

Stock Code: 2010



Chun Yuan Steel Industry Co., Ltd.

2022 Annual Report

Printed on March 31, 2023

Annual report is available at <https://mops.twse.com.tw>

<https://www.cysco.com.tw>

Notice to readers :

This is an English translation of the annual report (Chinese version), prepared by CHUN YUAN STEEL INDUSTRY CO., LTD. (the “Company”). If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail. This translation is intended for reference only and nothing else , the company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese version of the annual report shall govern any and all matters related to the interpretation of the subject matter stated herein.

I. Spokesperson/deputy spokesperson

Name: Hung, Shih-Min / Lin, Wei-Cheng

Title: President / Vice President

Tel.: (02)2501-8111

Email: jim@cysco.com.tw / weicheng@cysco.com.tw

II. Address and telephone of headquarter, plants, and business offices

Headquarter	6 and 7F., No.502, Fuxing N. Rd., Jhongshan Dist., Taipei City	Tel.: (02)2501-8111
Commercial Steel Xizhi Plant	No. 565, Sec. 3, Datong Rd., Xizhi Dist., New Taipei City	Tel.: (02)8648-6111
Commercial Steel Kaohsiung Plant	No.5, Shiquan Rd., Xiaogang Dist., Kaohsiung City	Tel.: (07)802-2187
Commercial Steel Tucheng Branch office	No.3, Ziyou St., Tucheng Dist., New Taipei City	Tel.: (02)2268-5209
Commercial Steel Taoyuan Branch office	No.299, Nanshang Rd., Guishan Dist., Taoyuan City	Tel.: (03)352-4363
Commercial Steel Xizhi Branch office	No. 565, Sec. 3, Datong Rd., Xizhi Dist., New Taipei City	Tel.: (02)8647-7096
Commercial Steel Hsinchu Branch office	No. 5, Ln. 374, Niupu S. Rd., Xiangshan Dist., Hsinchu City	Tel.: (03)538-5163
Commercial Steel Tainan Branch office	No. 329, Anxin 1st Rd., Anding Dist., Tainan City	Tel.: (06)593-5905
Commercial Steel Taichung Branch office	No. 20, Gongyequ 37th Rd., Xitun Dist., Taichung City	Tel.: (04)2350-3366
Electrical Steel Taichung Plant	No. 13, Gongyequ 25th Rd., Nantun Dist., Taichung City	Tel.: (04)2359-2111
Special Steel Tucheng Branch office	No.51, Rixin St., Tucheng Dist., New Taipei City	Tel.: (02)2262-2276
Special Steel Longtan Branch office	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)480-4462
Special Steel Taichung Branch office	No. 501-1, Wuguang Rd., Wuri Dist., Taichung City	Tel.: (04)2338-4688
Special Steel Tainan Branch office	No. 329, Anxin 1st Rd., Anding Dist., Tainan City	Tel.: (06)593-5828
Special Steel Kaohsiung Branch office	No. 10, Yanhai 2nd Rd., Xiaogang Dist., Kaohsiung City	Tel.: (07)806-0888
Special Steel Strip Rolling Plant	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)489-2131
Automated Storage System Plant	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)489-2131
Steel Structure Longtan Plant	No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	Tel.: (03)489-2131
Steel Structure Kaohsiung Plant	No. 10, Yanhai 2nd Rd., Xiaogang Dist., Kaohsiung City	Tel.: (07)802-2187

III. Share transfer agent

Finance Department, Chun Yuan Steel Industry Co., Ltd.

Address: 4F., No. 502, Fuxing N. Rd., Jhongshan Dist., Taipei City

Tel.: (02)2501-8111 Website: <https://www.cysco.com.tw>

IV. Certifying CPAs for the financial reports of the most recent year:

Name: Wang Wu Chang CPA and Chen Kui Mei CPA

Accounting firm: Crowe (TW) CPAs

Address: 10F., No. 369, Fuxing N. Rd., Taipei City

Tel.: (02)8770-5181

Website: <https://www.crowe.com/tw>

V. Overseas securities exchange: None

VI. Company website: <https://www.cysco.com.tw>

Table of Contents

Report to the Shareholders	1
Company Introduction	
I. Date of incorporation	3
II. Company history	3
Corporate Governance Report	
I. Organizational system	6
II. Information on directors, supervisors, presidents, vice presidents, deputy vice presidents, and managers of divisions and branch units	8
III. Remunerations to directors, supervisors, presidents, and vice presidents in the recent year	12
IV. Status of Corporate Governance	16
V. Information on CPA Professional Fees	43
VI. Information about replacement of CPAs	43
VII. Name of auditing firm or its affiliates at which the Company's chairman, president, or managers responsible for financial or accounting matters was an employee over the past year, their position and employment period	44
VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	45
IX. Relationship information, if among the top ten shareholders any one is a related party or a relative within the second degree of kinship of another	46
X. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any enterprise controlled either directly or indirectly by the Company	47
Information on Capital Raising Activities	
I. Capital and shares	48
II. Issuance of corporate bonds	51
III. Issuance of preference shares	51
IV. Global depository receipts	51
V. Employee share subscription warrants	51
VI. New restricted employee shares	51
VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies	51
VIII. Implementation of the Company's capital allocation plans	51
Overview of Business Operations	
I. Description of business	52
II. Analysis of the market and the production and marketing situation	60
III. Number of employees employed for the preceding two fiscal years, and during the current fiscal year up to the date of publication of the annual report	67
IV. Disbursements for environmental protection	67
V. Labor-Management Relations	67
VI. Cyber Security Management	68
VII. Important contracts	68

Table of Contents

Financial Status

I. Condensed balance sheets, statements of comprehensive income, names of the CPAs and auditor's opinion for the most recent five fiscal years.....	69
II. Financial analyses for the most recent five fiscal years	73
III. Audit Committee's report for the most recent year's financial statement.....	78
IV. Financial statement for the most recent year.....	79
V. The company's individual financial statement for the most recent year, certified by CPAs.....	197
VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the annual report shall explain the impact of said difficulties on the company's financial situation.....	301

Review and analysis of the financial position and financial performance and assessment of risks

I. Financial position.....	302
II. Financial performance.....	303
III. Cash flow	304
IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year.....	305
V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year	305
VI. Risk analysis and assessment.....	307
VII. Other important matters	309

Special Items to Be Included

I. Information related to the affiliates.....	310
II. Private placement of securities during the most recent fiscal year and up to the date of publication of the annual report....	316
III. Holding or disposal of shares in the Company by subsidiaries during the most recent fiscal year and up to the date of publication of the annual report	316
IV. Other matters that require additional description	316
V. Any of the situations listed in article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which may materially affect shareholders' equity or securities prices, has occurred during the most recent fiscal year and up to the date of publication of the annual report	316

Looking back on 2022, it has been a year with drastic changes. Regarding the international situation, the COVID-19 pandemic continuously affected the world, as well as the global supply chain crisis resulted from the Russia-Ukraine War and the US-China wrestling. In addition, inflationary pressures have triggered a cycle of interest rate hikes and monetary tightening, and both have seriously impacted the global economy. Hence, the International Monetary Fund (IMF) revised down the 2022 global GDP growth forecast to 3.4%. In Taiwan, due to the impact of international political and financial turmoils and lockdowns in China, the manufacturing contracted for six consecutive months in the second half of the year, and exports continued to decline for four consecutive months. The Central Bank even revised down the GDP in 2022 to 2.45%.

Facing such an operating environment in 2022, all colleagues of Chun Yuan Steel Industry have strived to deliver a consolidated operating revenue of NT\$ 24.498 billion from both domestic and overseas facilities, with a profit before tax of NT\$794 million.

Looking to 2023, the World Steel Association predicts that the global steel demand is expected to continue to grow by 2.3%, to 1.822 billion tons; with the fully lifted lockdown in China, the World Bank predicts that China's annual GDP growth rate will be 5.1% for the year, which is positive to steel consumption. However, the global black swan is still lingering, as a hidden concern for the year. We still need to cautiously monitor the market movements and respond immediately.

In the face of the ever evolving operating environment this year, I myself and each of the colleagues at Chun Yuan Steel Industry will work together to achieve this year's objectives, while continuing to implement the following key operating tasks:

- I. We will continue to consolidate existing customers, develop new customers, increase market share, monitor political and economic situations and industry changes, and actively seek business opportunities.
- II. We will prudently handle materials, control the procurement, sale and inventory well, and operate with optimal inventory. The competitive raw material sources will be actively sought to increase purchasing channels, reduce inventory turnover days, avoid capital backlog, and implement overdue inventory closeout plan.
- III. Various cost rationalization plans will be proposed and implemented, as well as the work flow improvement plans, to reduce operating costs.
- IV. Customers will be visited frequently to grasp their movements, and customers' credit information are regularly reviewed and updated, to implement account management, reduce bond/credit risk, while improving account collection and shorten check period, for accelerating capital turnover.
- V. We will continue to implement manpower planning, implement the rotation mechanism, cultivate multi-skilled talents, and complement various education and training programs, to cultivate and improve the certifications obtained technical personnel in key positions.
- VI. The production efficiency and quality are improved through the technology research and development strategy of "labor saving, automation, new technology, and new process," and the business is expanded and developed through the market research and development strategy of "new materials, new products, and new markets."

Report to Shareholders

- VII. Industrial developments and customers' needs are integrated, to invest in equipment in a planned manner. We will regularly inspect the equipment of each plant and implement the equipment replacement plan, while carefully evaluating various investment plans, tracking the implementation of equipment investment, and implementing regular service and daily maintenance of equipment.
- VIII. Coping with the development needs of each business unit, the administrative unit assists in the evaluation, implementation, and tracking of various investment plans to ensure that the investment is completed as planned.

The long-time support of all the shareholders is appreciated, and we are grateful for all the trust and care the industry leaders have shown us. We will continue be committed to pursuing robust growth and profit goals to give something back to our shareholders. We look forward to having the continued support of shareholders, and do feel free to give us advice.

Chairman : CHENG, YE-MING

President : HUNG, SHIH-MIN

I. Date of incorporation: January 7, 1966

II. Company history:

- 1965 Founded Erchong Plant in Sanchong City specialized in machinery installation, leveling and shearing hot rolled steel coil and sales. With paid-in capital NT\$3 million.
- 1969 Capital increased to NT\$18,160 thousand. The plant was expanded to add slitting machines and forming machines, and the production of light shaped steel started.
- 1970 Capital increased to NT\$26,000 thousand. Purchased 36,670 m² land in Xizhi City, Taipei County. Xizhi Plant was completed at yearend.
- 1973 Capital increased to NT\$100 million.
Started importing electrical steel sheets and coils to be stripped and EI stamped. Founded Union Container Industries Co., Ltd. a joint venture established by Chun Yuan and Japanese firms, to manufacture steel containers.
- 1976 Capital increased to NT\$182,500 thousand.
- 1978 Capital increased to NT\$300 million.
- 1979 Capital increased to NT\$375,000 thousand. Purchased 231,406 m² land in Longtan Township, Taoyuan County, as the site of a new plant.
- 1980 Capital increased to NT\$450,000 thousand.
Established another plant in Longtan Township with Japanese Tokai Centry Industry Co., Ltd. to manufacture plastic-made disposable lighters. Founded the Steel Structure Plant in Longtan Township.
- 1983 Capital increased to NT\$548,000 thousand.
- 1985 Capital increased to NT\$830,000 thousand.
Established Taichung Plant for electrical steel, to produce the stacking iron cores of motors and suspension fans.
Founded Kaohsiung Plant to process steel plates, occupying roughly 33,058 m².
- 1988 Capital increased to NT\$1,448,000 thousand.
Installed 5-foot rotary leveling and shearing machine in the Commercial Steel Division of the Xizhi Plant.
Installed 2-tonne high-frequency induction furnace in the steel-forging factory, increasing production capacity to 900-tonne per month.
- 1989 Capital increased to NT\$2 billion. Shares listed publicly on December 22.
Founded Amalgamated Container Sdn. Bhd. with Malaysian Lion Group to manufacture steel containers.
- 1990 Capital increased to NT\$2.4 billion.
Die & Tooling Plant was founded under the Press Department to manufacture the molds to be pressed.
Installed 4Hi/2Hi reversible cold rolling mill and bell-type annealing furnaces in the Rolling Plant under the Special Steel Strip Division.
Expanded the Kaohsiung Steel-Processing Service Center.
- 1991 Capital increased to NT\$2,640,000 thousand.
Adjusted the organizational structure to cope with the forthcoming challenges so as to upgrade administration efficiency.
- 1992 Capital increased to NT\$2,824,800 thousand.

Company Introduction

- 1993 Investment to add a Tucheng Steel Sheet Plant.
Investment to expand Kaohsiung Steel Sheet Plant and Special Steel Plant.
Chun Yuan Investment (Singapore) Pte. Ltd. was established in Singapore.
Capital increase of NT\$500 million in cash and a capital increase from surplus of NT\$282,480 thousand. The fund-raising of 1994 took effect. Capital after increases amounted to NT\$3,607,280 thousand.
- 1994 Capital increase from surplus of NT\$252,509 thousand.
Through the re-invested enterprise Chun Yuan Investment (Singapore) Pte. Ltd., the Company indirectly invested in Shanghai Chun Yuan Steel Industry Co., Ltd. and Shenzhen Chun Yuan Steel Industrial Co.,Ltd.
- 1995 Capital increase from capital surplus of NT\$231,587 thousand. Capital after increase amounted to NT\$4,091,377 thousand.
- 1996 Capital increase from capital surplus of NT\$122,741 thousand. Capital after increase amounted to NT\$4,214,118 thousand.
- 1997 Capital increase from capital surplus of NT\$210,706 thousand. Capital after increase amounted to NT\$4,424,824 thousand.
Founded Chun Shyang Shin Yeh Industry Co., Ltd., a joint venture established by Chun Yuan and Japanese Toyota Auto Body Co., Ltd. to manufacture automobile steel parts and molds.
- 1998 Capital increase from capital surplus of NT\$309,738 thousand. Capital after increase amounted to NT\$4,734,562 thousand.
Established “Chun Yuan Investment Co., Ltd and “Chun Cho Investment Co., Ltd.”
- 1999 Capital increase from capital surplus of NT\$47,346 thousand. Capital after increase amounted to NT\$4,781,908 thousand.
- 2000 Through the re-invested enterprise Chun Yuan Investment (Singapore) Pte. Ltd., the Company invested in Chun Yuan Investment (BVI) Co., Ltd. and through the latter re-invested in Shanghai Huateng Metal Processing Co., Ltd.
- 2002 Through the re-invested enterprises Chun Yuan Investment (Singapore) Pte. Ltd. and Shenzhen Chun Yuan Steel Industrial Co.,Ltd., the Company re-invested in Shenzhen Hongyuan Metal Industry Co., Ltd.
The subsidiaries Chun Yuan Investment Co., Ltd. and Chun Cho Investment Co., Ltd. were merged. The treasury shares were written off for NT\$532,683 thousand, and capital after merger amounted to NT\$4,249,225 thousand.
- 2004 Capital increase from surplus of NT\$212,461 thousand. Capital after increase amounted NT\$4,461,686 thousand.
Founded Taiwan Toyota Auto Body Conversion Co., Ltd., a joint venture established by Chun Yuan and the Japanese Toyota Auto Body Co., Ltd. to refit automobiles and to manufacture, sell, lease, and repair automobile steel parts.
- 2005 Capital increase from surplus of NT\$446,169 thousand. Capital after increase amounted NT\$4,907,855 thousand.
Invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co., Ltd. Extended Chun Shyang Factory and founded the Special Steel Division Factory at the Longtan Plant.
- 2006 Capital increase from surplus of NT\$245,393 thousand. Capital after increase amounted NT\$5,153,248 thousand.
Investment to add the Tainan Branch office.
Investment to add the Mold R&D Center
Purchased 19392 m2 land in Longtan Township, Taoyuan County, to expand the space utilized by the Longtan Plant.

Company Introduction

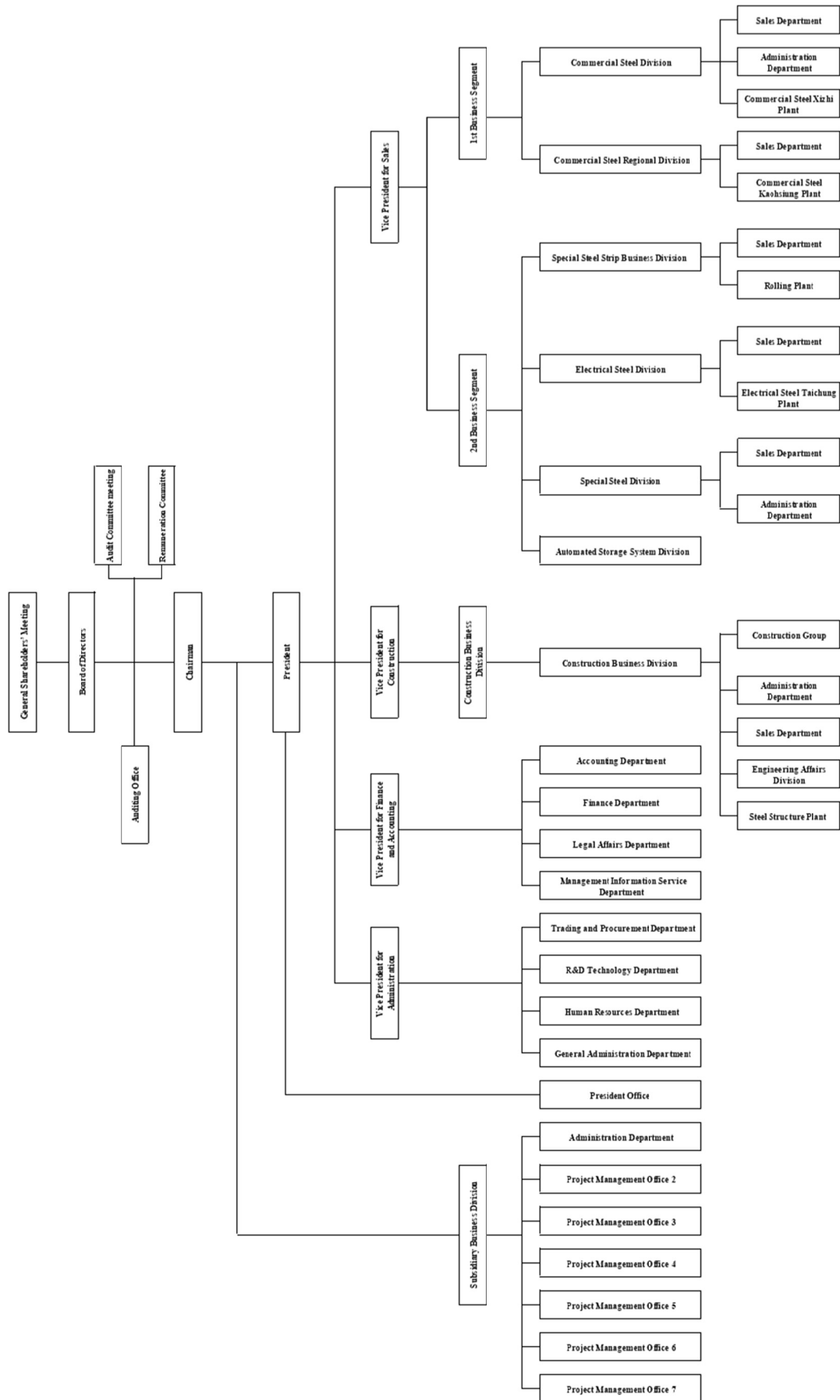
2007	Capital increase from surplus of NT\$386,494 thousand. Capital after increase amounted NT\$5,539,741 thousand.
2008	Capital increase from surplus of NT\$221,590 thousand. Capital after increase amounted NT\$5,761,331 thousand.
2009	Capital increase from surplus of NT\$172,840 thousand. Capital after increase amounted NT\$5,934,171 thousand.
2010	Investment to add the Taichung Branch office.
2011	Capital increase from surplus of NT\$415,392 thousand. Capital after increase amounted NT\$6,349,563 thousand. Through the re-invested enterprise Chun Yuan Investment (Singapore) Pte. Ltd., the Company indirectly invested in Xiamen Chun Yuan Precision Mechatronic Co., Ltd.
2012	Capital increase from surplus of NT\$126,991 thousand. Capital after increase amounted NT\$6,476,554 thousand.
2013	Investment to add Special Steel Erchong Branch Office Constructed a new plant at the Longtan Plant.
2015	Installed 5-foot hot rolling leveling & shearing machine in the Commercials Steel Division of Xizhi Plant. Two luffing jib tower cranes were bought by the Construction Division. Replacement of grinders and upgrade of rolling mills' electronic control were completed by the Special Steel Strip Division.
2017	Investment to expand a storage plant at the Longtan Plant. Two luffing jib tower cranes were bought by the Construction Division.
2018	Investment to construct a new special steel plant at the Longtan Plant.
2019	Constructed new plant, office, and dormitory in Sinji industrial park in Tainan. Installed 5-foot cold rolling slitting machine at the Xizhi Plant.
2020	Investment to add BOX column production line by the Construction Division. Two luffing jib tower cranes were bought by the Construction Division.
2021	Investment to add BOX column production line by the Construction Division (Kaohsiung)

Mergers and acquisitions during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

During the current fiscal year up to the date of publication of the annual report, any instance in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changed hands: None.

During the current fiscal year up to the date of publication of the annual report, any change in managerial control, in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity: None.

I. Organizational system
(1) Company Organization Chart



(II) Major Business of Each Division

1. Commercial Steel Division
Production and processing of various hot-rolled steel sheets, cold-rolled steel sheets, plated steel sheets and aluminum materials.
2. Commercial Steel Regional Division
Production and processing of various hot-rolled steel sheets, cold-rolled steel sheets, plated steel sheets and aluminum materials.
3. Electrical Steel Division
Production of EI sheets suitable for various types of transformers, ballasts, etc., as well as various motor stator and rotor cores for appliances, industrial, information and other products, and manufacture and sale of various molds.
4. Special Steel Division
Provision of carbon and alloy tool steel and structural steel (round bars and plates) as special steel for molds, machinery, and automotive parts.
5. Special Steel Strip Business Division
Specializing in the production of stainless steel, carbon steel, alloy steel, carbon tool steel, spring steel coil, steel strip, copper strip (brass, phosphor bronze, copper, etc.) and general cold- and hot-rolled steel coils for hardware, stationary, appliances, and computer peripherals.
6. Automated Storage System Division
Provision of laser cutting, shearing, punching, pressing, welding, forming and other professional metal processing services and planning; design, manufacture, and installation of various mechanically and electronically controlled mobile cabinets, and light, medium and heavy material racks and other logistics storage equipment.
7. Construction Business Division
Contracting various large-scale construction projects (buildings, plants, bridges and equipment).
8. Administration Units
 - (1) Objective management, planning, establishment, and maintenance of operating strategies.
 - (2) Assisting each division in developing new products using the existing workforce, technologies, and equipment, to increase revenue and the operating performance.
 - (3) Instructing and promoting the Company's information system management system, to ensure the Company effectively operates the planning, development, control and execution of the information system within one complete system.
 - (4) Planning and maintaining the operation of the accounting functions of the Company, to ensure each financial statement of the Company is provided to the regulators, public, and shareholders in a timely and correct manner for them to know the state of the Company's operations.
 - (5) Planning and formulating the financial strategies, and adjusting the structures of dealings with banks and flexibly deploying long- and short-term funds, to obtain lower interests, save fund costs, and enhance the health of the Company.
 - (6) Establishing human resource policies and measures for the whole Company, to ensure the incorporation of national laws and regulations and the Company's development strategies.
 - (7) Planning the safety and health management system in each plant, to ensure the enhancement of occupational safety and environment quality.
 - (8) Planning and promoting the sales plans for exports to ensure that operating objectives are achieved, as well as planning and maintaining a system for reasonable procurement and price bargaining to ensure procurement processes and prices are reasonable.
 - (9) Establishing and planning relevant legal systems, and safeguarding the rights of the Company and affiliates with professional legal knowledge.
9. Auditing Office
Establishing and maintaining the Company's audit system, to enable each function to follow the Company's regulations.

