If the Company has an accumulated deficit, earnings should be reserved to cover deficit.

The employees' salaries include base salaries, rewards for hard working employees and full attendance bonuses. Base salaries are determined according to a point-based salary scale. Base salaries paid to employees below the deputy general manager level may differ because of their responsibilities, nature of job, promotions or job transfers. To meet the Company's administrative needs, the point-based salary scale is set out using the position classification and the position evaluation procedures to determine the rank/value of the position and its corresponding salary range. Jobs related to engineering and management are evaluated based on the position classification. Jobs related to providing techniques and services are evaluated based on the position evaluation. The conversion ratio of salary points to salaries is determined by reference to the salary situation in the market and adjusted based on the Company's operational situation.

Note: The Company has an audit committee, thus, there was no remuneration of supervisors.

CSBC CORPORATION, TAIWAN

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