II. Information on directors, supervisors, presidents, vice presidents, deputy vice presidents, and managers of divisions and branch units:

(I) Information of directors and supervisors

February 28, 2023

Title	Nationality or place of registration	Name	Gender/Age	Date of election or inauguration	Term	Date when first elected	Shareholding when elected		Current shareholding		Shareholding of spouses and underage children		Shareholding through others		Main experience/educational background	Positions concurrently served in the Company and other companies	Other managerial officers, directors, or supervisors to whom they are a spouse or relative within second degree of kinship			Remarks
							Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)			Title	Name	Relation	
Chairman	Republic of China	CHENG, YE-MING	Male 61 J 70	June 23, 2022	Three years	March 30, 1989	17,179,211	2.65%	17,179,211	2.65%	1,042,407	0.16%	14,000,000	2.16%	Meijo University, Japan Department of Law	Director of Sinkang Industries Co., Ltd.	Director	CHENG, I-HUNG	Brother	-
Director	Republic of China	TSAI, HSI-CHI	Male 71 J 70	June 23, 2022	Three years	March 30, 1989	24,610,799	3.80%	24,610,799	3.80%	8,200,746	1.27%	0	0%	Shih Shin High School of Commerce and Industry	Director of Sinkang Industries Co., Ltd.	Director	TSAI, HSI-YU	Brother	-
Director	Republic of China	WU, MEI-YING	Female 61 J 70	June 23, 2022	Three years	March 30, 1989	12,780,790	1.97%	12,780,790	1.97%	30,000,000	4.63%	0	0%	National Chengchi University Business Administration	-	Director	LEE, WEN-LUNG WEN-FA	Spouse Brother-in-law	-
Director	Republic of China	TSAI, HSI-YU	Male 71 J 80	June 23, 2022	Three years	April 29, 2001	17,844,010	2.76%	17,844,010	2.76%	10,453,871	1.61%	0	0%	Hsing Wu College of Business	-	Director	TSAI, HSI-CHI	Brother	-
Director	Republic of China	LEE, WEN-FA	Male 71 J 80	June 23, 2022	Three years	March 30, 1989	36,300,321	5.60%	36,300,321	5.60%	0	0%	0	0%	Nihon University Department of Economics	Director of Sinkang Industries Co., Ltd.	Director	LEE, WEN-LUNG WU, MEI-YING	Brother Sister-in-Law	-
Director	Republic of China	CHENG, I-HUNG	Male 61 J 70	June 23, 2022	Three years	June 19, 2001	10,240,873	1.58%	10,240,873	1.58%	0	0%	20,728,751	3.20%	Japan Aotama Gakuen University	Chairman of Sinkang Industries Co., Ltd.	Chairman	CHENG, YE-MING	Brother	-
Director	Republic of China	TSAI, CHENG-TING	Male 41 J 50	June 23, 2022	Three years	June 16, 2016	7,148,202	1.10%	7,252,202	1.12%	0	0%	0	0%	City University of New York Baruch College MBA in Finance Management	Manager, Sinkang Industries Co., Ltd.	-	-	-	-
Director	Republic of China	De tai yu Investment Company	-	June 23, 2022	Three years	June 23, 2022	40,000	0.01%	40,000	0.01%	0	0%	0	0%	-	-	-	-	-	-
Director	Republic of China	Representative: LEE, WEN-LUNG	Male 71 J 80	June 23, 2022	-	March 30, 1989	30,000,000	4.63%	30,000,000	4.63%	12,780,790	1.97%	0	0%	Hsing Wu College of Business Department of Tourism	Director of Sinkang Industries Co., Ltd.	Director	WU, MEI-YING LEE, WEN-FA	Spouse Brother	-

Title	Nationality or place of registration	Name	Gender/Age	Date of election or inauguration	Term	Date when first elected	Shareholding when elected		Current shareholding		Shareholding of spouses and underage children		Shareholding through others		Main experience/educational background	Positions concurrently served in the Company and other companies	Other managerial officers, directors, or supervisors to whom they are a spouse or relative within second degree of kinship			Remarks
							Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)			Title	Name	Relation	
Independent Director	Republic of China	HSU, LI-MING	Male 41 J 50	June 23, 2022	Three years	June 16, 2016	0	0%	0	0%	0	0%	0	0%	Tamkang University Institute of Accounting MBA	Accountant of RSM Taiwan Taiwan Independent Director, Sinkang Industries Co., Ltd.	-	-	-	-
Independent Director	Republic of China	LIN, WEI-LIANG	Male 71 J 80	June 23, 2022	Three years	June 16, 2016	0	0%	0	0%	0	0%	0	0%	Tamkang College of Arts and Science Department of Accounting and Statistics	Managing Director of Taichung Commercial Bank Co., Ltd Chairperson, Taichung Bank Leasing Corporation Limited.	-	-	-	Note 1
Independent Director	Republic of China	TSENG, YUNG-FU	Male 71 J 80	June 23, 2022	Three years	June 16, 2016	0	0%	0	0%	0	0%	0	0%	Department of Law, National Taiwan University Division of Legal Sciences	Independent Director of A.G.V. Producers Corporation	-	-	-	-

Note 1: Mr. Lin, Wei-Liang, the former independent director deceased on February 9, 2023, and thus was certainly discharged from the position of independent director. It was intended to hold the by-election to elect one seat of independent director in the shareholders' meeting on June 15, 2023.

Corporate Governance Report

Major shareholders of juridical person shareholders

March 8, 2023

Name of juridical person shareholders	Major shareholders of juridical person shareholders
De tai yu Investment Company	Li, Chi-Wei 100%

Information of directors

1. Information disclosure for professional qualification and experience of directors and independent directors' independence:

March 31, 2023

Name	Conditions	Professional qualification and experience ^{Note 1}	Independence status	Number of other public companies where they concurrently serve as independent director
CHENG, YE-MING		Having five years work experience in commerce and law.	N/A	0
TSAI, HSI-CHI		Having five years work experience in commerce and finance, and experience require by the Company's business		0
WU, MEI-YING		Having five years work experience in commerce and finance, and experience require by the Company's business		0
TSAI, HSI-YU		Having five years work experience in commerce and finance, and experience require by the Company's business		0
LEE, WEN-FA		Having five years work experience in commerce and finance, and experience require by the Company's business		0
CHENG, I-HUNG		Having five years work experience in commerce and finance, and experience require by the Company's business		0
TSAI, CHENG-TING		Having five years work experience in commerce and finance, and experience require by the Company's business		0
LEE, WEN-LUNG ^{Note 2}		Having five years work experience in commerce and finance, and experience require by the Company's business		0
HSU, LI-MING		Having five years work experience in finance and accounting, and passed a national examination and been awarded a certificate as certified public accountant.	The Company's independent director, and in the annual independent director qualification review required by the competent authority, showing the conformity to the independence requirement, and meeting the requirement in Article 3 and 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
LIN, WEI-LIANG ^{Note 3}		Having five years work experience in commerce, finance and banking.		0
TSENG, YUNG-FU		Having five years work experience in commerce and law, and passed a national examination and been awarded a certificate as judge, public prosecutor, and attorney.		1

Note 1: During the current year up to the publication date of annual report, none of the director has any of the circumstances in the subparagraphs of Article 30 of the Company Act.

Note 2: The corporate represented by LEE, WEN-LUNG: De tai yu Investment Company

Note 3: Mr. Lin, Wei-Liang, the former independent director deceased on February 9, 2023, and thus was certainly discharged from the position of independent director. It was intended to hold the by-election to elect one seat of independent director in the shareholders' meeting on June 15, 2023.

2. The board of directors' diversity and independence:

(1) The board of directors' diversity

The Company has formulated the director diversity guidelines in the Corporate Governance Best Practice Principles, covering the eight major abilities, including the ability to make judgments about operations; accounting and financial analysis ability; business management ability; crisis management ability; knowledge of the industry; an international market perspective; leadership ability, and decision-making ability; all of these are helpful the Company's development and operations. For the composition of the board members, at least one director has the expertise in law, finance, accounting, and industry knowledge, respectively, and at least one female director is included.

(2) The board of directors' independence

There are total eleven directors, and three of them are the independent directors; the Audit Committee is established to replace the supervisors. None of the board member has the circumstance set forth in Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act; for the spouse and relatives within 2nd degree of kinship among the directors, please refer to "(I) Information of Directors and Supervisors." In nutshell, the board of directors has its independence.

(II) Information on presidents, vice presidents, deputy vice presidents, and managers of divisions and branch units

February 28, 2023

Title	Nationality	Name	Gender	Date of election or inauguration	Shares Held		Shareholding of spouses and underage children		Shareholding through others		Main experience/educational background	Positions concurrently serving in other companies	Managerial officer who is a spouse or relative within the second degree of kinship			Remarks
					Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)			Title	Name	Relation	
President ^{Note 1}	Republic of China	TSAI, HSI-CHI	Male	Inaugurated on June 24, 2016	24,610,799	3.80%	8,200,746	1.27%	0	0%	Shih Shin High School of Commerce and Industry	Director of Sinkang Industries Co., Ltd. Vice Chairman of Chun Shyang Shin Yeh Industry Co., Ltd.	-	-	-	-
President ^{Note 2} (concurrent Vice President)	Republic of China	HUNG, SHIH-MIN	Male	Inaugurated on August 6, 2022	440,695	0.07%	0	0.00%	0	0%	Feng Chia University	Director of Chun Yuan Construction Co., Ltd. Supervisor of Chun Shyang Shin Yeh Industry Co., Ltd.	-	-	-	-
Vice President	Republic of China	LIN, WEI-CHENG	Male	Inaugurated on June 24, 2016	258	0.00%	27,476	0.00%	0	0%	Taipei Junior College of Business	None	-	-	-	-
Vice President	Republic of China	HUANG, CHUN-YUNG	Male	Inaugurated on July 3, 2019	50,390	0.01%	9,180	0.00%	0	0%	Chien-Kuo Senior High School	None	-	-	-	-
Associate Vice President ^{Note 3}	Republic of China	SONG, WEI-MIN	Male	Inaugurated on July 3, 2019	6,140	0.00%	129	0.00%	0	0%	St. John's Junior College of Engineering	None	-	-	-	-
Associate Vice President	Republic of China	HO, YING-HUA	Male	Inaugurated on July 3, 2019	20,488	0.00%	12,607	0.00%	0	0%	Taipei Junior College of Engineering	None	-	-	-	-
Associate Vice President	Republic of China	CHIANG, MING-CHI	Male	Inaugurated on June 24, 2016	2,220	0.00%	7,592	0.00%	0	0%	Chung Yuan Christian University	None	-	-	-	-
Accounting Officer (Manager)	Republic of China	LIN, YI-CHUN	Female	Inaugurated on November 10, 2020	0	0.00%	0	0.00%	0	0%	Shih Chien University	None	-	-	-	-
Finance officer (Manager)	Republic of China	HSIEH, YU-HSIA	Female	Inaugurated on June 24, 2016	0	0.00%	0	0.00%	0	0%	National Taiwan University	None	-	-	-	-

Note 1: TSAI, HSI-CHI, president, the term of office ended on August 5, 2022.

Note 2: HUNG, SHIH-MIN, President, was the Vice President during June 24, 2016 to August 5, 2022

Note 3: SONG, WEI-MIN, Assistant Vice President - retired on June 29, 2022

III. Remunerations to directors, supervisors, presidents, and vice presidents in the recent year

(I) Remunerations to directors and independent directors

Unit: NT\$

Title	Name	Remunerations to Directors						Remuneration from concurrently serving as employees				Sum of A, B, C, D, E, F, and G as percentage of net income after tax (%)		Remuneration from investees other than subsidiaries or parent company								
		Wages (A)		Severance pay and pension (B)		Compensation for director (C)		Service expense (D)		Wages, bonuses, and special allowances, etc. (E)		Severance pay and pension (F)			Employee compensation (G)							
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements		Cash amount	Share amount	The Company	All companies included in the financial statements				
Chairman	CHENG, YE-MING																					
Director	TSAI, HSI-CHI																					
Director	WU, MEI-YING																					
Director	TSAI, HSI-YU																					
Director	LEE, WEN-FA																					
Director	CHENG, I-HUNG																					
Director	TSAI, CHENG-TING																					
Director	De tai yu Investment Company, represented by LEE, WEN-LUNG	0	0	0	0	5,765,496	As left	2,992,000	As left	1.43%	As left	15,752,191	As left	0	101,952	0	101,952	0	4.03%	As left	388,840	
Director ^{Note 1}	LEE, WEN-LUNG																					
Director ^{Note 1}	An Tien Investment Co., Ltd, represented by Lee, Wen-Fa.																					
Director ^{Note 1}	Lian Teh Investment Company, represented by WU, MEI-YING.																					
Director ^{Note 1}	Amity Holdings Co., Ltd. Represented by: CHENG, I-HUNG																					
Independent Director	LIN, WEI-LIANG ^{Note 2}																					
Independent Director	HSU, LI-MING	0	0	0	0	2,162,063	As left	1,122,000	As left	0.54%	As left	0	As left	0	0	0	0	0	0.54%	As left	0	
Independent Director	TSENG, YUNG-FU																					

Note 1: Discharged on June 22, 2022; Note 2: Discharged on February 9, 2022.

1. Please state the remuneration policies, systems, standards and packages for independent directors, and the connection of the factors, such as responsibilities, risk and spent hours, with the amount of remuneration. The policy governing remunerations paid to the independent directors is specified in the Articles of Incorporation. The Board of Directors is authorized to determine it based on their engagement in and contributions to the corporate governance, and subject to the approval of the shareholders' meeting.

2. Other than the remuneration disclosed in the above table, the remuneration received by any of the Company's directors by providing services (e.g., as an advisor other than employee of the parent/ all companies included in the financial statement/reinvestees) in the most recent year: None.

Ranges of the directors' remunerations

Unit: NT\$

Range of remunerations paid to each director of the Company	Name of director			Sum of foregoing seven items (A+B+C+D+E+F+G) The parent company and all investees
	Sum of foregoing four items (A+B+C+D) The Company	All companies included in the financial statements	The Company	
Below NT\$1,000,000	<p>WU, MEI-YING LEE, WEN-FA CHENG, I-HUNG</p> <p>De tai yu Investment Company Representative: LEE, WEN-LUNG Discharged on June 22, 2022 LEE, WEN-LUNG</p> <p>Lian Teh Investment Company Representative: WU, MEI-YING An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA Amity Holdings Co., Ltd. Represented by: CHENG, I-HUNG</p>	<p>WU, MEI-YING LEE, WEN-FA CHENG, I-HUNG</p> <p>De tai yu Investment Company Representative: LEE, WEN-LUNG Discharged on June 22, 2022 LEE, WEN-LUNG</p> <p>Lian Teh Investment Company Representative: WU, MEI-YING An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA Amity Holdings Co., Ltd. Represented by: CHENG, I-HUNG</p>	<p>WU, MEI-YING LEE, WEN-FA CHENG, I-HUNG</p> <p>De tai yu Investment Company Representative: LEE, WEN-LUNG Discharged on June 22, 2022 LEE, WEN-LUNG</p> <p>Lian Teh Investment Company Representative: WU, MEI-YING An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA Amity Holdings Co., Ltd. Represented by: CHENG, I-HUNG</p>	<p>WU, MEI-YING LEE, WEN-FA CHENG, I-HUNG</p> <p>De tai yu Investment Company Representative: LEE, WEN-LUNG Discharged on June 22, 2022 LEE, WEN-LUNG</p> <p>Lian Teh Investment Company Representative: WU, MEI-YING An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA Amity Holdings Co., Ltd. Represented by: CHENG, I-HUNG</p>
1,000,000 (inclusive) to 2,000,000 (exclusive)	<p>CHENG, YE-MING TSAI, HSI-CHI TSAI, HSI-YU TSAI, CHENG-TING; HSU, LI-MING LIN, WEI-LIANG TSENG, YUNG-FU</p>	<p>CHENG, YE-MING TSAI, HSI-CHI TSAI, HSI-YU TSAI, CHENG-TING; HSU, LI-MING LIN, WEI-LIANG TSENG, YUNG-FU</p>	<p>TSAI, HSI-YU TSAI, CHENG-TING; HSU, LI-MING LIN, WEI-LIANG TSENG, YUNG-FU</p>	<p>TSAI, HSI-YU TSAI, CHENG-TING; HSU, LI-MING LIN, WEI-LIANG TSENG, YUNG-FU</p>
2,000,000 (inclusive) to 3,500,000 (exclusive)				
3,500,000 (inclusive) to 5,000,000 (exclusive)				
5,000,000 (inclusive) to 10,000,000 (exclusive)			CHENG, YE-MING	CHENG, YE-MING
10,000,000 (inclusive) to 15,000,000 (exclusive)			TSAI, HSI-CHI	TSAI, HSI-CHI
15,000,000 (inclusive) to 30,000,000 (exclusive)				
30,000,000 (inclusive) to 50,000,000 (exclusive)				
50,000,000 (inclusive) to 100,000,000 (exclusive)				
Over 100,000,000				
Total	15	15	15	15

(II) Remunerations to Presidents and Vice Presidents

Title	Name	Wages (A)		Severance pay and pension (B)		Bonuses and special allowances (C)		Employee compensation (D)				Sum of A, B, C, and D as percentage of net income after tax (%)		Remuneration from investees other than subsidiaries or from the parent company	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Cash amount	Share amount	Cash amount	Share amount		The Company
President	TSAI, HSI-CHI														
President (concurrent Vice President)	HUNG, SHIH-MIN	6,856,816	As left	-	As left	19,393,200	As left	115,636	-	115,636	-	4.29%	As left	99,710	
Vice President	LIN, WEI-CHENG														
Vice President	HUANG, CHUN-YUNG														

Note:

TSAI, HSI-CHI: the term of office ended on Aug. 5, 2022; the president's compensation was paid during Jan. 1 to Aug. 5, 2022 in 2022.
 HUNG, SHIH-MIN: serves as the president since Aug. 6, 2022; the president's compensation was paid during Aug. 6, 2022; and the vice president's compensation was paid during Jan. 1, 2022 to Aug. 5, 2022 in 2022.

Ranges of the President and Vice Presidents' Remunerations

Range of remunerations paid to each President and Vice President of the Company	Name of President and Vice President	
	The Company	Parent and all investees
Below NTD 1,000,000		
1,000,000 (inclusive) to 2,000,000 (exclusive)		
2,000,000 (inclusive) to 3,500,000 (exclusive)	LIN, WEI-CHENG	LIN, WEI-CHENG
3,500,000 (inclusive) to 5,000,000 (exclusive)	HUANG, CHUN-YUNG	HUANG, CHUN-YUNG
5,000,000 (inclusive) to 10,000,000 (exclusive)	HUNG, SHIH-MIN	HUNG, SHIH-MIN
10,000,000 (inclusive) to 15,000,000 (exclusive)	TSAI, HSI-CHI	TSAI, HSI-CHI
15,000,000 (inclusive) to 30,000,000 (exclusive)		
30,000,000 (inclusive) to 50,000,000 (exclusive)		
50,000,000 (inclusive) to 100,000,000 (exclusive)		
Over 100,000,000		
Total	4 people	4 people

Note:

TSAI, HSI-CHI: the term of office ended on Aug. 5, 2022; the president's compensation was paid during Jan. 1, 2022 to Aug. 5, 2022 in 2022.
 HUNG, SHIH-MIN: serves as the president since Aug. 6, 2022; the president's compensation was paid during Aug. 6, 2022 to Dec. 31, 2022; and the vice president's compensation was paid during Jan. 1, 2022 to Aug. 5, 2022 in 2022.

(III) Managerial officers receiving employee remunerations and state of distribution

March 16, 2023 Unit: NT\$

Title	Name	Share amount	Cash amount	Total	Sum as percentage of net income after tax (%)
Managerial Officer					
President ^{Note 1}	TSAL, HSI-CHI				
President ^{Note 2} (concurrent Vice President)	HUNG, SHIH-MIN				
Vice President	LIN, WEI-CHENG				
Vice President	HUANG, CHUN-YUNG	0	230,760	230,760	0.03%
Associate Vice President ^{Note 3}	SONG, WEI-MIN				
Associate Vice President	HO, YING-HUA				
Associate Vice President	CHIANG, MING-CHI				
Accounting Officer (Manager)	LIN, YI-CHUN				
Finance Officer (Manager)	HSIEH, YU-HSIA				

Note 1: TSAL, HSI-CHI, President, Jan. 1, 2022 to Aug. 5, 2022

Note 2: HUNG, SHIH-MIN, President, Aug. 6, 2022 to Dec. 31, 2022

Note 3: SONG, WEI-MIN, Assistant Vice President - retired on June 29, 2022

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the most recent 2 fiscal years to directors, supervisors, president, and vice presidents, and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

Sum of remunerations as percentage of net income after tax (%)	The Company		All companies in the consolidated reports	
	Total amount of remunerations paid to directors, supervisors, presidents, and vice presidents	Sum as percentage of net income after tax(%)	Total amount of remunerations paid to directors, supervisors, presidents, and vice presidents	Sum as percentage of net income after tax(%)
Year				
2021	61,406,917	5.03%	61,406,917	5.03%
2022	38,407,211	6.26%	38,407,211	6.26%
Description	The policy governing remunerations paid to the directors is specified in the Articles of Incorporation. The Board of Directors is authorized to determine the remunerations of the chairman and the directors based on their participation in the operations of the Company and the value of their contributions while considering the usual level in the same industry, and is subject to the approval of the shareholders' meeting. The payment method of the president and vice presidents' remunerations is handled pursuant to the Company's standards.			

Unit: NT\$

Corporate Governance Report

IV. Status of Corporate Governance:

(I) Operation of the Board of Directors

1. The Board held seven (A) meetings during the most recent year; the attendance of directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	CHENG, YE-MING	6	1	86%	June 23, 2022 reappointed
Director	TSAI, HSI-CHI	7	0	100%	June 23, 2022 reappointed
Director	WU, MEI-YING	5	0	100%	June 23, 2022 first time elected (five attendance expected)
Director	TSAI, HSI-YU	7	0	100%	June 23, 2022 reappointed
Director	LEE, WEN-FA	5	0	100%	June 23, 2022 first time elected (five attendance expected)
Director	CHENG, I-HUNG	5	0	100%	June 23, 2022 first time elected (five attendance expected)
Director	TSAI, CHENG-TING	7	0	100%	June 23, 2022 reappointed
Representative of juridical person director	De tai yu Investment Company Representative: LEE, WEN-LUNG	5	0	100%	June 23, 2022 first time elected (five attendance expected)
Director	LEE, WEN-LUNG	2	0	100%	June 23, 2022 discharged (two attendance expected)
Representative of juridical person director	Lian Teh Investment Company Represented by: WU, MEI-YING	2	0	100%	June 23, 2022 discharged (two attendance expected)
Representative of juridical person director	An Tien Investment Co., Ltd. Represented by: LEE, WEN-FA	1	1	50%	June 23, 2022 discharged (two attendance expected)
Representative of juridical person director	Amity Holdings Co., Ltd. Represented by: CHENG, I-HUNG	2	0	100%	June 23, 2022 discharged (two attendance expected)
Independent Director	TSENG, YUNG-FU	7	0	100%	June 23, 2022 reappointed
Independent Director	LIN, WEI-LIANG	7	0	100%	June 23, 2022 reappointed
Independent Director	HSU, LI-MING	7	0	100%	June 23, 2022 reappointed

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors, and the Company's resolution of said opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

During 2022 and up to the publication date of the annual reports, total eight board meetings were held; please refer to Page 39-42 "(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report" for the description of resolutions; all independent directors approved the matters listed in Article 14-3 of the Securities and Exchange Act as they were unanimously without dissent.

(II) Other than the abovementioned matters, any resolution of the Board meeting to which a independent director has a dissenting or qualified opinion which is on record or stated in a written statement: None

Corporate Governance Report

II.	<p>Implementation of directors' recusals to proposals with personal interests; the name of director, proposal description, reason of recusal, and voting participation shall be specified:</p> <p>The directors are self-disciplined, and recuse themselves whenever proposals touch upon their personal interests. There was no proposal requiring recusal during 2022.</p>
III.	<p>TWSE or TPEX listed companies shall disclose the cycles and periods, scopes, methods, and descriptions of the self- (or peer) appraisal of the Board of Directors; and the implementation of the appraisal of the Board of Directors:</p> <p>The Company has completed the 2022 board's performance appraisal. The implementation of the appraisal of the board of directors is described as shown in the table below:</p>
IV.	<p>Objective of enhancing the Board's functions in the current and recent years (e.g., establishing the Audit Committee or enhancing information transparency) and the assessment of the implementation:</p> <p>1. The Company has completed the performance evaluations for the board and functional committees of 2022, and the results are disclosed in the annual report.</p>

2. Implementation of Board of Directors Appraisal

Appraisal Cycle	Annually
Appraisal Period	Appraise the performance of the Board of Directors from January 1, 2022 to December 31, 2022.
Appraisal Scope	Appraise the performance of the Board of Directors, directors, and functional committees (Audit Committee and Remuneration Committee included)
Appraisal Method	By self-assessment. The outcomes were reported at the 2nd meeting of the Board of Directors in 2023 as required, as the basis for review and improvement.
Appraisal Content	<p>(I) The "Self-Assessment Questionnaire of the Board's Performance" is answered by the Chairman. The assessment includes five major aspects: participation in the operation of the Company, improvement of the quality of decision making of the Board of Directors, composition and structure of the Board of Directors, election of directors and continuing education, and the internal control, with a total of 26 questions.</p> <p>(II) The "Self-Assessment Questionnaire of the Board Member's Performance" is answered by each director. The six major aspects to be assessed include: grasp of the Company's objective and tasks, awareness of director's functions, participation in the operation of the Company, internal relationship and communication, specialty and continuing education of director, and internal control, with a total of 23 questions.</p> <p>(III) The "Self-Assessment Questionnaire of the Audit Committee's Performance" and the "Self-Assessment Questionnaire of the Remuneration Committee Performance" are answered by the chair of each functional committee. The five major aspects to be assessed include: participation in the operation of the Company, awareness of the duties of functional committees, improvement of the quality of decision making of functional committees, composition and member election of functional committees, and internal control, with a total of 22 and 18 questions, respectively.</p>

Corporate Governance Report

(II) Operation of the Audit Committee or Engagement of Supervisors in the Board of Directors:

1. Operation of the Audit Committee:

✧ The Audit Committee held seven (A) meetings during the most recent year; the attendance of independent directors is summarized as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	TSENG, YUNG-FU	7	0	100%	June 23, 2022 reappointed
Independent Director	LIN, WEI-LIANG	7	0	100%	June 23, 2022 reappointed
Independent Director	HSU, LI-MING	7	0	100%	June 23, 2022 reappointed

Other items to be stated:

I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, independent directors' dissent, qualified opinion, or material recommendations, resolution of the Audit Committee and the Company's handling of said resolution:

(I) The matters referred to in Article 14-5 of the Securities and Exchange Act:

During 2022 and up to the publication date of the annual reports, total seven Audit Committee meetings were held; please refer to Page 41-42 "3. Key resolutions adopted by the Audit Committee" for the description of resolutions; the Audit Committee approved the matters listed in Article 14-5 of the Securities and Exchange Act as they were unanimously without dissent.

(II) Aside from said matters, resolutions not passed by the Audit Committee but receiving the consent of two thirds of the Board of Directors: None

II. Implementation of independent directors' recusals to proposals with personal interests; the name of director, proposal description, reason of recusal, and voting participation shall be specified:

The independent directors are self-disciplined, and recuse themselves whenever proposals touch upon their personal interests. There was no proposal requiring recusal during 2022.

III. Communication between independent directors and internal auditing officers as well as CPAs (including items discussed, means of communication and results, etc. regarding the Company's financial and business situation):

Please refer to Page 18 "2. Communication between the independent directors and internal audit officers" and Page 19 "3. Communication between the independent directors and CPAs."

2. Communication between the independent directors and internal audit officers:

Frequency	Date	Subject	Conclusion
2022 Q1	April 7, 2022	Audit items for the quarter	No advice nor comment
2022 Q2	July 12, 2022	Audit items for the quarter	No advice nor comment
2022 Q3	October 5, 2022	Audit items for the quarter	No advice nor comment
2022 Q4	February 2, 2023	Audit items for the quarter	No advice nor comment

3. Communication between the independent directors and CPAs

The Audit Committee consists of all independent directors. At least once per year, the CPAs report to the independent directors on the Company’s financial position, the financial position of domestic/foreign subsidiaries, and overall operations, and audit the internal control. Shall there be any material adjustments or changes to laws or regulations that may impact the accounts, such matters will be fully communicated.

Since 2021, the meetings between the CPAs and independent directors, and between the CPAs and board members are held at least once per year, respectively.

Summary of communication between the independent directors and CPAs

Date of meeting	Nature of meeting	Attendees	Participants	Communication key points	Advice
2022 03.16	Board of Directors the board meeting	CPA, Wang, Wu-Chang, Manager, YU, LI-HUA, Chairman, TSAI, HSI-CHI, Independent directors: HSU, LI-MING; TSENG, YUNG-FU; LIN, WEI-LIANG Director: LEE, WEN-LUNG; CHENG, YE-MING; TSAI, HSI-YU LEE, WEN-FA; CHENG, I-HUNG; WU, MEI-YING TSAI, CHENG-TING.	Vice President HUNG, SHIH-MIN Manager: Lin, Yi-chun HSIEH, YU-HSIA.	1、Explanation of key audit matters (KAM) 2、Type of audit opinions 3、Materiality of the period 4、Comparative analysis of the deviations between two periods 5、Other communication matter	None
2022 08.05	Board of Directors the board meeting	CPA, Wang, Wu-Chang, Manager, YU, LI-HUA, Chairman, CHENG, YE-MING; Independent directors: HSU, LI-MING; TSENG, YUNG-FU; LIN, WEI-LIANG Director: TSAI, HSI-CHI; WU, MEI-YING; LEE, WEN-FA CHENG, I-HUNG; TSAI, HSI-YU; LEE, WEN-LUNG TSAI, CHENG-TING.	Vice President HUNG, SHIH-MIN Manager: Lin, Yi-chun HSIEH, YU-HSIA.	1、Explanation of key points in the review 2、Type of review opinions 3、Materiality of the period 4、Comparative analysis of the deviations between two periods 5、Other communication matter	None
2022 11.04	Audit Committee meeting the board meeting	CPA, Wang, Wu-Chang, Manager, YU, LI-HUA, Independent directors: HSU, LI-MING; TSENG, YUNG-FU; LIN, WEI-LIANG	President HUNG, SHIH-MIN, Manager: Lin, Yi-chun HSIEH, YU-HSIA.	1、Audit objectives and strategies 2、Audit approaches and scope 3、Audit of the Group’s financial report 4、Audit team 5、Key regulatory requirements and risks 6、Other matters with material influence on the audited companies 7、Schedule of reporting	None

4. Participation of supervisors in the Board of Directors: None.

(III) The operation of the corporate governance and any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Evaluation Item	Operation Status		Variance from the Corporate Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
I. Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		To establish a good corporate governance system, the Board of Directors has given approval for establishing the "Principles of Corporate Governance Best Practice" on December 30, 2019. The Principles are disclosed on MOPS. None.
II. Shareholding Structure & Shareholders' Rights (I) Does the Company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company has assigned dedicated staff to answer questions from shareholders, and handle the related affairs.
(II) Does the Company possess a list of major shareholders and the ultimate controlling parties of these major shareholders?	V		(II) The Company has good interactions with major shareholders, and can grasp the changes of shareholding at any time.
(III) Has the Company built and executed a risk management system and firewall between the Company and its affiliates?	V		(III) The Company and the affiliates are independent entities. The supervision of subsidiaries and management of transactions between related parties is specified in the internal control system and is put into actual practice.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(IV) The Company has established "Internal Control for Preventing Insider Trading" regulations to prohibit insider trading on undisclosed information. None.

Evaluation Item	Operation Status		Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the board of directors formulated the diversity policy, concrete management target, and implements such?</p>	V	(I)	<p>(I) None.</p> <p>The nomination and election of Board members is based on the company's Articles of Incorporation, by adopting a candidate nomination system. According to the business mode and development plans of the Company, the Board members should have diversified skills related to the steel industry, management, accounting, and finance, to ensure the diversity and independence of directors.</p> <p>All board members have extensive experience in related industries. There is one female director among the members; each of the other directors has a relevant professional background, specializing in operational judgement capabilities, accounting and financial analysis, operation and management, crisis management, industry knowledge, view of the international market, leadership, and decision-making. There are three independent directors among the eleven directors to ensure the independence of the Board of Directors; each independent director has expertise and experience in accounting, law, management and financial analysis, as an implementation of diversification policies for the Board of Directors.</p> <p>The Company appreciates the composition of the expertise of the Board of Directors. The target share of law, finance, and accounting expertise is one-eleventh or more; industrial know-how expertise is half or more. The Company has achieved all these targets. (Note 1)</p> <p>The Board of Directors has the necessary professional knowledge, skills and literacy to perform its duties. With diversified background and practical experience, it can continue to strengthen the Company's governance and operational synergies.</p> <p>The diversification policy of the Board of Directors is disclosed on the website.</p>

Corporate Governance Report

Evaluation Item	Operation Status		Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
(II) Other than the Remuneration Committee and the Audit Committee required by law, does the Company voluntarily set up other functional committees?	V	(II)	(V) The Company will set up other functional committees as necessary or required by laws and regulations.
(III) Has the Company established a methodology for evaluating the performance of its Board of Directors, does it carry out evaluations on an annual basis and report the results of the performance evaluation to the Board of Directors, and use the results as reference for directors' remuneration and nomination for re-election?	V	(III)	(VI) The Company will apply the results of the 2022 individual director's performance appraisal to their remuneration, and discuss such in the meeting of the Remuneration Committee in October 2023.
(IV) Does the Company regularly evaluate its external auditors' independence?	V	(IV)	(VII) None.

Evaluation Item	Operation Status		Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	
IV. Does the TWSE/TPEX Listed Companies appoint competent and appropriate corporate governance personnel and appropriate corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance with the law, handling matters related to Board meetings and shareholders' meetings according to the law, and recording minutes of Board meetings and shareholders' meetings)?	V		<p>(I) The Company has appointed competent and appropriate corporate governance personnel, and at the 6th meeting of the Board of Directors on December 23, 2020, it was approved to established the corporate governance officer (concurrently served by Hsieh, Yu-Hsia, the Manager of Finance Department) to serve concurrently and take charge of affairs related to corporate governance.</p> <p>(II) Regarding the annual key implementation of corporate governance and the continuing education of the corporate governance officer, the disclosure is made on the Company's website. Please refer to "the Company's website/Investor Section/Corporate Governance/Corporate Governance (https://www.cysco.com.tw/investorzone-71-119-page 99)."</p> <p>None.</p>
V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a stakeholder section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	V		<p>The Company has appointed dedicated units and staff to communicate with different stakeholders. A stakeholder section is set up on the website. When needed, any stakeholder may contact the Company via telephone or email available in the section.</p> <p>None.</p>
VI. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		<p>In the future, the Company may commission a professional registrar for the shareholders' meeting affairs, to meet the requirements of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation Item	Operation Status		Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
<p>VII. Information Disclosure</p> <p>(I) Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance?</p> <p>(II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?</p> <p>(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadlines?</p>	V		(I) The Company has a website in place, and discloses information on the website for viewing by investors and the public. (II) The Company's website has an English version; a dedicated unit is assigned to update and disclose the Company's information. Other than the spokesperson and deputy spokesperson system established for external communication, investor conferences are also convened as required by law (III) The Company handles such pursuant to the regulatory requirements.
	V		(I) None. (II) None.
	V		(III) The Company will report and announce the annual financial statements, the first, second, and third quarter financial statements as well as the operating status of each month as needed and required by the law
<p>VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchasing of insurance for directors and supervisors by the Company)?</p>			
	V		(I) The Company has organized regular corporate ethics trainings and promotion activities for new employees, as well as formulated relevant rewards and penalties for corporate ethics compliance in the employee reward and penalty system (II) The key resolutions adopted by the Board of Directors are disclosed on the Company's website, and updated regularly. (III) The Company has purchased liability insurance for directors. None.
<p>IX. The improvement status for the result of Corporate Governance Evaluation announced by the Taiwan Stock Exchange, as well as the prioritized enhancements for the matters and measures not yet improved. (not required for companies not evaluated) The Company's evaluation results for 2021 were between 36% to 50% of all evaluated companies. The improvements made in 2022 are as follows:</p> <ol style="list-style-type: none"> 1. The Company release the material information in Chinese and English simultaneously. 2. All the interim financial reports are approved by the Audit Committee, and submitted to the board for discussions and resolutions <p>In the future, the Company will strengthen corporate social responsibility and corporate governance, by referring to the principles of corporate governance, to improve every aspect of the operations, maintain an effective mechanism of corporate governance, while implementing transparent information disclosure and promoting shareholders' interests.</p>			

Note 1: Implementation of diversification policy for Board members

Name	Gender	Age				Professional skills								Professional background					
		41 - 50	51 - 60	61 - 70	71 - 80	Operational judgement skills	Accounting and financial analysis skills	Operation and management skills	Risk management skills	Industry knowledge	View of international market	Leadership skills	Decision-making skills	Law	Finance and accounting	Marketing	Finance	Economics	Business administration
CHENG, YE-MING	Male		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓					
WU, MEI-YING	Female			✓		✓	✓		✓	✓		✓	✓					✓	
TSAI, HSI-CHI	Male			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
TSAI, HSI-YU	Male				✓	✓	✓	✓	✓	✓	✓	✓	✓						
LEE, WEN-FA	Male				✓	✓	✓	✓	✓	✓	✓	✓	✓				✓		
CHENG, I-HUNG	Male					✓	✓	✓	✓	✓	✓	✓	✓						
TSAI, CHENG-TING	Male	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
De tai yu Investment Company Representative: LEE, WEN-LUNG	Male				✓	✓	✓	✓	✓	✓	✓	✓	✓						
HSU, LI-MING	Male	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
LIN, WEI-LIANG	Male				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
TSENG, YUNG-FU	Male				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			

(IV) The composition, duties, and operation of the Remuneration Committee:

(1) Information about the Remuneration Committee Member

Designation	Qualification		Professional qualification and experience	Independence status	Number of companies where they also serve as member in the Remuneration Committee
	Name				
Independent Director	HSU, LI-MING		Having five years work experience in finance and accounting, and passed a national examination and been awarded a certificate as certified public accountant.	The Company's independent director, and in the annual independent director qualification review required by the competent authority, showing the conformity to the independence requirement, and meeting the requirement in Article 3 and 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
Independent Director ^{Note}	LIN, WEI-LIANG		Having five years work experience in commerce, finance and banking.		0
Independent Director	TSENG, YUNG-FU		Having five years work experience in commerce and law, and passed a national examination and been awarded a certificate as judge, public prosecutor, and attorney.		1

Note: discharged on February 9, 2023

(2) Operation of the Remuneration Committee:

1. There are three members of the Remuneration Committee in total.
2. The committee members' terms of offices, qualifications and attendance are as follows:
 The 4th term: from June 21, 2019 to June 2022 (same as the term of the Board of Directors). In the most recent year, the Remuneration Committee convened one (A) meetings.
 The 5th term: from July 1, 2022 to June 2025 (same as the term of the Board of Directors). In the most recent year, the Remuneration Committee convened two (A) meetings.

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	HSU, LI-MING	3	0	100%	-
Member	LIN, WEI-LIANG	3	0	100%	February 9, 2023, discharged
Member	TSENG, YUNG-FU	3	0	100%	-

Other items to be stated:

- I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, state the meeting date, term, contents of motions, resolution of the Board meeting, and the Company's handling of the opinions of the Remuneration Committee (e.g., the remuneration passed by the Board exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
- II. For the resolutions adopted by the Remuneration Committee to which a member has a dissenting or qualified opinion which is on record or stated in a written statement, state the meeting date, term, contents of motions, opinion of each member, and the treatment to such opinions: None.

(3) Subjects of the Remuneration Committee's discussions, resolutions and the Company's handling of the members' opinions

Remuneration Committee	Proposal content and follow-up	Resolution	The Company's handling of the members' opinions
4th term 7th March 16, 2022	1. 2021 remunerations to directors 2. 2021 remunerations to managerial officers	All attending members unanimously approved proposals as they were, and submitted the proposals to the Board of Directors for approval.	Submitted the proposals to the Board of Directors, and approved by all attending directors unanimously
The 5th term 1st July 1, 2022	1. Directors' service expenses and other fees since July 1, 2022. 2. The managerial officers' salaries since July 1, 2022.	All attending members unanimously approved proposals as they were, and submitted the proposals to the Board of Directors for approval.	Submitted the proposals to the Board of Directors, and approved by all attending directors unanimously
The 5th term 2nd November 4, 2022	1. Calculation of the 2022 year-end bonus 2. 2023 directors' service expenses and other fees 3. 2023 managerial officers' wages and incentives	All attending members unanimously approved proposals as they were, and submitted the proposals to the Board of Directors for approval.	Submitted the proposals to the Board of Directors, and approved by all attending directors unanimously

(4) Information of the Nomination Committee and its operation: None.

(V) Promotion of sustainable development, and variance from the Sustainable Development Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

Promotion Item	Implementation		Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
I. Does the company establish an exclusively (or concurrently) dedicated unit to promote sustainable development have executives appointed by the board of directors to handle the promotion under the board of directors' supervision?	V		The Company will, depending on the practical and regulatory requirement, establish an exclusively (or concurrently) dedicated unit to promote sustainable development have executives appointed by the board of directors to handle the promotion under the board of directors' supervision.
II. Does the Company follow the materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy	V		None.
III. Environmental Topics (I) Has the Company established an environmental management system designed in line with industry characteristics?	V		None.
(II) Does the Company dedicate in promoting energy utilization efficiency, and use renewable materials that have low impact to the environment.	V		None.

Promotion Item	Implementation		Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
(III) Has the Company assessed its potential risks and opportunities now and the future regarding climate change, and adopted related responding?	V	<p>The potential risks of climate change to the Company are mainly short periods of intense rainfall, as well as the flooding and sultry heat in the plant resulting from global warming, which may directly impact the Company's operations. Measures taken include: in the lower-lying Xizhi Plant area, a water level warning system is used to activate the pumping station, to reduce the flooding probability of the plant; For high temperatures during summer, some plants use ventilation fans to enhance air circulation, and the roofs of the Longtan/ Tainan/ Kaohsiung/ Plants were leased to energy companies for the installation of solar panels. Not only does it offer effective heat insulation, it also reduces the temperature of the plant, to prevent workers on site from suffering heat injuries, reduce physical discomfort, and implement energy-saving and carbon-reduction policies.</p>	None.
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the most recent two years, and set greenhouse gas reduction, water usage reduction and other waste management policies?	V	<p>The Company aligns with the development direction of the global greenhouse gas reduction strategy, and takes into account of the sustainable energy development goals including resource efficiency, energy saving, and environmental protection. In accordance with the ISO 14001 environmental management system, the Company regularly counts resources/energy consumption and discloses it in the sustainability report (The 2022 Sustainability Report will be issued in June 2023); the effectiveness of PDCA is evaluated annually for resources/energy management, and the Company has passed ISO 14001 environmental management system verification (certificate verification expires on June 19, 2023; Special Steel Tueheng Branch office/ Taichung Branch office and Steel Structure Longtan Plant are not included in the scope of verification), and also formulates relevant management policies pursuant to the ISO 14001 environmental management system standards.</p> <p>1. Greenhouse gas emissions of the Taipei office and each plant (branch offices) (Scope 1 plus Scope 2): (1) 2021 - 11,367 (ton CO₂e) For each ton of product, the GHG emission intensity (tons/ CO₂e) is 0.0217 (2) 2022 - 13,937 (ton CO₂e) For each ton of product, the GHG emission intensity (tons/ CO₂e) is 0.0324</p> <p>2. In addition to the Special Steel Taichung Branch office, the water consumption of other Plants (branch offices) under the Taipei office: 2021: 87,162 (m³); 2022: 87,035 (m³)</p> <p>3. No hazardous industrial waste is produced; and the weight of general industrial waste in each plant (branch office): 2021 - 13,879 (tons); 2022 - 12,480 (tons)</p>	None.

Promotion Item	Implementation		Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
<p>IV. Social Topic</p> <p>(I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	V	<p>The Company complies with relevant labor laws and regulations, to establish personnel management regulations and other related procedures for managing and protecting the legitimate rights of employees.</p>	None.
<p>(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p>	V	<p>The Company is well aware that the sustainable development of the Company requires an employee welfare policy in addition to the growth of financial performance:</p> <ol style="list-style-type: none"> 1. Remunerations: The wages of new recruits are determined by measuring the supply and demand situation of the labor market, and the market level of wages, with the principle of being better to the basic salary stipulated by Taiwan's Labor Standards Act, while taking into account the job to be assigned, education, and relevant work experience, manpower demand in the market, and current wages of the same jobs or the same seniority. 2. Leave: The Company has set up the "Procedures for Applying for Leave by Employees," and all leave systems are based on the Labor Standards Act and related laws and regulations. 3. Benefits: The Company has established an employee welfare committee to handle various employee welfare related affairs, including departmental dinners, club activities, intellectual arts and cultural activities, parent-child activities, ball games, among other things. 4. Reflecting operation performance in the employees' remunerations: According to the Company's Articles of Incorporation, employees will be remunerated, and compensations and year-end bonuses will be distributed on the eve of the Mid-Autumn Festival and the Lunar New Year. 	None.

Promotion Item	Implementation		Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	
(III) Does the Company provide employees with a safe and healthy work environment, with regular safety and health training?	V	<p>The Company has established and implemented the “Regulations Governing Occupational Health and Safety Management” to implement the ISO 45001 occupational health and safety management system (validation expires on June 19, 2023; Special Steel Tucheng Branch office and Taichung Branch office excluded) and the Taiwan Occupational Safety and Health Management System (TOSHMS, the effective certificate expires on June 18, 2023; the Longtan Plant’s scale meets the regulations of “Regulations Governing Occupational Health and Safety Management” of MOL, the certification and passage were applied separately). Various regular environmental, safety and health education and trainings, as well as the employees’ physical examinations are conducted, to ensure their safety and health.</p> <p>In 2022, except for the monthly voluntary inventory, the environmental, safety and health patrol inspection in plants and construction sites are enhanced, with 118 deficiency rectified; in addition, there were 13 employee’s occupational disasters in 2022, with 13 victims (traffic accidents exclude), approximately accounting 1% of all employees.</p>	None.
(IV) Has the Company established effective career development training plans?	V	<p>The Company has introduced a three-module system of function/training/performance, and implemented a comprehensive function-based talent development program through an efficient digitized model of the management framework. By taking talent as the core capital, the Company has developed a training system in line with TTQS.</p> <ol style="list-style-type: none"> 1. Inventory of professional functions and establishment of a learning map. 2. Training and cultivation of new recruits for their functions. 3. Elite talent management and succession program. 4. Establishment of a know-how map of metal materials. 	None.
(V) Do the Company’s products and services comply with related regulations and international rules for customers’ health and safety, privacy, sales, and labelling, and have policies to protect consumers’ rights and consumer interest appeal procedures been established?	V	<p>The Company has implemented the ISO 9001 quality management system and obtained the examination certificate, to provide clients with high-quality products and services. It also has a rigorous procurement process, as well as a good client complaint channel and handling mechanism.</p>	None.

Corporate Governance Report

Promotion Item	Implementation		Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	
(VI) Does the Company establish supplier management policies and request suppliers to comply with related environmental, occupational safety and health or labor rights standards, and their implementation status?		V	The Company currently has not established supplier management policies or requested suppliers to comply with related environmental, occupational safety and health or labor rights standards, and their implementation status.
V. Does the Company refer to international reporting rules or guidelines to publish sustainability reports to disclose non-financial information of the Company? Has the said report acquired verification by a third-party certification unit or a statement of assurance?	V		The Company issued the first sustainability report in 2017, and the seventh edition will be released at the end of June, 2023. Since 2017, the Company had been using GRI 4 (Global Reporting Initiative) to prepare sustainability reports, and the standards advanced to GRI Standards (GRI Sustainability Reporting Standards) in 2018; however, Taiwan Stock Exchange issued a letter in September 2022, specifying that to cope with the updated version of GRI in 2022, CYS shall updated to the GRI 2021 version, and disclose sustainability-related indicators with the industrial materiality and concerned by investors. Currently, the sustainability report is issued every year as required by the competent authority. Although no external verification is conducted, internal audit verification is implemented by referring to the AA 1000 assurance standard.
VI. If the Company has established its own sustainable development best practice principles based on the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the policies and their implementation: Since 2017, sustainability reports are issued every year as required by the competent authorities. However no other regulations are established. In the future, it will be handled as required by the situation and the law.			
VII. Other important information to facilitate better understanding of the Company's promotion of sustainable development: In 2021, the Company continued to implement the ISO 14001 Environmental Management System, the ISO 45001 Occupational Safety and Health Management System and the Taiwan Occupational Safety and Health Management System (TOSHMS), while periodically passing the verification of external institutions. Meanwhile, the Company held various environment, health and safety promotional education and trainings and health checkup for employees, to implement the environmental responsibility, and ensure the employees' health and safety. The Company also sponsored the community development associations and the events in the neighborhoods of the Plants (the Longtan Plant held the neighborhood friendship events with donations, such as NT\$30,000 event fees and NT\$6,000 Mid-Autumn Festival celebration for Bade Community Development Association; NT\$20,000 for the celebration of the 40th anniversary of De Long Elementary School; and NT\$6,000 Mid-Autumn Festival celebration for Shengde Village), as the fulfillment of sustainable development responsibility. In addition, in accordance with the requirements of the competent authority, CSR reports have been issued since 2017, and the seventh issue (Sustainability Report 2021) will be issued at the end of June 2022. Through continuous communication with stakeholders, it will help to implement and effectively understand corporate social responsibility operations.			

Climate-Related Information of TWSE/TPEX Listed Company:

1. Implementation of Climate-Related Information

Item	Implementation
<p>(1) Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p> <p>(2) Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p> <p>(3) Describe the financial impact of extreme weather events and transformative actions.</p> <p>(4) Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>(5) If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</p> <p>(6) If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p> <p>(7) If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>(8) If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>(9) Greenhouse gas inventory and assurance status (separately fill out in point 1-1 below).</p>	<p>(1) Pursuant to the plans of the Financial Supervisory Committee's "Sustainable Development Roadmap for TWSE and TPEX Listed Companies," forwarded by Taiwan Stock Exchange, the operations related to the climate risk are implemented as below:</p> <p>➢ Before the end of the second quarter of 2022 and the first quarter of 2023, the greenhouse gas inventory, and verification schedule of the parent company and the Group (including subsidiaries) are completed, and reported to the board of directors. Subsequently, the implementation progress will be reported on a quarterly basis to the board of directors for the purpose of control.</p> <p>➢ The parent company completed the greenhouse gas inventory in 2023, and the verification will be completed in 2024.</p> <p>(2) The Company conducts comprehensive risk management based on business objectives, execution of business strategies, and routine business operations. First of all, the risk factors are confirmed and potential losses are measured; secondly, the management methods are selected, with supervision, audit, and tracking for the risk management, regularly or from time to time.</p> <p>(3) Please refer to the description in (2) above</p> <p>(4) Emergency response at CYS is governed by the "Natural Disaster Emergency Response Regulations." A natural disaster emergency response organization is established when a natural disaster is predicted (e.g. typhoons) to direct preparations.</p> <p>(5) The Company has not yet had relevant operations, and will plan and implement it in the future depending on actual needs and legal requirements.</p> <p>(6) Please refer to the description in (5) above</p> <p>(7) Please refer to the description in (5) above</p> <p>(8) Please refer to the description in (5) above</p> <p>(9) As of the publication date of the annual report, the Company has been currently implementing the 2022 greenhouse gas inventory, and the results of the inventory will be disclosed in the "Greenhouse Gas Inventory Report." Among them, the data of Scope 1 and Scope 2 are detailed in the table below.</p>

1-1 Greenhouse gas inventory and assurance status

Basic information of the Company <input checked="" type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry <input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion <input type="checkbox"/> Capital of less than NT\$5 billion	Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies: <input checked="" type="checkbox"/> Inventory for parent company only <input type="checkbox"/> Inventory for all consolidated entities <input type="checkbox"/> Assurance for parent company only <input type="checkbox"/> Assurance for all consolidated entities
---	--

Scope 1	Total emission volume (ton CO ₂ e)	Intensity (ton CO ₂ e/NT\$ million)	Assurance agency	Description of assurance
Parent	4,357.88	0.2229		1. Pursuant to the plans of the Financial Supervisory Committee's "Sustainable Development Roadmap for TWSE and TPEX Listed Companies," forwarded by Taiwan Stock Exchange, the Company has to complete the Scope 1 and Scope 2 GHG inventory of 2022 in 2023, with the external assurance obtained in 2024. 2. The Company has signed a contract with an external assurance agency, BSI, to plan the verification in 2024, with the external assurance obtained.
Subsidiary	-	-	-	
...	-	-	-	
Total	4,357.88	0.2229	-	
Scope 2	Total emission volume (ton CO ₂ e)	Intensity (ton CO ₂ e/NT\$ million)	Assurance agency	Description of assurance
Parent	9,579.18	0.4900		1. Pursuant to the plans of the Financial Supervisory Committee's "Sustainable Development Roadmap for TWSE and TPEX Listed Companies," forwarded by Taiwan Stock Exchange, the Company has to complete the Scope 1 and Scope 2 GHG inventory of 2022 in 2023, with the external assurance obtained in 2024. 2. The Company has signed a contract with an external assurance agency, BSI, to plan the verification in 2024, with the external assurance obtained.
Subsidiary	-	-	-	
...	-	-	-	
Total	9,579.18	0.4900	-	
Scope 3			-	

(VI) Fulfillment of Ethical Corporate Management, and variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

Evaluation Item	Operation Status		Variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures			
(I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, specified its ethical corporate management policies, measures, and the commitment of Board of Directors and the senior management on active implementation of such policies in its regulations and external documents?	V		The Company will, depending on the practical and regulatory requirements, establish ethical management policies approved by the Board of Directors, and expressly disclose the ethical management policies in regulations and external documents, in order to ensure that the Board of Directors and senior management actively fulfill each commitment. An assessment mechanism for unethical conduct risk is also established to analyze and assess business activities with higher unethical risks as specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," or within other business scopes. A program to prevent unethical conduct will be established accordingly to implement the related operational procedures, conduct guidelines, disciplinary actions, and the appeal system with periodical amendments, to meet the requirements of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(II) Does the company have an assessment mechanism for the risk of unethical conduct; regularly analyze and evaluate business activities with a higher risk of unethical conduct within the business context; formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The Company has not established any ethical management policies, but the current core culture is one of sincerity, confidence, diligence, and responsibility, and the Company must comply with the principles of ethical management: "Personnel Management Regulations" Employees are required to be careful with their conduct, be cautious in their words and deeds, and not abuse their own positions for personal gain. "Reward and Penalty Procedures for Employees" The procedures specify that corruption, theft or misappropriation of the Company's funds, accepting bribes or commissions, or deliberately damaging the Company's properties, will result in discharge or dismissal depending on the circumstances if allegation is proved true, to prevent corruption. In addition, through the annual internal control self-assessment, all functions, plants and subsidiaries need to conduct self-examination on their operating items, including compliance with laws and regulations, and make timely adjustments to the design and implementation of the internal control system, and implement self-supervision mechanisms. Chun Yuan Steel's external donations or sponsorships are also handled pursuant to relevant laws and regulations, as well as the Company's internal regulations.
(III) Has the company established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and appealing procedures, and periodically reviews and revises such policies?	V		

Corporate Governance Report

Evaluation Item	Operation Status		Variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	
<p>II. Implementing Ethical Management</p> <p>(I) Has the Company assessed the ethics records of whom it has business relationships with and included business conduct and ethics related clauses in business contracts?</p> <p>(II) Has the Company set up a unit under the Board of Directors which is dedicated to promoting the corporate ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters and programs to prevent unethical conduct and monitor its implementation?</p> <p>(III) Has the Company established policies to prevent conflicts of interests, provided appropriate communication and complaint channels and implemented such policies properly?</p> <p>(IV) To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct risks by internal auditors, and have its ethical conduct program audited by internal auditors or CPAs periodically?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company conducts business with suppliers pursuant to contract provisions and government laws and regulations, but has not yet clearly established any term of ethical conduct.</p> <p>(II) The Company has not yet set up a dedicated (concurrent) unit to promote corporate ethical management yet.</p> <p>(III) The Company has not yet established policies to prevent conflicts of interests, nor provided appropriate communication and complaint channels.</p> <p>(IV) The Company has an accounting system and internal control system in place. The accounting system is established pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Committee, the Business Entity Accounting Act, and the Regulation on Business Entity Accounting Handling as well as other relevant laws and regulations, while taking into account the Company's operating policies, actual business development, and needs of actual management, in line with the processing of the information system, to fully facilitate the functions of accounting to assist corporate management, and improve the Company's operating efficiency, and seek to fairly present the financial position, operation results, and cash flows. For the accounting system and internal control system, not only the internal audit unit regularly assesses risks, makes audit plans, and performs related audits according to but also special audits will be performed as needed, and the audit results are reported to the Board of Directors regularly. During the audit of 2022, the CPAs found no major non-compliance or suspected non-compliance with laws and regulations, and no related party transactions outside of business norms were found.</p>	<p>(I) In the future, the Company will evaluate the ethical conduct history of its counterparties as needed and required by the law, and specify ethical conduct clauses in the commercial contracts to be entered.</p> <p>(II) In the future, the Company will, depending on the practical and regulatory requirements, set up a unit under the Board of Directors which is dedicated to promoting the corporate ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters and programs to prevent unethical conduct and monitor its implementation.</p> <p>(III) In the future, the Company will, as needed and required by law, establish policies to prevent conflicts of interests, and provide appropriate communication and complaint channels, and implement such policies properly.</p> <p>(IV) The Company will, depending on the practical and regulatory requirements, establish the principles of ethical management in 2021, to set up an assessment mechanism for unethical conduct risks. The internal auditors will formulate related audit plans based on the assessment of unethical conduct risks by internal auditors, and have the ethical conduct program audited by internal auditors or CPAs periodically.</p>

Evaluation Item	Operation Status		Variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	
(V) Does the Company organize internal and external ethical conduct training program on a regular basis?	V	(V) The Company teaches the core culture of sincerity, confidence, diligence, and responsibility in the "Orientation for New Recruits," as well as reiterates corporate governance, employee ethics and other ethical norms internally from time to time.	(V) None.
III. Implementation of Reporting Procedures (I) Has the Company established specific reporting and reward procedures, set up conveniently accessible reporting channels, and designated responsible individuals to handle reports received?	V	To fully and concretely reward and punish employees as they deserve, the Company has established the Personnel Deliberation Committee, to establish related regulations including the Charter of the Personnel Deliberation Committee, and provides fair and objective review based on the "Reward and Penalty Procedures for Employees." For any complaints filed by any employee, the members, attending staff and other related staff shall keep the deliberations fully confidential without disclosing to any third party.	None.
(II) Has the Company established standard operating procedures for investigating the reports received, follow-up measures after investigations are completed, and ensuring such reports are handled in a confidential manner?	V		
(III) Does the Company adopt proper measures to prevent whistle-blowers from retaliation for their whistle-blowing?	V		
IV. Enhanced Information Disclosure (I) Does the company disclose its ethical corporate management best practice principles as well as information about the implementation of such guidelines on its website and the Market Observation Post System ("MOPS")?		V	The Company will, depending on the practical and regulatory requirement, establish the Ethical Corporate Management Best Practice Principles, and disclose the content and effect of promotion for the established Ethical Corporate Management Best Practice Principles on the official website and MOPS.
V. If the Company has established its own ethical corporate management best practice principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the policies and their implementation: The Company has not established the principles of ethical corporate management.			
VI. Other important information to facilitate better understanding of the Company's ethical corporate management practices: (e.g., reviewing and amending the Company's corporate management best practice principles): None.			

(VII) The Company's Corporate Governance Best Practice Principles and Other Regulations:

To establish a good corporate governance system, the Board of Directors has given approval for establishing the "Principles of Corporate Governance Best Practice" on December 30, 2019. The Principles are disclosed on MOPS.

(VIII) Other information to facilitate better understanding of the Company's operation of corporate governance: None.

Corporate Governance Report

(IX) Implementation of the internal control system

1. Statement of Internal Control

<p>Chun Yuan Steel Industry Co., Ltd. Statement of Internal Control</p> <p style="text-align: right;">Date: March 14, 2023</p> <p>Based on the findings of the self-assessment, the Company states the following with regard to its internal control system during the year 2022:</p> <p>I. The Company is aware that the Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The Company has already established this system. Its goal is to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.</p> <p>II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.</p> <p>III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Regulations" hereafter). The criteria for internal control adopted by the Regulations identify five key components of internal control according to the process of managerial control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes several items. For the said items, please refer to the Regulations.</p> <p>IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.</p> <p>V. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.</p> <p>VI. This statement is an integral part of the Company's Annual Report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.</p> <p>VII. This Statement was passed by the Board of Directors in their meeting held on March 14, 2023, with none of the ten attending directors (proxies included) expressing dissenting opinions, and the remainder all affirming the content of this Statement.</p> <p style="text-align: right;">Chun Yuan Steel Industry Co., Ltd.</p> <p style="text-align: right;">Chairman: CHENG, YE-MING</p> <p style="text-align: right;">President: HUNG, SHIH-MIN</p>

2. Certified public accountants (CPAs) retained to conduct a special audit of the company's internal control systems: None.

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

(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Key resolutions adopted by the 2022 general shareholders' meeting (July 23, 2022):

- (1) Ratifying the 2021 Business Report and Financial Statements by voting:
Approved as proposed; the reports and statements are filed to the competent authorities for reference, reported, and announced, pursuant to the Company Act and other laws and regulations.
- (2) Ratifying the proposal for distribution of 2021 profits by voting:
Approved as proposed (on March 16 2022, the board of directors resolved that the base date of distribution was April 29, 2022. and the distribution date was May 26, 2022).
- (3) Approved the proposal to amend the "Articles of Incorporation" via a poll.
Approved as proposed;
- (4) Approved the amendments to "Procedures for Acquisition or Disposal of Assets" via a poll.
Approved as proposed;
- (5) The company's election of the board directors (including independent directors) via a poll.
- (6) Approved the proposal to relieve the directors elected for the first time from the non-compete prohibition via a poll.

2. Key resolutions adopted by the Board of Directors:

Date	Description of proposal
March 16, 2022 (Wednesday) 2022 1st Board of Directors	<ol style="list-style-type: none"> 1. Approved the amendments to "Procedures for Acquisition or Disposal of Assets." 2. Approved the recommendations from the first meeting of the Remuneration Committee in 2022. 3. Approved the 2021 proposal of the "Assessment for Effectiveness of Internal Control System" and the "Statement of Internal Control." 4. Approved the 2020 settlement statements. 5. Approved the assessment of the independence of the assigned CPAs 6. Approved the explanations to the payable/receivable overdue for more than three months as of December 31, 2021. 7. Approved the proposal for the number of candidates to be re-elected at the 2022 Annual General Meeting. 8. Approved the list of directors (including independent directors) candidates nominated by the board of directors. 9. Approved the proposal for the 2021 employees and directors' remuneration distribution. 10. Approved the proposal of profit distribution for 2021 11. Approved the affairs for convening 2022 general shareholders' meeting. 12. Approved the distribution schedule for 2022 cash dividends.
May 6, 2022 (Friday) 2022 2nd Board of Directors	<ol style="list-style-type: none"> 1. Approved the proposal of greenhouse gas inventory and verification schedule 2. Approved the consolidated financial statements of Q1, 2022. 3. Approved the proposal to add the short-term comprehensive credit facility from Mega International Bank. 4. Approved the proposal to add the short-term comprehensive credit facility from Taipei Fubon Commercial Bank. 5. Approved the proposal to add the short-term comprehensive credit facility from Taiwan Cooperative Bank. 6. Approved the review of the independent directors nominees' qualifications for the re-election at the 2022 regular shareholders' meeting.
June 23, 2022 (Thursday) 2022 1st extraordinary meeting of the Board of Directors	<ol style="list-style-type: none"> 1. Approved proposal to re-elect the new chairman.

Corporate Governance Report

Date	Description of proposal
<p>July 1, 2022 (Friday) 2022 3rd Board of Directors</p>	<ol style="list-style-type: none"> 1. Approved the proposal to replace the luffing tower crane of Construction Business Division 2. Approved the urban renewal project at the CYS plant area in Shenzhen (Yangxin Plant and Tongqing Plant). 3. Approved the proposal to lease the office at the fourth floor on Fuxing N. Rd, Taipei City from a related party, “Chun Yuan Construction Co., Ltd. 4. Approved the proposal of members, terms of office and remuneration of the Remuneration Committee. 5. Approved the proposal to appoint the president. 6. Approved the appointment of the managerial officers (vice president and associate vice president). 7. Approved the assignment of the corporate governance officer. 8. Approved the proposal to add the mid-term comprehensive credit facility from Far East Commercial Bank. 9. Approved the proposal for additional short-term financing facility from DBS (Taiwan) Commercial Bank. 10. Approved the proposal to increase the short-term comprehensive credit facility from Standard Charter Bank.
<p>August 5, 2022 (Friday) 2022 4th Board of Directors</p>	<ol style="list-style-type: none"> 1. Approve the proposal to procure new slitting machines for the Direct Sale Commercial Steel Kaohsiung Plant 2. Approved the recommendations from the second meeting of the Remuneration Committee in 2022. 3. Approved the proposal to appoint the president. 4. Approved the consolidated financial statements of Q2, 2022. 5. Approved the explanations to the payable/receivable overdue for more than three months as of June 30, 2022. 6. Approved the amendments to the Company’s internal control system. 7. Approved the proposal to add the short-term comprehensive credit facility from Yuanta Commercial Bank.
<p>November 4, 2022 (Friday) 2022 5th Board of Directors</p>	<ol style="list-style-type: none"> 1. Approved the recommendations from the third meeting of the Remuneration Committee in 2022. 2. Approved the assignment and discharge of the corporate governance officer. 3. Approved the proposal to relieve the managerial officers appointed for the first time from the non-compete prohibition via a poll. 4. Approved the consolidated financial statements of Q3, 2022. 5. Approved the reappointment of the executives for the “Operating Procedures for Engaging in Derivatives.” 6. Approved the amendments to the “Rules of Agenda for the Board Meeting.”
<p>December 20, 2022 (Tuesday) 2022 6th Board of Directors</p>	<ol style="list-style-type: none"> 1. Approved the “2023 Annual Audit Plan.” 2. Approved the proposal to amend the “Articles of Incorporation.” 3. Approved the proposal to amend the “Operational Procedures of Handling Material Information.” 4. Approved the amendments to the Company’s internal control system. 5. Approved the proposal to apply for the mid-term credit facility for machinery equipment, and mid-term credit facility for import from Export-Import Bank of the Republic of China. 6. Approved the renewal and extension of credit facility agreements with financial institutions for 2023.

Corporate Governance Report

Date	Description of proposal
<p>March 14, 2023 (Tuesday) 2023 1st Board of Directors</p>	<ol style="list-style-type: none"> 1. Approved the proposal to sell the land on No. 645, Youshi Section, Yangmei District, Taoyuan City. 2. Approved the recommendations from the first meeting of the Remuneration Committee in 2023. 3. Approved the proposal of supplementary appointment for the Remuneration Committee. 4. Approved the 2022 proposal of the “Assessment for Effectiveness of Internal Control System” and the “Statement of Internal Control.” 5. Approved the 2022 settlement statements. 6. Approved the assessment of the independence of the assigned CPAs 7. Approved the amendments to the “Rules of Procedure for Shareholders Meetings.” 8. Approved the list of independent directors nominated by the board of directors for the by-election. 9. Approved the proposal for the 2022 employees and directors’ remuneration distribution. 10. Approved the proposal of profit distribution for 2022 11. Approved the affairs for convening 2023 general shareholders’ meeting. 12. Approved the Company's "Procedures to Employee Dedicated Contracted Personnel with Fixed Term."

3. Key resolutions adopted by the Audit Committee

Date	Description of proposal
<p>March 16, 2022 (Wednesday) 2022 1st Audit Committee meeting</p>	<ol style="list-style-type: none"> 1. Approved the amendments to “Procedures for Acquisition or Disposal of Assets.” 2. Approved the 2021 proposal of the “Assessment for Effectiveness of Internal Control System” and the “Statement of Internal Control.” 3. Approved the 2020 settlement statements. 4. Approved the assessment of the independence of the assigned CPAs 5. Approved the explanations to the payable/receivable overdue for more than three months as of December 31, 2021. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>
<p>May 6, 2022 (Friday) 2022 2nd Audit Committee meeting</p>	<ol style="list-style-type: none"> 1. Approved the proposal of greenhouse gas inventory and verification schedule. 2. Approved the consolidated financial statements of Q1, 2022. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>
<p>June 23, 2022 (Thursday) 2022 1st Extraordinary Audit Committee meeting</p>	<ol style="list-style-type: none"> 1. Approved the proposal to re-elect the new chair of the Audit Committee. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>
<p>July 1, 2022 (Friday) 2022 3rd Audit Committee meeting</p>	<ol style="list-style-type: none"> 1. Approved the proposal to replace the luffing tower crane of Construction Business Division 2. Approved the urban renewal project at the CYS plant area in Shenzhen (Yangxin Plant and Tongqing Plant). 3. Approved the proposal to lease the office at the fourth floor on Fuxing N. Rd, Taipei City from a related party, “Chun Yuan Construction Co., Ltd. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company’s treatment to the Audit Committee’s opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>

Corporate Governance Report

Date	Description of proposal
August 5, 2022 (Friday) 2022 4th Audit Committee meeting	<ol style="list-style-type: none"> 1. Approve the proposal to procure new slitting machines for the Direct Sale Commercial Steel Kaohsiung Plant. 2. Approved the consolidated financial statements of Q2, 2022. 3. Approved the explanations to the payable/receivable overdue for more than three months as of June 30, 2022. 4. Approved the amendments to the Company's internal control system. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>
November 4, 2022 (Friday) 2022 5th Audit Committee meeting	<ol style="list-style-type: none"> 1. Approved the consolidated financial statements of Q3, 2022. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>
December 20, 2022 (Tuesday) 2022 6th Audit Committee meeting	<ol style="list-style-type: none"> 1. Approved the amendments to the Company's internal control system. <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>
March 14, 2023 (Tuesday) 2023 1st Audit Committee meeting	<ol style="list-style-type: none"> 1. Approved the proposal to sell the land on No. 645, Youshi Section, Yangmei District, Taoyuan City. 2. Approved the 2022 proposal of the "Assessment for Effectiveness of Internal Control System" and the "Statement of Internal Control." 3. Approved the 2022 settlement statements. 4. Approved the assessment of the independence of the assigned CPAs <p>Resolution adopted by the Audit Committee: All members of the Audit Committee unanimously approved the proposal as it was without dissent.</p> <p>The Company's treatment to the Audit Committee's opinion: all attending directors unanimously approved the proposal as it was without dissent.</p>

(XII) During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, directors or supervisors who have expressed dissenting opinions with respect to material resolutions passed by the Board of Directors, and said dissenting opinions have been recorded or prepared as written declarations: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

March 31, 2023

Title	Name	Inauguration date	Discharge date	Reason of resignation or discharge
Chairman	TSAI, HSI-CHI	June 21, 2019	June 23, 2022	Re-election due to expiry of the term of office
President	TSAI, HSI-CHI	June 21, 2019	August 5, 2022	The term of office expired
Corporate Governance Officer	HUNG, SHIH-MIN	December 23, 2020	November 4, 2022	Job changed

V. Information on CPA Professional Fees:

(I) The professional fees paid to the CPAs are as follows:

Unit: NT\$thousand

Name of Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Crowe (TW) CPAs	Wang, Wu-Chang	January 1 to December 31, 2022	4,778	15	4,793	-
	Chen, Kui-Mei	January 1 to December 31, 2022				

Note: the non-audit fee: business travel expenses NT\$15,000

(II) Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: N/A.

(III) Reduction in audit fees by more than 10% compared with the previous year: N/A.

VI. Information about replacement of CPAs:

(I) About the former CPA

Date of replacement	1. Approved by the Board of Directors on March 19, 2021		
Reason and explanation for replacement	Pursuant to Article 68 of the Statements on Auditing Standards No. 46, the CPAs in charge were rotated internally in the accounting firm: 1. From the first quarter of 2021, the original CPAs Lin, Chih-Lung, CPA and Chen, Kui-Mei, CPA were replaced by Wang, Wu-Chang, CPA and Chen, Kui-Mei, CPA.		
Specify whether the client or CPA terminates or rejects the appointment	Status	Counterparty	Certified Public Accountant
	Terminate the appointment voluntarily No longer accepts (continues) the appointment		Client
Issuance of the audit report opinions other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	N/A		
Disagreement with the Company	Yes		Accounting principles or practices
			Disclosure of financial reports
		Scope or steps of audit	
		Others	
	None	Description: N/A	
Other disclosures (To be disclosed under the subparagraphs 6.1(4) to (7) of Article 10 of the Standards)	None		

Corporate Governance Report

(II) About the successor CPA

Name of accounting firm	Crowe (TW) CPAs
Name of CPA	1. Wang, Wu-Chang 2. Chen, Kui-Mei
Date of engagement	1. Approved by the Board of Directors on March 19, 2021
Consultation about the accounting treatment or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result	N/A
Written opinion from the successor CPA regarding the matters disagreed by the former CPA	N/A

(III) The former CPA's response to the items referred to in the subparagraphs 6.1 and 6.2(3) of Article 10 of the Standards: N/A

VII. Name of auditing firm or its affiliates at which the Company's chairman, president, or managers responsible for financial or accounting matters was an employee over the past year, their position and employment period: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(I) Changes in equity of directors, supervisors, managers and major shareholders holding 10% or more stake:

Unit: shares

Title	Name	2022		Current year up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	CHENG, YE-MING	0	0	0	0
Director	WU, MEI-YING	6,300,321	0	0	0
Director	TSAI, HSI-CHI	0	0	0	0
Director	TSAI, HSI-YU	0	0	0	0
Director	LEE, WEN-FA	0	0	0	0
Director	CHENG, I-HUNG	0	0	0	0
Director	De tai yu Investment Company	0	0	0	0
Director	TSAI, CHENG-TING	0	0	104,000	0
Independent Director	TSENG, YUNG-FU	0	0	0	0
Independent Director	LIN, WEI-LIANG ^{Note 1}	0	0	0	0
Independent Director	HSU, LI-MING	0	0	0	0
President	TSAI, HSI-CHI ^{Note 2}	0	0	0	0
President	HUNG, SHIH-MIN ^{Note 3}	0	0	0	0
Vice President (Concurrently serving as the corporate governance officer)	HUNG, SHIH-MIN	0	0	0	0
Vice President	LIN, WEI-CHENG	0	0	0	0
Vice President	HUANG, CHUN-YUNG	0	0	0	0
Associate Vice President	CHIANG, MING-CHI	0	0	0	0
Associate Vice President	HO, YING-HUA	0	0	0	0
Associate Vice President	SONG, WEI-MI ^{Note 4}	0	0	0	0
Accounting Officer (Manager)	LIN, YI-CHUN	0	0	0	0
Finance officer (Manager)	HSIEH, YU-HSIA	0	0	0	0

Note 1: Deceased on February 9, 2023; Note 2: Discharged on August 6, 2022;

Note 3: Inaugurated on August 6, 2022; Note 4: Discharged on June 29, 2022

(II) Equity transfer information

Name	Reason of Transfer	Date of Transaction	Counterparty of the Transaction	Relationship between the counterparty and the Company, directors, supervisors, managers and major shareholders holding more than 10% stake	Shares	Transaction price
WU, MEI-YING	Acquisition (Gifted)	111.3.28	LEE, WEN-LUNG	Spouse	6,300,321	23.25
TSAI, CHENG-TING	Acquisition (Gifted)	112.1.12	Huang, Chen-Chunag	Mother and son	104,000	16.00

(III) Equity pledge information: None.

Corporate Governance Report

IX. Relationship information, if among the top ten shareholders any one is a related party or a relative within the second degree of kinship of another:

Unit: shares, %
April 29, 2022

Name	Shareholding by oneself		Shareholding of spouses and underage children		Total shareholding through others		Related parties, or spousal relationship or relatives within second degree of kinship, among top ten shareholders, including their names and relationships.		Remarks
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Name	Relationship	
LEE, WEN-FA	36,300,321	5.60%	0	0.00%	0	0.00%	LEE, CHU-SONG LEE, WEN-LUNG WU, MEI-YING	Brothers Brothers Brother and sister in law	
LEE, WEN-LUNG	30,000,000	4.63%	12,780,790	1.97%	0	0.00%	LEE, WEN-FA LEE, CHU-SONG WU, MEI-YING	Brothers Brothers Spouse	
TSAI, HSI-CHI	24,610,799	3.80%	8,200,746	1.27%	0	0.00%	Anxi Investment TSAI, HSI-YU	Chairman Brothers	
LEE, CHU-SONG	22,614,270	3.49%	0	0.00%	0	0.00%	LEE, WEN-LUNG LEE, WEN-FA WU, MEI-YING	Brothers Brothers Younger sister in law	
Amity Holdings Co., Ltd.	20,728,751	3.20%	0	0.00%	0	0.00%	-	-	
Person in Charge: CHENG, I-HUNG							CHENG, YE-MING	Brothers	
Anxi Investment Co., Ltd.	18,887,007	2.92%	0	0.00%	0	0.00%	TSAI, HSI-CHI TSAI, HSI-YU	Chairman Director	
Person in Charge: TSAI, HSI-CHI							TSAI, HSI-YU	Brothers	
TSAI, HSI-YU	17,844,010	2.76%	10,453,871	1.61%	0	0.00%	Anxi Investment TSAI, HSI-CHI	Director Brothers	
CHENG, YE-MING	17,179,211	2.65%	1,042,407	0.16%	14,000,000	2.16%	CHENG, I-HUNG Cheng, Yao-Ren	Brothers Father and son	
CHUN, MING-YAO Wenchuang Co., Ltd.	14,000,000	2.16%	0	0.00%	0	0.00%	CHENG, YE-MING	Supervisor	
Person in Charge: Cheng, Yao-Ren							CHENG, YE-MING	Father and son	
WU, MEI-YING	12,780,790	1.97%	30,000,000	4.63%	0	0.00%	LEE, WEN-LUNG LEE, WEN-FA LEE, CHU-SONG	Spouse Brother-in-law Older brother in law	

X. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any enterprise controlled either directly or indirectly by the Company:

Unit: shares; %
March 31, 2023

Invested enterprise	Investment made by the Company		Directors, supervisors, managerial officers and the investment in the business under direct or indirect control		Comprehensive investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Chun Yuan Construction Co., Ltd.	20,729,909	26.33%	13,635,512	17.32%	34,365,421	43.66%
Chun Yuan Investment (Singapore) Pte. Ltd.	61,739,835	100.00%	-	-	61,739,835	100.00%
Chun Shyang Shin Yeh Industry Co., Ltd.	6,856,000	48.97%	3,000	-	6,859,000	48.99%

Information on Capital Raising Activities

I. Capital and shares

(I) Source of share capital

1. Source of share capital

Unit: thousand shares/NT\$thousand
February 28, 2023

Month/Year	Issuance Price	Authorized share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Shares paid with properties other than cash	Others
August 2007	10	560,000	5,600,000	553,974	5,539,741	Capital increase from surplus	None	None
August 2018	10	700,000	7,000,000	576,133	5,761,330	Capital increase from surplus	None	None
August 2009	10	700,000	7,000,000	593,417	5,934,171	Capital increase from surplus	None	None
August 2011	10	700,000	7,000,000	634,956	6,349,563	Capital increase from surplus	None	None
September 2012	10	700,000	7,000,000	647,655	6,476,554	Capital increase from surplus	None	None

Note:

Note: The effective date of the capital increase from surplus for 2007 was July 18, 2007, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 0960037644

Note: The effective date of the capital increase from surplus for 2008 was July 11, 2008, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 0970034893

Note: The effective date of the capital increase from surplus for 2009 was July 15, 2009, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 0980035444

Note: The effective date of the capital increase from surplus for 2011 was July 14, 2011, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 1000032663

Note: The effective date of the capital increase from surplus for 2012 was July 6, 2012, and the approval letter was Jin-Guan-Zheng-Fa-Zi No. 1010030014

Unit: shares

Type of Shares	Approved Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	647,655,390	52,344,610	700,000,000	Listed Shares

2. Information Related to Shelf Registration: N/A.

(II) Shareholder Structure

April 29, 2022

Shareholder Structure Quantity	Government agencies	Financial institutions	Other juridical persons	Individuals	Foreign Institution and persons	Total
Persons	1	2	72	52,718	89	52,882
Shares Held	6	1,038	94,821,290	521,866,861	30,966,195	647,655,390
Shareholding percentage	0.00%	0.00%	14.64%	80.58%	4.78%	100.00%

Information on Capital Raising Activities

(III) Distribution of Equity

1. Common shares:

April 29, 2022

Shareholding classes	Number of shareholders	No. of shares held	Shareholding Ratio
1 to 999	12,390	2,853,221	0.44%
1,000 to 5,000	32,143	65,903,260	10.18%
5,001 to 10,000	4,669	37,460,911	5.78%
10,001 to 15,000	1,206	15,483,698	2.39%
15,001 to 20,000	828	15,432,419	2.38%
20,001 to 30,000	602	15,416,555	2.38%
30,001 to 40,000	273	9,733,341	1.50%
40,001 to 50,000	170	7,920,937	1.22%
50,001 to 100,000	309	22,548,842	3.48%
100,001 to 200,000	112	15,944,176	2.46%
200,001 to 400,000	68	19,680,045	3.04%
400,001 to 600,000	29	14,219,580	2.20%
600,001 to 800,000	11	7,331,148	1.13%
800,001 to 1,000,000	8	7,207,596	1.11%
1,000,001 to 5,000,000	41	79,907,676	12.34%
5,000,001 to 11,000,000	13	95,666,826	14.78%
11,000,001 to 25,000,000	8	148,644,838	22.95%
25,000,001 to 37,000,000	2	66,300,321	10.24%
Total	52,882	647,655,390	100.00%

2. Preference shares: None.

(IV) List of Major Shareholders

April 29, 2022

Shares	Shares Held	Shareholding Percentage
Name of major shareholder		
LEE, WEN-FA	36,300,321	5.60%

Information on Capital Raising Activities

(V) Market value, net value, earnings, and dividends per share during the most recent two years

Item		Year	2021	2022	Current year up to March 31, 2023
Market price per share	Highest		37.55	26.80	17.10
	Lowest		11.50	13.95	15.65
	Average		25.20	21.84	16.40
Net value per share	Before distribution		17.48	17.31	-
	Before distribution		16.18	16.71	-
Earnings per share	Weighted Average		647,655,390	647,655,390	-
	Earnings per Share		1.88	0.95	-
Dividend per share	Cash dividend		1.30	0.60	-
	Bonus dividend	Out of earnings	-	-	-
		Out of additional paid-in capital	-	-	-
	Accumulated unpaid dividends		-	-	-
ROI analysis	Price earnings ratio		13.40	22.99	-
	Price dividend ratio		19.38	36.40	-
	Cash dividend yield		5.16%	2.75%	-

Note: The publication date of the Company's annual report is March 31, 2023; therefore, the latest quarterly statements audited (reviewed) by the CPAs up to the publication date of the annual report are the 2022 statements.

(VI) Dividend policy and Implementation:

1. Dividend policy set forth in the Articles of Incorporation:

The Company's industry is fully developed, with stable profitability and a robust financial structure. For many years, the Company has been committed to diversified and high value added steel products and investments in high technology industries, to expand operational foundations. When formulating the earnings appropriation, the Company's financial structure, shareholders' equity, and stable dividends are taken into account. Except for the funds needed, the actual distributed earnings shall be 50% or more of the distributable earnings, and the cash dividends shall be no less than 10% of the sum of cash and share dividends.

2. On March 14, 2023, the Board of Directors resolved to distribute cash dividends of NT\$0.60 per share.
3. Material change in dividend policy: None.

(VII) The effects of stock grants proposed at this shareholders' meeting on business performance and earnings per share: None.

(VIII) Employees, directors and supervisors' remuneration:

1. Pursuant to the percentages or scopes of employees and directors' remunerations specified in the Articles of Incorporation:

The profit before tax, without including the remunerations to employees and directors, shall be distributed at the following percentages if a surplus is left after deducting the accumulated loss:

- (1) Directors' remuneration: maximum 1%
- (2) Employees' remuneration: 2%

2. Distribution of remunerations to employees and directors approved by the Board of Directors:

Share dividends		Cash dividends (NT\$/share)	Remuneration to employees (NT\$)	Remunerations to Directors (NT\$)	The estimated earnings per share after taking the distribution of remunerations to employees and directors into account (NT\$)
Out of earnings (NT\$/share)	Out of additional paid-in capital (NT\$/share)				
-	-	0.60	15,855,119	7,927,559	0.95

Note 1: The Board of Directors approved to distribute NT\$15,855,119 as the employees' remuneration (2%, fully in cash) and NT\$7,927,559 as the directors' remuneration (1%, fully in cash) for 2022. The amounts are identical to the employees and directors' remunerations recognized in the 2022 financial statement.

Note 2: The proposed amount of share remuneration distributed to employees: 0.

Note 3: The percentage of the proposed amount of share remuneration distributed to employees accounted in the net profit after tax and the total amount of the employees' remuneration: 0%

Information on Capital Raising Activities

3. The earnings from the previous year to be distributed as the remunerations to employees, directors, and supervisors:

	2021			
	Actual distribution resolved by the shareholders' meeting	Intended distribution approved by the Board of Directors	Difference	Reasons for difference
I. Distribution				
1. Cash remunerations to employees	NT\$30,247 thousand	NT\$30,247 thousand	NT\$0	-
2. Share remunerations to employees				
(1) Shares	-	-	-	-
(2) Amount	-	-	-	-
(3) Percentage of the outstanding shares of the year	-	-	-	-
3. Remunerations to directors and supervisors	NT\$15,124 thousand	NT\$15,124 thousand	NT\$0	-
II. Information about earnings per share (NT\$)				
1. Original earnings per share	NT\$1.88	NT\$1.88	0	-
2. Estimated earnings per share (Note)	NT\$1.88	NT\$1.88	0	-

Note 1: The shareholders' meeting approved to distribute NT\$30,247,488 as the employees' remuneration (2%, fully in cash) and NT\$15,123,743 as the directors' remuneration (1%, fully in cash) for 2021. The amounts are identical to the employees and directors' remunerations recognized in 2021 financial statement.

(IX) Status of a company repurchasing its own shares: None.

II. Issuance of corporate bonds: None.

III. Issuance of preference shares: None.

IV. Global depositary receipts: None.

V. Employee share subscription warrants: None.

VI. New restricted employee shares: None.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies : None.

VIII. Implementation of the Company's capital allocation plans: The Company has no uncompleted public issue or private placement of securities, nor issues and placements that were completed in the most recent 3 years that have not yet fully yielded the planned benefits.

Overview of Business Operations

I. Description of business

(I) Scope of business

1. Description of business and proportion of business

Description of business	Proportion of business
Steel sheets	40.95%
Engineering service revenue	39.83%
Special steel strips	6.37%
Special steel products	5.77%
Electrical steel	4.47%
Storage systems	1.94%
Revenue from processing	0.54%
Formed steel	0.13%

2. New products/new technologies planned

In order to satisfy clients and operate sustainably, the Company pursues revenue growth and creating income based on a spirit of growth and client service. New development plans include:

- (1) Commercial Steel Division: The implementation of carbon-saving improvements has been continued in the Plant; the continuous promotion and sales of materials for the markets of electric vehicles and servers, and other markets; and the continuous promotion for the optimization of efficiency in the production process operation.
- (2) Commercial Steel Regional Division: The implementation of carbon inventory and energy-saving improvement project; promotion and sales of new product materials; optimization of plant logistics and transit; project to construct new cold-rolled slitting equipment.
- (3) Special Steel Strip Business Division: development of high value-added steel strip material products, improvement and correction project for the precision slitting machine group equipment of the rolling plant are promoted continuously, to improve the equipment utilization and productivity.
- (4) Special Steel Business Division: Integrate the industrial value chain, and expand the sales of materials for the clientele of as e-scooters and sliding rails of machine tools, and provide products with high quality and competitiveness, while continuously promoting the deep processing technical services, to meet the supply of special steel bar products; improving quality and increasing the added value of products.
- (5) Electrical Steel Business Division: market development projects for automotive motors and axial-flow fan moto, to provide the design of high-efficiency motors, and continuous development of new iron core molds into the market.
- (6) Automated Storage System Division: The construction project of heavy-duty frame pillar forming equipment; the development project of improved push-back track; the promotion and sales of galvanized steel products; the project of continuous integration for plant production process for better production synergy.

- (7) Construction Business Division: The Kaohsiung Productivity Improvement Program; the development of automatic welding technology for box partitions, to enhance production technology and competitive advantages.

(II) Overview of the industry

1. Review of the steel industry

2022 was a turbulent year for business operations. Major events such as the Russia-Ukraine War, inflation, global interest rate hikes, and the resurgence of pandemic around the world occurred one after another. The war triggered inflations to accelerate. To curb the inflation, the central banks of various countries have raised interest rates to cool it down, even take the risk of economic recession. Affected by the fiscal policies of various countries and the pandemic, corporate borrowing interests have increased, with rising operating costs, and reduced terminal demand. The uncertainties increased for the operation. According to the latest news from the International Monetary Fund (IMF), the global economic growth in 2022 was 2.9%.

For the steel market, affected by the reduced demand for end products and the adjustment of inventories, the global crude steel production in 2022 was 1.8782 billion tons, a decrease of 4.2% from 2021. Observing the production volume of various regions, in the Asian region it decreased by 2.2%; in China, it decreased by 2.1%; in India it increased by 5.5%; in Japan, it decreased by 7.4%; in South Korea, it decreased by 6.4%; in Taiwan, it decreased by 11.2%; and in Vietnam, it decreased by 13.0%. In other regions, in EU, it decreased by 10.6%, in North America, it decreased by 5.5%, and in the Commonwealth of Independent States, it decreased by 20.9%.

Production volumes in the major steel-producing countries in 2022 Unit: million tons, %

Region	2021	2022	Percentage of the region	Compared to 2021	Growth rate
28 EU countries	141.0	126.1	6.7%	-14.9	-10.6%
Other European countries	47.6	41.2	2.2%	-6.4	-13.4%
Commonwealth of Independent States	98.4	77.8	4.1%	-20.6	-20.9%
North Americas	117.3	110.9	5.9%	-6.4	-5.5%
South Americas	41.0	39.1	2.1%	-1.9	-4.6%
Africa	18.8	17.7	0.9%	-1.1	-5.9%
Middle East	40.0	42.9	2.3%	2.9	7.3%
Oceania	5.8	5.7	0.3%	-0.1	-1.7%
Asia	1,410.6	1,379.6	73.5%	-31.0	-2.2%
China	1,034.7	1,013.0	53.9%	-21.7	-2.1%
Taiwan	23.2	20.6	1.1%	-2.6	-11.2%
Japan	96.3	89.2	4.7%	-7.1	-7.4%
Korea	70.4	65.9	3.5%	-4.5	-6.4%
India	118.2	124.7	6.6%	6.5	5.5%
Thailand	5.5	5.3	0.3%	-0.2	-3.6%
Vietnam	23.0	20.0	1.1%	-3.0	-13.0%
Pakistan	5.4	6.0	0.3%	0.6	11.1%
Asia others	33.9	34.9	1.9%	1.0	2.9%
Other countries	39.5	37.2	2.0%	-2.3	-5.8%
Total of the major steel-producing countries	1,960.0	1,878.2	100.0%	-81.8	-4.2%

Overview of Business Operations

In terms of steelmaking costs, the price movement of iron ore changed drastically in 2022. Firstly, due to the impact of the Russia-Ukraine war, the iron ore price soared as the market worried about the risk of raw material supply. But since the second quarter, the demand for the end products shrunk, with the impact from the pandemic lockdown, the demand for raw materials plummeted, and the price was bottomed in September. Starting from the second half of the year, due to the gradual investment in infrastructure in China, coupled with policy support, and further relaxation of zero-COVID policy, the steel demand gradually recovered in Q4, 2022. The iron ore price in December 2022 was USD5.97/ton (-5.1%) cheaper year on year, while being increased by USD12.97/ton (+13.2%) from September 2022.

Price list of iron ore: 62% iron content

Unit: USD/ton, %

Item/Year	December 2021	March 2022	June 2022	September 2022	December 2022
Iron ore - USD/ton	117.25	158.30	120.75	98.31	111.28
Compared to last year (base)		35.0%	3.0%	-16.2%	-5.1%
Compared to last quarter		35.0%	-23.7%	-18.6%	13.2%

The Russia-Ukraine war caused the rapid rise of international coal mine prices, and the supply of oil and natural gas required for thermal power generation was reduced due to the war, resulting in demand for coking coal increased to substitute the fuels simultaneously. The global coking coal market soared, and the price of low-volatile Australian coking coal breached \$600/ton In March 2022, and closed at \$593.6/ton at the end of the month. However, it was also subject to the shrinking terminal demand for commodities, and fell quarter by quarter from the second quarter. At the end of December 2022, it was \$262.82/ton .

Examining the price of Australian coking coal, it only rose in Q1, quarter-on-quarter, and the increase was as much as 73.7%. Since Q2, the price has been declining, and decrease in Q2, Q3, and Q4 was 37.3%, 28.7%, and 1.0%, respectively. In Q4, while the decline has shrunk as the expectation for the recovery of Chinese demand, it was still down 23.1% year-on-year. The price dropped from US\$341.76/ton in December 2021 to US\$262.82/ton in December 2022.

Australian coking coal prices

Unit: USD/ton, %

Item/Year	December 2021	March 2022	June 2022	September 2022	December 2022
Australian coking coal	341.76	593.60	372.40	265.50	262.82
Compared to last year (base)		73.7%	9.0%	-22.3%	-23.1%
Compared to last quarter		73.7%	-37.3%	-28.7%	-1.0%

In 2022, the international steel market was first affected by the Russia-Ukraine War. The market expected the steel price to go up, with the rising raw material prices and post-war recovery demand to increase. However, the demands in the end market of commodities decreased, central banks around the world have been curbing inflation, and the bulk commodities were traded down, the wholesale prices at the steel makers were close to the market price, and the downward trend has been shown since Q3 2022.

In terms of steel market in Taiwan, CSC's steel prices are same as the internal steel price. By comparing the CSC's monthly prices, it can be seen that the prices of major steel categories such as hot-rolled, cold-rolled, electro-galvanized, and electromagnetic steel all rose from 2021. After that, the prices dropped since Q3. The downstream users had slower demands with expectation of downward trend of price. As a whole, the operation of steel industry in Taiwan was rather severe in 2022.

Overview of Business Operations

Wholesale price of China Steel and qoq comparison:

Unit: NT\$/ton, %

Type of steel	Period	Item	December 2021	March 2022	June 2022	September 2022	December 2022
Hot-rolled coil	Monthly wholesale price	General materials	29,790	29,190	31,990	27,490	27,490
		Increase/decrease from last period		-2.0%	9.6%	-14.1%	0.0%
	Quarterly Wholesale price	Automotive materials	29,860	28,960	31,360	31,360	30,360
		Increase/decrease from last period		-3.0%	8.3%	0.0%	-3.2%
		Medium carbon steel	31,040	30,140	32,540	32,540	30,540
		Increase/decrease from last period		-2.9%	8.0%	0.0%	-6.1%
		Tool steel	33,740	32,840	35,240	35,240	33,240
Increase/decrease from last period		-2.7%	7.3%	0.0%	-5.7%		
Cold rolled coil	Monthly wholesale price	General materials	33,030	32,230	34,830	30,130	30,130
		Increase/decrease from last period		-2.4%	8.1%	-13.5%	0.0%
	Quarterly Wholesale price	Automotive materials	32,640	31,740	34,140	34,140	33,140
		Increase/decrease from last period		-2.8%	7.6%	0.0%	-2.9%
		Medium carbon steel	32,780	31,880	34,280	34,280	32,280
		Increase/decrease from last period		-2.7%	7.5%	0.0%	-5.8%
		Tool steel	38,380	37,480	39,880	39,880	37,880
Increase/decrease from last period		-2.3%	6.4%	0.0%	-5.0%		
Galvanized steel coils	Quarterly Wholesale price	General materials	34,750	34,750	37,150	33,450	33,450
		Increase/decrease from last period		0.0%	6.9%	-10.0%	0.0%
Electrical steel coils	Monthly wholesale price	High-spec	39,790	40,290	41,990	37,590	37,590
		Increase/decrease from last period		1.3%	4.2%	-10.5%	0.0%
		Mid- and low spec	37,390	36,890	38,590	34,190	34,190
		Increase/decrease from last period		-1.3%	4.6%	-11.4%	0.0%

In terms of import and export, Taiwan's annual export exceeded NT\$1,518.6 billion, a decrease of NT\$286 billion from 2021 (exceeding NT\$1,804.6 billion). As the fundamentals of the international economy became more accommodative, the exports weakened, and the economy went down in Q4. The growth rate of imports and exports in 2022 (exports: NT\$14,219.1 billion, an annual growth rate of 13.7%; imports: NT\$12,700.5 billion, an annual growth rate of 18.7%) was slower than 2021.

Value of Taiwanese imports/exports in the past five years

Unit: NT\$100 million

Item/Year	2018	2019	2020	2021	2022
Export value	100,691	101,819	101,987	125,016	142,191
Import value	85,871	88,354	84,606	106,970	127,005

Focusing on the import and export performance of the steel industry in Taiwan, the domestic market demand has shrunk, with declined import volume, while the export was benefited from the depreciation of TWD with a slight increase. 2022, the import value of the steel industry in Taiwan was NT\$410.2 billion, a decrease of 4.0%; the export value was NT\$670.1 billion, an increase of 8.7%; the growth rate was slower than 2021.

Overview of Business Operations

Value of Taiwanese steel industry imports/exports in the past five years Unit: NT\$100 million

Item/Year	2018	2019	2020	2021	2022
Import value	3,336	2,974	2,763	4,273	4,102
Export value	5,726	5,134	4,303	6,167	6,701

2. Links between the industry upstream, midstream, and downstream

Upstream:

The upstream raw materials of the steel industry are steel billets and stainless steel billets, both needing to be manufactured through steelmaking procedures. Steelmaking methods may be divided into blast furnace steelmaking and electric furnace steelmaking. The major raw materials for blast furnace steelmaking are iron ore and coking coal (also known as metallurgical media). The representative manufacturer is China Steel. The main raw material of electric furnace steelmaking is scrap steel. Because the raw materials and rate of energy self-sufficiency required for steelmaking are insufficient in Taiwan, scrap steel, crude steel and steel billets mostly rely on imports, so the development of domestic mid- and downstream industries is relatively limited.

Midstream:

The midstream products of the steel industry belong in the carbon steel category. The products include hot- and cold-rolled steel coils, rebars, wire rods, and bar rods. For stainless steel, there are cold- and hot-rolled stainless steel coils, stainless steel rods and wires, and stainless shaped steel, as well as cutting and processing and the pipe-making industry in the late stages.

Downstream:

The steel industry is the mother of industry, with various downstream applications, including all kinds of metal products, machinery equipment, transportation tools, molds, screws and nuts, steel wires and cables, and various steel materials required for industrial facilities and construction projects, such as stainless steel, pipe fittings, micro joining components, construction hardware, lock products, among other things.

3. Competition

The relevant market of Taiwan's steel industry is a fully competitive market. Most steel types can be manufactured and produced by domestic steel mills, while other special steel can be imported by applying for approval and other methods. Various operators are unable to significantly differentiate themselves in terms of material acquisition. With the analysis of pricing/cost, suppliers have controlled pricing for a long time, while downstream clients have a good grasp on information about raw material prices. The margins of intermediate vendors are both compressed downward and upward, with almost zero profitability, and thus their overall operating conditions are difficult. In addition, the domestic economy is a small-scale thin market economy, which is vulnerable to fluctuations in the international market. Especially in the steel industry where oversupply is currently maintained, price cutting competition is easily seen in the industry, resulting in a very fierce market competition.

4. Future development trends

Looking to the economic outlook of 2023, the global inflation has not yet been fully controlled, and central banks of various countries continue to raise interest rates; the Russia-Ukraine War has not yet ended; US-China relations continue to deteriorate, with all variables for the economic situation. Influenced by global interest rate hikes and rising raw material prices, among other factors, IMF predicts that the global economic growth rate for 2023 will be 2.9%. The economic growth rate of United States is expected to be 1.4% in 2023 as the Federal Reserve raised interest rates for several times to curb inflation, while the growth in Eurozone, China will be 0.7% and 5.2%, respectively.

Country	Global	U.S.	Mainland China	Eurozone	Japan
IMF	2.9%	1.4%	5.2%	0.7%	1.8%

As far as Taiwan is concerned, the main uncertainties still external factors, including the unfinished Russia-Ukraine War, the continued deterioration of the inflation in the US, the Fed's decision to continue raising interest rates, and the ongoing trade war between the US and China. Taiwan's market is very uncertain against the backdrop. While the component shortage and the bottleneck of the supply chain have been improved gradually, so that the end products can be manufactured, the overall demands still plummet. The Chung-Hua Institution for Economic Research forecasts that the economic growth rate of Taiwan in 2023 will be 2.72%.

In 2023, the steel industry in Taiwan is under the influences of the rising demand from China in post-pandemic recovery and the expectation for the peaked inflation, the steel prices have stopped falling and rebounded in Q1. While the demands for end products are still poor and not able to boost the rise of steel prices, the downstream operators expect that steel prices will stabilize and rise soon, and they gradually stock up. Subsequent market changes remain to be seen, and prudent operations are still required.

In terms of major steel-consuming industries, the auto market is expected to grow in 2023. In particular, the sales of electric vehicles will increase year by year. Aligning with carbon neutrality and other sustainability-related issues, the movement in the electric vehicle industry will be the focus of follow-up tracking. The machinery industry and machine tool industry will benefit from the post-pandemic international transfer by industries, with rising demand for setting up plants, and the market outlook is cautiously optimistic. Regarding the construction industry, there are some unfavorable factors: the interest rate for mortgage loan has risen to about 2%, the amendment to the Equalization of Land Rights Act has been approved after the third reading; and the increase in new supply in the housing market is incremental, resulting in an uncertain outlook for the housing market in the near future. As the government has been gradually planning to suppress the housing market, and the central bank's policy of raising interest rates, most construction companies predict that the growth of the housing market will slow down in the future.

(III) Overview of technologies and research and development work

By implementing the concepts of “seeking innovation and change,” “expanding the future,” “collective efforts,” and “pursuing goals,” the Company accelerates corporate growth and sustainable operations. In addition to actively contacting and collaborating with well-known domestic and foreign research institutions and enterprises, it also integrates related resources within the Company. The R&D Technology Department assists R&D units under each division for the extension or development of products, for the series promotions of equipment and technologies, upgrading, and reengineering of the main equipment of the plants, and automation/labor-saving improvements of production equipment to enhance competitiveness.

Overview of Business Operations

The innovation of R&D in the Company's technical field is implemented through the promotion of R&D projects by divisions; the project meetings are held regularly, to maintain the momentum of new technological development. Patents are applied for the results of technological development as the Company's intellectual property; the total number of patents as of the end of 2022 amounts to eight. The technical fields are mainly motor electrical steel sheets design, bridges and building construction methods with steel structures and building working methods. Business, technical information and trade secrets are safeguarded from leaking through the regulations of employee information security and employment contracts.

In 2022, the introduction of new technologies and new equipment, as well as the improvement of existing equipment, technologies and processes, are centered at the promotion of automation and labor-saving, to achieve the effect of improving production efficiency and the working environment. Successful examples of improvements are as follows:

1. Commercial Steel Xizhi Plant: Material inventory system is optimized; the control system of shearing machine equipment is improved; and projects of improving the plant production equipment and process elevate the production synergy.
2. Commercial Steel Kaohsiung Plant: The shipping information system is optimized; the control system of shearing machine equipment is improved; and the labor saving and process improvement for the production operations in the plant are promoted. Each business office: on-site equipment maintenance activities are enhanced, and the operational safety, energy-saving and carbon reduction are advocated.
3. Rolling Plant of Special Steel Strip Business Division: the equipment cloud monitoring system is continuously optimized with more applications to strengthen the maintenance and service of main equipment; the refinement and modification of precision slitting machine equipment is promoted to improve productivity and labor-saving effects.
4. Special Steel Division: Kaohsiung plant and Tucheng plant have built the new circular saw equipment to expand production capacity and the cropping specifications, to meet customer service; peripheral/automation equipment improvement projects are to improve production efficiency.
5. Electrical Steel Taichung Plant: The stacking for the finished product of the motor stator is improved for the better on-site operation and improved efficiency; the control system of the precision high-speed press equipment is maintained and updated to improve the productivity of the equipment.
6. Automated Storage System Division: The rapid fixture improvement of the welding equipment specific to push-back trolley and the optimization of the automatic beam forming equipment have improved the productivity of the equipment and meet the demand; the investment project for the production capacity of the heavy-duty frame pillars has been continued, with the optimization of the part manufacturing method.
7. Steel Structure Plant of Construction Business Division: The development and introduction of steel bridge progressing method effectively shortens the construction period; the multi-polar submerged arc welding machine is improved, and the configuration is optimized, to improve the productivity of the plant.

2022 and up to the annual report publication date, the Company's research and development expenditures:

2022	January to December:	:	NT\$ 28.80 million
2023	January to March.	:	NT\$ 8.25 million

(IV) Long- and short-term business development plans

1. Short-term objectives

No matter how the economic climate changes, the Company will continue to grasp the market and customer movements against the changing business backdrop, to improve its flexibility of response. The Company strengthens the "customer management," "account management," and "inventory control," and strives to maintaining existing customers and developing new customers, to increase the number of customers and market share, while reducing the over-consolidation of the industry. Meanwhile, the material procurement will be prudential, and the management of procurement, sales and inventory shall be fully implemented to shorten the turnover days of inventories.

In Taiwan, the business departments continues to inventory the processing capabilities of various equipment, and replace old ones with new ones based on actual needs, to meet the commitment of quality assurance to customers. For instance, in 2022, by approving the investment projects such as the purchase of luffing tower crane and luffing demolition tower of the Construction Business Division; the purchase of new slitting machine in Direct Sale Commercial Steel Kaohsiung Plant, and the upgrading heavy-duty frame pillars in the Automated Storage System Division, the competitive advantage over peers are continuously built, to achieve the operating goals of increasing revenue/income. In Mainland China, the re-investment business department completely connected the sales network in Mainland China, such as South China, East China, and North China, to provide more direct and convenient services to local customers.

2. Long-term objectives

Chun Yuan Steel is one of the largest steel cutting and processing and distribution companies in Taiwan. Its processing mainly cover shearing, cutting, punching, rolling, welding, folding and assembling. The steel products include steel sheets, hot-rolled and cold-rolled steel, rolled, plated, electrical steel sheets, special steel strip/rod, and copper and aluminum alloys and other sheets. Services are provided to all industries, but mainly to the transportation industry, 3C and appliance industry, machinery industry, hardware furniture industry and steel structure engineering. The Company plays a key role in the steel industry chain. Facing the volatility of the steel industry, the "talent cultivation" is still implemented. Every Chun Yuan employee always upholds an attitude of "sincerity, confidence, diligence, and responsibility," and a working method of "seeking innovation and change, expanding the future, collective efforts, and pursuing goals," to be cautious but expend their utmost effort, to fully implement the annual key tasks. Long-term business philosophy is "developing related industries around metals," to continuously build competitive advantages over peers, and to pursue the corporate mission of "respecting, serving, and satisfying clients, while improving the quality of employees' lives and maximizing shareholders' equity." The Company will realize its vision of becoming the "professional provider of metal material solutions."

II. Analysis of the market and the production and marketing situation

(I) Market analysis

1. Major industries the Company sells products to

Among the domestic industries demanding steel, for the automotive industry, domestic automotive sales volume in 2022 was 429,000 units, an decline of 4.5% from 449,000 units in 2021. Of this, domestic car sales decreased by 3.2% year-on-year, and the market share rose by 0.7% to 56.0%; imported car sales declined by 6.0% year-on-year, and the market share fell to 44.0%. Looking to 2023, the tight supply of parts for domestic automakers is significantly eased. Although the overall domestic economic growth may be slowing down, with the lockdown in various countries lifted, the stabilized supply chain, and the recovery private consumption, the huge-quantity orders accumulated by various automakers in 2022 are expected to be digested in 2023. The total size of the auto market is estimated to reach 450,000 units, an increase of 4.7% over 2022.

In terms of the machinery industry, the export value in 2022 reached NT\$1.03 trillion, and the production value reached NT\$1.45 trillion, both hitting record highs. Looking to 2012, the PMI index of "Electricity and Mechanical Equipment Industry" released by the National Development Council has been in contraction for eight consecutive months since July 2022 to February 2023 due to unfavorable factors such as the Russia-Ukraine War and global inflation. The outlook for the next six months has been tightened for 11 consecutive months. Taiwan Association of Machinery Industry expects that the business climate will start to turn upwards in the second half of the year, and the production value and export value of the machinery industry for the whole year are expected to be unchanged from last year.

In terms of the construction industry, the number of housing transactions and transfers in 2022 was 318,000, a decrease of 8.6% from 2021; which was the first year of decline in the past six years. Looking to 2023, as the passage of the amended Equalization of Land Rights Act in February 2023 encouraged the wait-and-see attitude in the market, it is estimated that the volume of transaction and transfers across Taiwan will continue to shrink. For the domestic investment, the Directorate General of Budget, Accounting and Statistics, Executive Yuan lowered the annual economic growth rate to 2.12% in February. Private investments are supported by the expansion of production capacity by leading domestic semiconductor manufacturers and the continued construction of offshore wind power and photovoltaics. Therefore, the investment momentum may be supported; however, under the impacts of high base and other cautions toward investments, it is estimated that private investment will decline by 1.13% in 2023, while the National Development Council's initial estimate of public construction expenditure is about NT\$600 billion. In addition, the "Prosperity Trend Survey" released by the TIER in February pointed out that the demand for public construction continued to grow and the demand for private construction declined. However, the stronger growth of the public construction leads a promising revenue growth in the future. Nonetheless, prices of some construction materials rise again, and thus elevate the cost pressure, with the remained labor shortage, the construction progress is delayed. These will decrease the space of revenue growth for constructors. Hence the construction industry will be flat in the next six months.

Looking to 2023, the global economy is affected by factors such as the Russia-Ukraine War, monetary tightening policy and high inflation pressure. The end consumer demand has weakened, which in turns has dragged down export performance. The economic growth rate of 2023 is 2.12%, the new low since 2017. According to the "Current Economic Situation" report issued by the National Development Council in February, the potential risks of the global economy require special attention to:

(1) The high inflationary pressure around the world:

While the inflationary pressures in major countries have cooled down slightly, but are still elevated; the length and extent of interest rate hikes by central banks in major European and American countries will affect the global economic and financial situation.

(2) Geopolitics and the European energy crisis:

The Russia-Ukraine War will not end in a short period of time; Europe is committed to diversifying energy sources, but if Russia immediately stops supplying natural gas, it will seriously impact the industries and people's livelihood in Europe.

(3) Extreme weather and the food crisis:

The frequency and severity of climate-related natural disasters are increasing around the world; the supply of commodities is deeply affected by climate change, which may exacerbate price volatility.

(4) The U.S.-China tech war continues to heat up:

In addition to the U.S. tightening restrictions on China's high-tech industries, Japan and the Netherlands have also imposed export controls on China. The global supply chain has become polarized.

(5) Rising financial pressures in emerging economies:

Due to the tightened global financial market, emerging economies are facing capital outflow and currency depreciation pressure; debt refinancing costs are rising, and there is a risk of potential debt crisis.

2. Future demand-supply and growth of the market

(1) Steel sheets:

The major downstream steel industries include machinery, shipbuilding and steel structure industries. In the construction industry, the momentum for the economic growth and overall private investments slowed down, plus policy to suppress speculative transactions in housing market, labor shortage, and rising raw material costs even with the support from the needs of public construction, the overall construction needs to be viewed in a conservative approach.

(2) Hot-rolled coils:

Hot-rolled steel coils are the substrates of cold-rolled steel coils and hot-dip galvanized steel coils; and cold-rolled steel coils are the materials for galvanized steel sheets such as electrical galvanized steel and electrical steel sheets, widely used in transportation, machinery, hardware parts, piping and manufacturing. Its application is versatile and global demand is strong. Looking to 2023, domestic auto sales will benefit from the lockdown lifted in various countries, and the stabilization of the supply chain. The demand for hot-rolled steel coils is expected to show a growth trend. In terms of machinery industry, it is expected that the overall economy will pick up in the second half of the year, but the strength of the rebound and whether it can continue remain uncertain and the further observation is required.

Overview of Business Operations

(3) Cold-rolled coils and clad steel:

Domestic cold-rolled coils are self-sufficient, except for supplying the base material of plated steel sheets, they also satisfy the demands of appliances, transportation, optoelectronics, construction, and hardware. As the production of domestic computers, communication and consumer electronics and appliances has moved abroad, demand is not strong, mainly concentrated in the emerging markets like China and Southeast Asia. However, it is still facing the pressure of competition from China's low-priced steel and tariff pressures from Taiwan's lack of foreign trade agreements.

(4) Electrical steel sheets:

Electric magnetic steel sheet is the core material for various types of motors, transformers, generators and other electric energy conversion equipment. The main downstream industries are transformers/ballasts, fans and motors. As the industries of ceiling fans, EI sheets and motors have moved abroad to China and Southeast Asia, domestic demand has shrunk severely. With the rise of steel mills in China, quality is advancing every day, and these Chinese steel mills are taking advantage of low prices to compete for local and Southeast Asian markets. The stamping and assembling capabilities of downstream manufacturers are also becoming more mature, which is quite detrimental to Taiwan's export orders.

(5) Non-iron metals:

Aluminum alloy sheets are light with good heat dissipation. The material is widely used in PC and notebook housing, TFT-LCD backlight panel, keyboards heat sinks, and cell phone components. The slowdown of macroeconomy may result in poor consumption momentum, and PC/notebook sales have been booming. In response to lightweight design, the automotive market has gradually taken aluminum alloy sheets into consideration. However, the cost of aluminum alloys is high, and such materials are currently only widely used in high-end cars. Domestically-produced cars are still dominated by price competition, and demands are unlikely to grow significantly; overall, the expansion of domestic sales of this product is still a challenge.

Copper products are mainly brass sheets, red copper sheets, and phosphor bronze sheets, which are widely used in computers, communication and consumer electronics and hardware terminals and connectors. The demand is stable and but deeply affected by exchange rate and LME futures fluctuations. In terms of long-term development trends, consumption growth in China and rising demand in the Indian market, as well as the development of home/automotive electronics and global electric vehicles, demands for copper products are expected to continue to grow.

(II) Positive and negative factors for future development, and the Company's response to such factors

Looking at the domestic and international steel markets, the favorable and unfavorable factors for the Company's future market development are as follows:

1. Positive factors

- (1) With the basic policy direction of expanding domestic demand and stabilizing growth in the world's largest steel consumer - China, the economic growth rate in 2023 is expected to be better than that in 2022. Especially after the lockdowns are lifted, revitalizing measures strengthen the manufacturing and infrastructure, with the production reduction policy of crude steel, and the production reduction of steel mills in various countries, the global steel supply has been tightened, resulting in rebound of international steel prices. The overall market situation of the steel industry is expected to be cautiously optimistic.

(2) The initial estimate of public construction spending exceeds NT\$600 billion, which will help stabilize domestic investment and economic growth. In 2022, the completion rate of funds for public construction project reached 95.69%, the best performance in the past 15 years. The National Development Council stated that it will continue to target 95% in 2023, seeking to support economic growth momentum with the governmental investment in the public construction.

(3) The Company sells to various industries, serves a wide range of clients, with diversified and quality offerings, and the production and processing technologies are deeply trusted by clients. The Company is able to instantly and completely grasp the market pulse and clients' needs. All divisions fully cooperate and support each other, offering one-stop procurement for clients, to maximize the value of the channels.

2. Negative factors

(1) High global inflationary pressures have led central banks of various countries to adopt monetary tightening policies, causing investments to become conservative, and international economic and trade momentum to cool down, impacting global end demand. Major research institutions predict that the global economy will slow down from last year, and the overall economic environment will be increasing uncertain, adding more variable to the steel demand recovery.

(2) The construction industry is facing the rising prices of some construction materials and steel that raise cost pressures. In addition, the labor shortage has not yet been resolved, creating certain pressures on manpower deployment, cost, and project schedules.

3. Responses

(1) Leverage the long-term collaborative relationships with upstream steel mills, and in response to exchange rate trends, expand the acquisition of niche sources, to reduce material costs and serve long-term quality clients, to ensure revenue and profit.

(2) The Company precisely understands the needs of clients, handles materials prudently, undertakes proper procurement, sales and inventory management, operates with the most appropriate inventory, and effectively reduces the demand for working capital.

(3) Various cost-rationalization and cost-saving programs are implemented to strengthen competitiveness.

(4) The Company is closely integrated with overseas subsidiaries, and is expanding export clients in Southeast Asia, to diversify the excessive sales concentration in the transportation industry and China, and reduce the risk of operational fluctuations.

(5) The Company is expanding new industries and new clients, and is making every effort to develop customized products, to meet clients' demands for materials.

(6) The Company develops new products and new technologies, introduces new manufacturing processes and new equipment, and ensures that production and processing technologies and product quality continue to lead the industry.

Overview of Business Operations

(III) Usage and manufacturing processes of main products

Material	Production process	Product name	Usage
Hot-rolled coil	Cropping and flattening	Hot rolled steel sheets	Construction, machinery, and durable equipment
	Stripping	Hot rolled stripped coils	
	Stripping and rolling to form	Light shaped steel	Construction use
Cold rolled coil	Cropping and flattening	Cold-rolled steel sheet	Parts for common domestic tools and items, Automotive components
	Stripping	Cold-rolled stripped coils	Automotive components, metal products, sports equipment
Enamel steel coils	Cropping, flattening, stripping	Enamel steel sheets, enamel steel stripped coils	Colorful cookers, pots and cups, basins, bathtubs, and walls
Plated steel coils	Cropping and flattening	Plated steel sheets	Parts of appliances, automotive gas tanks, exhaust pipes, air conditioner and refrigerator parts
	Stripping	Plated steel stripped coils	
Thick sheets	Cutting, welding, Drilling, assembly	Welded H-shape steel	Steel construction, machinery, and bridges, other steel construction
		Welded H-shape honeycomb steel	
		Steel junction plates	
		Steel reinforced plates	
		Machinery parts	
		Steel construction	
Electrical steel sheets (coils)	Stripping, stamping	Motor cores, EI sheets	Motors, transformers, rectifiers
	Stripping	Electrical steel strips	
Special steel	Sawing	Sheets, bars, round steel, square steel, and angle steel	Machines, cars, parts, molds
High-carbon steel coils	Stripping, cold rolling, annealing, and tempering	Cold rolled high-carbon steel stripped coils	Stationery supplies, springs, and tool parts
Steel Sheet parts	Forming, assembling, and installing	Logistics equipment	Storage and management of materials, tapes, and files
		Light-, mid-, and heavy-duty material racks	
		3D automated storage systems	

(IV) Supply situation for major raw materials

Name	Major source	Supply situation
Steel sheets and coils	China Steel and Japan	Good
Steel sheets for construction	China Steel	Good

Overview of Business Operations

(V) Data of clients accounting for 10 percent or more of the total procurement (sales) amount in either of the two most recent fiscal years

1. Major suppliers in the two most recent years

Unit: NT\$thousand

Item	2022				2021				2023 up to the previous quarter			
	Name	Amount	Percentage of net amount of purchased goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of purchased goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of purchased goods for the current year up to the previous quarter (%)	Relation to the issuer
1	China Steel	6,112,191	45	None	China Steel	7,238,987	45	None	-	-	-	-
2	Toyota Tsusho (Taiwan) Co., Ltd.	2,586,406	19	None	Toyota Tsusho (Taiwan) Co., Ltd.	2,086,431	13	None	-	-	-	-
3	Chung Hung Steel Corporation	940,968	7	None	Chung Hung Steel Corporation	1,614,789	10	None	-	-	-	-
	Others	3,931,322	29		Others	5,311,770	33		-	-	-	-
	Net amount of purchases	13,570,887	100		Net amount of purchases	16,251,977	100		-	-	-	-

- Reason of changes: Procurement plans were adjusted to adapt to the changes of the supply-demand situation and prices.
- The publication date of the Company's annual report is March 31, 2023. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2022 statements.

2. Major clients in the two most recent years

Unit: NT\$thousand

Item	2022				2021				2023 up to the previous quarter			
	Name	Amount	Percentage of net amount of sold goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of sold goods for the whole year (%)	Relation to the issuer	Name	Amount	Percentage of net amount of sold goods for the current year up to the previous quarter (%)	Relation to the issuer
1	Toyota Tsusho (Taiwan) Co., Ltd.	2,601,204	22	None	Toyota Tsusho (Taiwan) Co., Ltd.	2,201,103	17	None	-	-	-	-
	Others	9,054,406	78		Others	10,986,432	83		-	-	-	-
	Net Amount of sales	11,655,610	100		Net Amount of sales	13,187,535	100		-	-	-	-

- Reason of changes: Clients adjusted their procurement plans to adapt to the changes of the supply-demand situation and prices.
- The publication date of the Company's annual report is March 31, 2023. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2022 statements.

Overview of Business Operations

(VI) Production volume and value in the most recent two years

Unit: tons, NT\$thousand

Production volume and value	Year	2022			2021		
		Capacity	Production volume	Production value	Capacity	Production volume	Production value
Major products							
Steel sheets		420,000	231,500	7,816,958	420,000	281,499	8,678,477
Electrical steel		73,000	20,683	864,417	73,000	22,977	889,779
Special steel products		36,000	31,645	1,065,707	36,000	39,761	1,163,987
Special steel strips		53,000	24,811	1,063,377	53,000	32,181	1,180,900
Formed steel		64,000	0	0	64,000	0	0
Engineering service revenue			116,366	4,201,691		141,039	4,104,238
Storage systems		4,000	5,807	305,811	4,000	6,610	319,209
Total		650,000	430,812	15,317,961	650,000	524,067	16,336,590

(VII) Sales volume and value in the most recent two years

Unit: tons, NT\$thousand

Sales volume and value	Year	2022				2021			
		Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major products									
Steel sheets		227,697	7,941,520	1,676	63,776	273,319	9,000,907	1,997	70,153
Electrical steel		17,217	696,258	3,019	176,615	19,899	796,292	2,453	129,892
Special steel products		31,568	1,127,440	19	1,007	39,854	1,358,661	22	806
Special steel strips		16,126	790,975	8,121	453,905	21,615	968,445	8,975	426,799
Formed steel		596	25,818	0	0	2,675	84,976	0	0
Engineering service revenue		113,069	7,785,724	0	0	109,718	6,505,918	0	0
Storage systems		5,958	377,868	8	828	6,326	350,000	7	604
Revenue from processing		0	106,071	0	0	0	112,942	0	0
Total		412,231	18,851,674	12,843	696,131	473,406	19,178,141	13,454	628,254

III. Number of employees employed for the preceding two fiscal years, and during the current fiscal year up to the date of publication of the annual report

Year		2021	2022	Current year up to March 31, 2023
Employees	Clerks	638	630	623
	Technicians	511	484	489
	Total	1,149	1,114	1,112
Average age		42	42	42
Average service years		15	14	14
Distribution of academic background	PhD	0%	0%	0%
	Master	8%	9%	8%
	College	56%	57%	57%
	Senior high school	29%	28%	29%
	Junior high school and under	7%	6%	6%

IV. Disbursements for environmental protection

For 2022 and up to the publication date of the annual report, the Company has not been penalized due to environmental pollution and thus no losses were suffered.

V. Labor-Management Relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-capital agreements and measures for preserving employees' rights and interests.

1. The Company offers group welfare insurance to employees on the Company's cost, to ensure employees can work with a peace of mind.
2. Regular health checks for all employees are provided as required by law.
3. Regarding the retirement system, retirement procedures are established for employees, and monthly contributions to the pension reserve are made. A "Labor Pension Reserve Supervision Committee" has been established to take charge of the supervision and management of pensions. The monthly contributions are made to the Labor Insurance Bureau for employees who have selected the new pension system. Employees who have worked for 15 years or more and are 55 years of age, those who have worked for 25 years or more, or those who have worked for 10 years or more and are 60 years of age, are eligible to apply for retirement and receive a pension based on their seniority.
4. Moreover, the "Employee Welfare Committee" has been established to plan and organize various welfare activities such as trips abroad, holiday bonuses, parent-child activities, ball games, and club activities. It also handles subsidies to injured and sick employees, wedding and funeral subsidies, child education subsidies, employee compensations and other welfare systems.
5. In order to make full use of human resources and cultivate employees' knowledge and skills, the Company organizes various trainings (management and related to professional knowledge and skills) to enable employees to grow together with the Company.

Overview of Business Operations

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor-capital disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

VI. Cyber Security Management

- (I) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:


1. The Company has established a corporate information security policy, which contains relevant information security management regulations, and has been disclosed on the official website (<https://www.cysco.com.tw> → investor section → corporate governance→information security policy). The “Security Commitment Statement” are signed by all employees to ensure that all employees are fully aware of the Company's information security policies and regulations.
2. In addition to management, the Company also continues to invest in information and communication security equipment, such as: next generation firewall system (NGFW), next generation endpoint antivirus software (NGAV), endpoint detection and response system (EDR), managed detection and response service (MDR), terminal computer protection system, among other information security equipment and services, to strengthen information security and reduce the probability of information security incidents.

- (II) Losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken

During 2022 and up to the date of publication of the annual report, the Company has not had any major cyber security incident; provided that to reduce the probability of occurrence of information security incidents, the Company will continue to reinforce the information security framework, to ensure the security of the information and communication systems.

VII. Important contracts:

Date: March 31, 2023

Nature of contract	Counterparty	Commencement date and expiration date	Major content	Restrictive terms
Joint venture agreement 	Toyota Auto Body Co., Ltd.	Entered on May 7, 1997	Name of Company: Chun Shyang Shin Yeh Industry Co., Ltd. Major business: Engaging in the manufacture, sale, lease and repair of automotive sheet metal parts, stamping parts, molds, jigs and inspection measuring tools. Location of Establishment: Taoyuan County, Taiwan Province (at that time). The capital is NT\$One Hundred Forty Million, and the Company owns 48.97%. There are five seats of directors and the Company occupies two.	None

Financial Status

I. Condensed balance sheets, statements of comprehensive income, names of the CPAs and auditor's opinion for the most recent five fiscal years

(1) Condensed Balance Sheet and Statement of Comprehensive Income

(I) Condensed Balance Sheet: Consolidated

Unit: NT\$thousand

Item	Year	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2023 (Note 2)
		2022	2021	2020	2019	2018	
Current assets		14,057,843	16,449,439	11,849,214	10,935,889	11,534,330	
Property, plant and equipment		5,329,676	5,316,278	5,176,993	5,048,139	4,700,168	
Intangible assets		3,702	3,676	3,689	3,661	3,726	
Other assets		1,403,163	1,374,230	1,241,577	1,218,010	1,550,747	
Total assets		20,794,384	23,143,623	18,271,473	17,205,699	17,788,971	
Current liabilities	Before distribution	7,964,481	10,235,983	6,297,518	5,616,917	5,904,967	
	After distribution	-	11,077,935	6,686,111	5,811,214	6,267,654	
Non-current liabilities		1,255,643	1,057,592	978,845	971,432	984,112	
Total liabilities	Before distribution	9,220,124	11,293,575	7,276,363	6,588,349	6,889,079	
	After distribution	-	12,135,527	7,664,956	6,782,646	7,251,766	
Equity attributable to owners of the parent		11,211,758	11,324,092	10,437,860	10,068,934	10,321,712	
Equity							
Share capital		6,476,554	6,476,554	6,476,554	6,476,554	6,476,554	
Additional paid-in capital		177,178	162,071	161,701	160,927	160,584	
Retained earnings	Before distribution	4,835,586	5,061,285	4,220,464	3,901,852	4,007,314	
	After distribution	-	4,219,333	3,831,871	3,707,555	3,644,627	
Other equities		(277,560)	(375,818)	(420,859)	(470,399)	(322,740)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		362,502	525,956	557,250	548,416	578,180	
Total Equity	Before distribution	11,574,260	11,850,048	10,995,110	10,617,350	10,899,892	
	After distribution	-	11,008,096	10,606,517	10,423,053	10,537,205	

Note:

- All abovementioned financial data has been audited and certified by the CPAs.
- The publication date of the Company's annual report is March 31, 2023. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2022 statements.

Financial Status

(II) Condensed Statement of Comprehensive Income: Consolidated

Unit: NT\$thousand

Item	Year	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2023 (Note 2)
		2022	2021	2020	2019	2018	
Operating income		24,497,782	26,320,660	19,228,310	16,735,011	18,510,589	
Operating gross income		1,500,276	2,367,273	1,345,690	951,712	1,015,210	
Operating income		696,812	1,362,212	542,403	164,589	217,297	
Non-operating income and expense		97,376	198,953	128,834	131,899	96,373	
Profit before tax		794,188	1,561,165	671,237	296,488	313,670	
Net income of continuing operations for term		613,804	1,245,260	522,395	232,444	243,999	
Loss from discontinuing operations		-	-	-	-	-	
Current period net profit (loss)		613,804	1,245,260	522,395	232,444	243,999	
Other comprehensive income recognized for the period (Profit after tax)		56,628	60,891	88,866	(139,031)	(163,380)	
Total comprehensive income in the current period		670,432	1,306,151	611,261	93,413	80,619	
Net profit attributable to owners of the parent		613,218	1,220,618	513,917	240,782	249,742	
Net profit attributable to uncontrolled equity		586	24,642	8,478	(8,338)	(5,743)	
Total comprehensive income attributable to the owner of parent		714,511	1,274,455	562,449	109,742	120,814	
Total comprehensive income attributable to uncontrolled equity		(44,079)	31,696	48,812	(16,329)	(40,195)	
Earnings per share		0.95	1.88	0.79	0.37	0.39	

Note:

1. All abovementioned financial data has been audited and certified by the CPAs.
2. The publication date of the Company's annual report is March 31, 2023. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2022 statements.

Financial Status

(III) Condensed Balance Sheet: Parent only

Unit: NT\$thousand

Item	Year	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2023
		2022	2021	2020	2019	2018	
Current assets		10,666,436	11,895,170	8,541,363	7,893,650	8,128,379	
Property, plant and equipment		4,850,023	4,830,896	4,507,097	4,300,980	3,944,114	
Intangible assets		1,950	1,950	1,950	1,950	1,950	
Other assets		3,921,564	3,935,825	3,695,307	3,624,217	4,021,131	
Total assets		19,439,973	20,663,841	16,745,717	15,820,797	16,095,574	
Current liabilities	Before distribution	6,985,575	8,294,972	5,341,290	4,792,893	4,802,913	
	After distribution	-	9,136,924	5,729,883	4,987,190	5,165,600	
Non-current liabilities		1,242,640	1,044,777	966,567	958,970	970,949	
Total liabilities	Before distribution	8,228,215	9,339,749	6,307,857	5,751,863	5,773,862	
	After distribution	-	10,181,701	6,696,450	5,946,160	6,136,549	
Equity attributable to owners of the parent		-	-	-	-	-	
Share capital		6,476,554	6,476,554	6,476,554	6,476,554	6,476,554	
Additional paid-in capital		177,178	162,071	161,701	160,927	160,584	
Retained earnings	Before distribution	4,835,586	5,061,285	4,220,464	3,901,852	4,007,314	
	After distribution	-	4,219,333	3,831,871	3,707,555	3,644,627	
Other equities		(277,560)	(375,818)	(420,859)	(470,399)	(322,740)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before distribution	11,211,758	11,324,092	10,437,860	10,068,934	10,321,712	
	After distribution	-	10,482,140	10,049,267	9,874,637	9,959,025	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

Financial Status

(IV) Condensed Statement of Comprehensive Income: Parent only

Unit: NT\$thousand

Item	Year	Financial data in the most recent five years (Note 1)					Financial statements of the current year up to March 31, 2023
		2022	2021	2020	2019	2018	
Operating income		19,547,805	19,806,395	15,299,924	12,670,484	13,999,424	
Operating gross income		1,156,715	1,769,242	993,822	709,883	750,418	
Operating income		589,777	1,088,199	426,280	146,983	188,358	
Non-operating income and expense		179,196	378,804	195,198	141,012	116,330	
Profit before tax		768,973	1,467,003	621,478	287,995	304,688	
Net income of continuing operations for term		613,218	1,220,618	513,917	240,782	249,742	
Loss from discontinuing operations		-	-	-	-	-	
Current period net profit (loss)		613,218	1,220,618	513,917	240,782	249,742	
Other comprehensive income for this period (net of tax)		101,293	53,837	48,532	(131,040)	(128,928)	
Total comprehensive income in the current period		714,511	1,274,455	562,449	109,742	120,814	
Net profit attributable to owners of the parent		-	-	-	-	-	
Net profit attributable to uncontrolled equity		-	-	-	-	-	
Total comprehensive income attributable to the owner of parent		-	-	-	-	-	
Total comprehensive income attributable to uncontrolled equity		-	-	-	-	-	
Earnings per share		0.95	1.88	0.79	0.37	0.39	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

(2) Names and audit opinions of CPAs in the most recent five years

Year of Certification	Name of CPA	Audit Opinions
2018	Lin, Chih-Lung; Lin, Mei-Ling	Unqualified opinions
2019	Lin, Chih-Lung; Lin, Mei-Ling	Unqualified opinions
2020	Lin, Chih-Lung; Chen, Kui-Mei	Unqualified opinions
2021	Wang, Wu-Chang and Chen, Kui-Mei	Unqualified opinions
2022	Wang, Wu-Chang and Chen, Kui-Mei	Unqualified opinions

II. Financial analyses for the most recent five fiscal years

(I) Financial Analysis: Consolidated

Analysis item		Financial analysis in the most recent five years (Note 1)					Current year up to March 31, 2023 (Note 2)
		2022	2021	2020	2019	2018	
Financial structure (%)	Liability to asset ratio	44.34	48.80	39.82	38.29	38.73	
	Ratio of long-term capital to property, plant and equipment	240.72	242.79	231.29	229.57	236.75	
Solvency (%)	Current ratio	176.51	160.70	188.16	194.70	195.33	
	Quick ratio	120.55	102.37	130.00	136.53	135.71	
	Times interest earned	8.75	25.71	16.58	6.55	5.89	
Operating ability	Receivables turnover rate (times)	4.40	4.88	4.27	3.49	3.82	
	Average collection days for receivables	83	75	85	105	96	
	Inventory turnover rate (times)						
	General inventory	3.11	3.88	3.62	3.73	4.07	
	Construction contracted	0.32	0.33	0.40	0.29	0.33	
	Average days for sale						
	General inventory	117	94	101	98	90	
	Construction contracted	1,150	1,105	915	1,271	1,101	
	Payables turnover rate (times)	13.92	15.18	12.25	14.81	16.13	
	Property, plant and equipment turnover rate (times)	4.60	5.02	3.76	3.32	3.78	
	Total asset turnover rate (times)	1.18	1.14	1.05	0.97	1.00	
	Profitability	Return on assets (%)	3.17	6.26	3.14	1.57	1.68
Return on equity (%)		5.24	10.90	4.83	2.16	2.22	
Ratio of income before tax to paid-in capital (%)		12.26	24.10	10.36	4.58	4.84	
Net profit margin (%)		2.51	4.73	2.72	1.39	1.32	
Earnings per share (NTD)		0.95	1.88	0.79	0.37	0.39	
Cash flow (Note 3)	Cash flow ratio (%)	32.56	-	6.61	18.12	-	
	Cash flow adequacy ratio (%)	57.85	19.59	47.76	87.21	83.85	
	Cash reinvestment ratio (%)	9.08	-	1.22	3.70	-	
Leverage (Note 3)	Operating leverage	12.75	6.37	13.59	28.20	25.03	
	Financial leverage	1.17	1.05	1.09	1.48	1.42	

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

Note 2: The publication date of the Company's annual report is March 31, 2023. Therefore, the latest financial statements audited, certified, or reviewed by the CPAs are the 2022 statements.

Note 3: If the cash flow and leverage is negative, it is indicated with "-".

Financial Status

Explanation of reasons for changes in each financial ratio during the most recent two years (increase/decrease of 20%)	
Interest coverage ratio	The net profit before tax and interest decreased significantly, so the ratio decreased.
Average days for sale - general inventory	Due to the decline in sales volume, the inventory turnover rate decreased, resulting in an increase in turnover days.
Return on assets (%)	The net profit after tax decreased, so the ratio decreased.
Return on equity (%)	The net profit after tax decreased, so the ratio decreased.
Ratio of income before tax to paid-in capital (%)	The net income before tax decreased, so the ratio decreased.
Net profit margin (%)	The net income before tax decreased significantly, so the ratio decreased.
Earnings per share (NT\$)	The net income attributed to the parent company decreased, so the ratio decreased.
Cash flow ratio (%)	The cash inflow from operations during the term increased year-on-year with decreased current liabilities, so the ratio increased.
Cash flow adequacy ratio (%)	The cash flow from operating activities and inventories increased in the recent five years, so the ratio increased.
Cash reinvestment ratio (%)	The cash inflow from the operation during the term increased from the same period last year, so the ratio increased.
Operating leverage	The operating profit decreased, so the ratio increased.

(II) Financial Analysis: Parent only

Analysis item		Year	Financial analysis in the most recent five years (Note 1)					Current year up to March 31, 2023
		2022	2021	2020	2019	2018		
Financial structure (%)	Liability to asset ratio	42.33	45.20	37.67	36.36	35.87		
	Ratio of long-term capital to property, plant and equipment	256.79	256.04	253.03	256.40	264.89		
Solvency (%)	Current ratio	152.69	143.40	159.91	164.69	169.24		
	Quick ratio	104.04	89.79	109.18	111.81	115.14		
	Times interest earned	13.47	51.45	26.71	12.27	13.06		
Operating ability	Receivables turnover rate (times)	5.03	5.33	4.96	3.87	4.26		
	Average collection days for receivables	73	68	74	94	86		
	Inventory turnover rate (times)							
	General inventory	2.82	3.32	3.20	3.25	3.73		
	Construction contracted	0.32	0.33	0.40	0.29	0.33		
	Average days for sale							
	General inventory	129	110	114	112	98		
	Construction contracted	1,150	1,105	915	1,271	1,101		
	Payables turnover rate (times)	12.11	11.92	9.96	12.49	14.40		
	Property, plant and equipment turnover rate (times)	4.04	4.24	3.47	2.96	3.39		
	Total asset turnover rate (times)	1.01	0.96	0.91	0.80	0.87		
Profitability	Return on assets (%)	3.30	6.65	3.27	1.64	1.71		
	Return on equity (%)	5.44	11.22	5.01	2.36	2.40		
	Ratio of income before tax to paid-in capital (%)	11.87	22.65	9.60	4.45	4.70		
	Net profit margin (%)	3.14	6.16	3.36	1.90	1.78		
	Earnings per share (NT\$)	0.95	1.88	0.79	0.37	0.39		
Cash flow (Note 2)	Cash flow ratio (%)	22.65	-	8.30	11.72	-		
	Cash flow adequacy ratio (%)	42.38	16.42	45.04	68.04	81.01		
	Cash reinvestment ratio (%)	4.33	-	2.18	1.81	-		
Leverage (Note 2)	Operating leverage	14.49	7.43	16.46	29.93	27.47		
	Financial leverage	1.12	1.03	1.06	1.21	1.15		

Note 1: All abovementioned financial data has been audited and certified by the CPAs.

Note 2: If the cash flow and leverage is negative, it is indicated with "-".

Financial Status

Explanation of reasons for changes in each financial ratio during the most recent two years (increase/decrease of 20%)	
Interest coverage ratio	The net profit before tax and interest decreased significantly, so the ratio decreased.
Return on assets (%)	The net profit after tax decreased, so the ratio decreased.
Return on equity (%)	The net profit after tax decreased, so the ratio decreased.
Ratio of income before tax to paid-in capital (%)	The net income before tax decreased, so the ratio decreased.
Net profit margin (%)	The net income after tax decreased significantly, so the ratio decreased.
Earnings per share (NT\$)	The net profit after tax decreased, so the ratio decreased.
Cash flow ratio (%)	The cash inflow from operations during the term increased year-on-year with decreased current liabilities, so the ratio increased.
Cash flow adequacy ratio (%)	The cash flow from operating activities and inventories increased in the recent five years, so the ratio increased.
Cash reinvestment ratio (%)	The cash inflow from the operation during the term increased from the same period last year, so the ratio increased.
Operating leverage	The operating profit decreased, so the ratio increased.

Formula of the analysis items are as follows:

1. Financial structure

- (1) Liability to asset ratio = Total liabilities / Total assets.
- (2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current Liabilities) / Net property, plant and equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
- (3) Interest coverage ratio = Income before income tax and interest expenses / Current interest expenses.

3. Operating Ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
- (2) Average collection days for receivables = 365 / Receivables turn over rate.
- (3) Inventory turnover rate = Cost of sales / Average inventory.
- (4) Average days of sale = 365 / Inventory turnover rate.
- (5) Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of sale / Average payables (including accounts payable and notes payable arising from business operations) for each period.
- (6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment.
- (7) Total asset turnover rate = Net sales / Average total assets.

4. Profitability

- (1) Return on assets = [Net income + Interest expenses (1 - Tax rate)] / Average total assets.
- (2) Return on equity = Net income / Average total equity.
- (3) Net profit margin = income after tax / net sales.
- (4) Earnings per share = (profit and loss attributable to owners of the parent - dividends on preferred shares) / weighted average number of issued shares.

5. Cash Flow

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities / (Capital expenditures + Inventory increase + Cash dividends) for the most recent five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment value + Long-term investment + Other non-current assets + Working capital).

6. Leveraging:

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
- (2) Financial leverage = Operating income / (Operating income - Interest expenses).

III. Audit Committee's report for the most recent year's financial statement

Report of the Audit Committee

The Board of Directors prepared the Company's 2022 financial statements (including consolidated and individual financial statements), business reports and surplus earnings distribution proposal, among which the financial statements (including consolidated and individual financial statements) were audited by Wang Wu Chang and Chen Kui Mei, CPAs of Crowe (TW) CPAs and an audit report has been issued. The aforesaid various reports and financial statements prepared by the Board of Directors have been audited by this Audit Committee and no non-conformity was found. We therefore prepare this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

The Audit Committee has the responsibility to conduct the Company's business operations with loyalty and due care of a good administrator.

The attesting CPAs, Wang Wu Chang and Chen Kui Mei, communicated the following matters with the Audit Committee:

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

For your review and decision.

To: Regular meeting of shareholders of Chun Yuan Steel Industry Co., Ltd., 2023

Chun Yuan Steel Industry Co., Ltd.

Audit Committee

Convener: HSU, LI-MING

14 March, 2023

IV. Financial statement for the most recent year

Chun Yuan Steel Industry Co., Ltd.

Declaration Statement

December 31, 2022

March 14, 2023

According to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, for the year of 2022 (from January 1, 2022 to December, 2022), the affiliated companies of Chun Yuan Steel Industry Co., Ltd. which should be included when preparing the Consolidated Financial Statements of Affiliated Enterprises are the same as those which shall be included in the Consolidated Financial Statements of the parent and subsidiaries prepared under No.10 of International Financial Reporting Standards, and all of the related information which shall be disclosed in the Consolidated Financial Statements of Affiliated Enterprises had been disclosed in the above Consolidated Financial Statements of the parent and subsidiaries. Therefore, separate Consolidated Financial Statements of Affiliated Enterprises are not prepared.

Declared herein

Chun Yuan Steel Industry Co., Ltd.

Legal Representative : Cheng, Ye-Ming



國富浩華聯合會計師事務所
Crowe (TW) CPAs
10541台北市松山區復興北路
369號10樓
10F., No.369, Fusing N. Rd.,
Songshan Dist.,
Taipei City 10541, Taiwan
Tel +886 2 87705181
Fax +886 2 87705191
www.crowe.tw

Independent Auditors' Report

To Chun Yuan Steel Industry Co., Ltd.

Opinion

We have audited the Consolidated Financial Statements of Chun Yuan Steel Industry Co., Ltd. and Subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2022 and 2021, 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 financial position of the Group as of December 31, 2022 and 2021, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards and interpretations recognized, published and made effective 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 auditing standards 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 Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended December 31, 2022. 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 Consolidated Financial Statements of the Group for the year ended December 31, 2022 are stated as follows :

A. Valuation of inventory

For the accounting policies regarding inventories, please refer to Note IV-8 of the Consolidated Financial Statements ; Regarding accounting estimates and assumptions of inventory impairment assessment, please refer to Note V-2 (7) of the Consolidated Financial Statements.



Illustration of key audit matter :

As of December 31, 2022, the net balance of inventories of the Group was NT\$4,350,822 thousand (net of NT\$189,673 thousand of allowance for inventory valuation loss), which mainly consist of steel plates and structural steel materials, etc. Due to either changes in economic environment, advancements in manufacturing technology, or fluctuation in the price of raw materials, the products in stock may be obsolete or no longer meet the market demand, and drastic changes in the demand for and selling prices of related products may result. Since inventory valuation is relevant to significant judgement and estimates, it is regarded as a key audit matter.

Audit procedures in response :

By performing test of internal controls, we obtained understanding of the Group's assessment method for estimating impairment of its inventories and the design and implementation of the related control system. In addition, we have also performed the following major audit procedures : Assessed reasonableness of accounting policy for inventory valuation ; Reviewed inventory aging reports, analyzed changes in inventory aging and evaluated if the inventory valuation had been carried out according to the accounting policy ; Obtained understanding and assessed reasonableness of the basis of net realizable value adopted by the management, selected samples and agreed to the related supporting document for testing accuracy of the amounts, and assessed if the management had made proper disclosure regarding subsequent inventory evaluations.

B. Revenue recognition

For the accounting policies regarding recognition of construction revenue, please refer to Note IV-18 of the Consolidated Financial Statements ; For the related revenue disclosures, please refer to Note VI-23.

Illustration of key audit matter :

Revenue is an important index used by enterprises and investors for assessing financial and business performance. The sources of the Group's revenue are divided mainly in two categories, revenue from sales of merchandise and construction revenue. Selling prices are affected by fluctuations in market prices of materials ; Construction revenue are mainly from provision of construction-related services and are recorded according to the degree of completion during the period of construction contract. The degree of completion is computed based on the percentage of cost incurred up to the reporting date for each construction contract out of the estimated total cost of the respective construction contract. Due to complexity in estimating the total cost of contract items, which often involves judgements and would affect the degree of completion and revenue recognition of constructions, recognition of revenue is regarded as a key audit matter.

Audit procedures in response :

By performing test of internal controls, we obtained understanding of the Group's assessment method for recognizing construction revenue and the design and implementation of the related control system.

In addition, we have performed the following key audit procedures :

1. Tested whether or not the timing of revenue recognition by the company is correct, perform analysis on the top ten sales customers, compared changes, and assess if there is any material abnormality.



2. Reviewed major contracts to understand specific terms and risks of the respective contracts and assessed accuracy of revenue recognition.
 3. Obtained summarized schedules of construction costs and performed the related substantive procedures, including agreeing the sampled current-period cost incurred to the related document, extra/deducted works agreed to supporting document, recomputing the construction revenue according to the degree of completion and confirming that the revenue has been properly booked.
- C. Evaluation on expected credit loss of notes and accounts receivable

As of December 31, 2022, the net balance of notes and accounts receivable was NT\$4,844,363 thousand (net of NT\$104,190 thousand of expected credit loss), which accounted for 23% of the total consolidated assets and was material to the consolidated financial statements of the Group. Since the expected credit-loss valuation of the notes and accounts receivable, whose sign of impairment and historical rate of loss involve significant judgement by management, we consider that evaluation on expected credit loss of notes and accounts receivable to be a key audit matter.

Our audit procedures performed include the following :

1. Tested the internal controls used by the management for managing notes and accounts receivable, such as sampling and testing for understanding of the controls regarding granting of credit lines and collection of overdue accounts by responsible personnel.
2. Considered the historical experience on occurrences of expected credit loss, assessed appropriateness of the recognition policy for loss allowance, including identification for client risks and analysis of historical bad-debt ratio.
3. Verified aging intervals of notes and accounts receivables and analyzed whether or not the changes in aging were reasonable, accompanied by confirmation of accounts and understanding of subsequent receipts.
4. We also considered appropriateness of the disclosures regarding notes and accounts receivables and the related risks, as in Note V and Note VI to the Consolidated Financial Statements of the Group.

Other matters

Chun Yuan Steel Industry Co., Ltd. had prepared the 2022 and 2021 Consolidated Financial Statements, along with the independent auditors' report with unqualified opinion issued, available for reference.

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

Management is responsible for preparation and fair presentation of the Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and interpretations recognized, published and made in effect by the Financial Supervisory Commission, and for maintaining necessary internal controls relating to preparation of the Consolidated Financial Statements, to ensure that the Consolidated Financial Statements 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, to cease operations, or has no practical alternative but to do so.



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards 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 based on these Consolidated Financial Statements.

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

1. Identify and assess the risks of material misstatement of the 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under 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, determine whether any material uncertainty exists in the 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 related notes) and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieve fair presentation.
6. Obtain sufficient and 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 guidance, supervision and performance for the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope, timing of the audit and significant audit findings (including any significant deficiencies in internal control that we have identified 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 affect our independence (including the related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wang, Wu-Chang and Chen, Kui-Mei.

wang, wu-chang chen, kui - mei

Crowe (TW) CPAs

Taipei, Taiwan, Republic of China

March 14, 2023

Notice to Readers

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

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

Financial Status

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

Unit : Thousand NTD

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note VI-1)	\$ 1,038,269	5	\$ 656,017	3
1110	Financial assets measured at FVTPL – current (Note VI-2)	86,516	1	108,803	–
1139	Financial assets for hedging - current (Note VI-3)	2,154	–	–	–
1140	Contract assets - current (Note VI-23)	3,388,523	16	2,750,072	12
1150	Notes receivable, net (Note VI-4)	1,024,190	5	1,485,066	6
1170	Accounts receivable, net (Note VI-5)	3,775,410	18	4,798,425	21
1180	Accounts receivable - related parties, net (Note VI-5, VII)	44,763	–	1,394	–
1200	Other receivables	31,427	–	55,646	–
1210	Other receivables - related parties (Note VII)	2,508	–	3,002	–
1220	Current-period income tax assets	7,205	–	4,111	–
130x	Inventories, net (Note VI-6)	4,350,822	21	5,677,725	25
1410	Prepayments	105,601	1	292,945	1
1476	Other financial assets - current (Note VI-7)	177,556	1	580,281	3
1479	Other current assets - other	22,899	–	35,952	–
11xx	Total Current Assets	14,057,843	68	16,449,439	71
	Noncurrent Assets				
1517	Financial assets measured at FVTOCI – noncurrent (Note VI-8)	521,118	3	533,719	2
1550	Investments accounted for using equity method (Note VI-9)	564,256	3	519,584	2
1600	Property, plant and equipment (Note VI-10)	5,329,676	26	5,316,278	23
1755	Right-of-use assets (Note VI-11)	62,713	–	64,041	1
1780	Intangible assets	3,702	–	3,676	–
1840	Deferred income tax assets (Note VI-28)	153,092	–	165,286	1
1915	Prepayments for equipment	48,163	–	38,871	–
1920	Guarantee deposits paid	11,541	–	12,532	–
1990	Other noncurrent assets - other	42,280	–	40,197	–
15xx	Total Noncurrent Assets	6,736,541	32	6,694,184	29
1xxx	Total Assets	\$ 20,794,384	100	\$ 23,143,623	100

(continue to next page)

Financial Status

(continue from previous page)

Code	Liabilities and Equity	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note VI-13)	\$ 4,733,234	23	\$ 6,112,682	26
2110	Short-term notes payable (Note VI-14)	1,066,589	5	1,428,878	6
2126	Hedging financial liabilities - current	2,154	-	-	-
2130	Contract liabilities - current (Note VI-23)	397,389	2	609,884	3
2150	Notes payable	55,753	-	101,067	1
2160	Notes payable - related parties (Note VII)	21,480	-	54,727	-
2170	Accounts payable	949,772	5	1,042,511	5
2180	Accounts payable - related parties (Note VII)	9,851	-	8,457	-
2200	Other payables	504,108	2	564,162	2
2230	Current-period income tax liabilities	34,220	-	201,266	1
2250	Provisions - current (Note VI-15)	40,102	-	39,109	-
2280	Lease liabilities - current (Note VI-11)	12,597	-	12,182	-
2320	Long-term liabilities due within 1 year or 1 operating cycle (Note VI-16)	125,000	1	50,000	-
2300	Other current liabilities	12,232	-	11,058	-
21xx	Total Current Liabilities	7,964,481	38	10,235,983	44
	Noncurrent Liabilities				
2540	Long-term borrowings (Note VI-16)	393,750	2	87,500	1
2570	Deferred income tax liabilities (Note VI-28)	812,141	4	809,342	3
2580	Lease liabilities - noncurrent (Note VI-11)	13,485	-	14,438	-
2640	Defined benefit liability, net - noncurrent (Note VI-17)	9,522	-	119,605	1
2645	Guarantee deposits received	26,745	-	26,707	-
25xx	Total Noncurrent Liabilities	1,255,643	6	1,057,592	5
2xxx	Total Liabilities	9,220,124	44	11,293,575	49
	Equity				
	Equity attributable to owners of the parent				
3100	Share capital (Note VI-18)	6,476,554	31	6,476,554	28
3200	Capital surplus (Note VI-19)	177,178	1	162,071	1
3300	Retained earnings (Note VI-20)	4,835,586	23	5,061,285	22
3310	Legal reserve	1,839,531	9	1,716,590	7
3320	Special reserve	1,324,287	6	1,324,287	6
3350	Unappropriated retained earnings (deficits to be compensated)	1,671,768	8	2,020,408	9
3400	Other equity (Note VI-21)	(277,560)	(1)	(375,818)	(2)
3410	Exchange differences on translation of foreign financial statements	(225,343)	(1)	(276,124)	(1)
3420	Unrealized gains (losses) on financial assets measured at FVTOCI	(52,217)	-	(99,694)	(1)
31xx	Total equity attributable to owners of the parent	11,211,758	54	11,324,092	49
36xx	Non-controlling interest (Note VI-22)	362,502	2	525,956	2
3xxx	Total Equity	11,574,260	56	11,850,048	51
	Total Liabilities and Equity	\$ 20,794,384	100	\$ 23,143,623	100

(The accompanying notes form an integral part of the consolidated financial statements)

Financial Status

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit : Thousand NTD

Code	Item	Year of 2022		Year of 2021	
		Amount	%	Amount	%
4000	Operating revenue (Note VI-23)	\$ 24,497,782	100	\$ 26,320,660	100
5000	Operating costs	(22,997,506)	(94)	(23,953,387)	(91)
5900	Gross profit (loss) from operations	1,500,276	6	2,367,273	9
	Operating expenses				
6100	Selling expenses	(463,869)	(2)	(481,000)	(2)
6200	Administrative expenses	(351,198)	(1)	(480,029)	(2)
6450	Loss or recovery gain on expected credit impairment	11,603	-	(44,032)	-
6000	Total operating expenses	(803,464)	(3)	(1,005,061)	(4)
6900	Operating income (loss)	696,812	3	1,362,212	5
	Non-operating income and expenses				
7100	Interest income	12,928	-	13,580	-
7010	Other income (Note VI-24)	151,157	1	124,609	1
7020	Other gains and losses (Note VI-25)	(40,906)	-	73,488	-
7050	Finance costs (Note VI-26)	(102,482)	(1)	(63,180)	-
7060	Share of profits of subsidiaries, associates, and joint ventures under equity method	76,679	-	50,456	-
7000	Total non-operating income and expenses	97,376	-	198,953	1
7900	Net income (loss) before income tax	794,188	3	1,561,165	6
7950	Income tax (expense) benefit (Note VI-28)	(180,384)	(1)	(315,905)	(1)
8200	NET INCOME (LOSS)	613,804	2	1,245,260	5
	Other comprehensive income (loss) (Note VI-29)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan	61,555	1	3,039	-
8316	Unrealized measurement gains or losses on equity instruments at FVTOCI	(12,614)	-	60,737	-
8321	Remeasurements of defined benefit plan - associates and joint ventures	1,763	-	396	-
8326	Unrealized measurement gains or losses on equity instruments at FVTOCI - associates and joint ventures	(192)	-	5,554	-
8360	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	6,095	-	(8,823)	-
8371	Exchange differences on translation of foreign financial statements - associates and joint ventures	21	-	(12)	-
8300	Other comprehensive income (loss), net	56,628	1	60,891	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 670,432	3	\$ 1,306,151	5
8600	Net income (loss) attributed to :				
8610	Owners of the parent (net income/loss)	\$ 613,218	2	\$ 1,220,618	5
8620	Non-controlling interest (net income/loss)	586	-	24,642	-
	Subtotal	\$ 613,804	2	\$ 1,245,260	5
8700	Total comprehensive income or loss attributed to :				
8710	Owners of the parent (comprehensive income or loss)	\$ 714,511	3	\$ 1,274,455	5
8720	Non-controlling interest (comprehensive income or loss)	(44,079)	-	31,696	-
	Subtotal	\$ 670,432	3	\$ 1,306,151	5
	EARNINGS PER SHARE (NTD)				
9750	Basic earnings per share (Note VI-30)	\$ 0.95		\$ 1.88	
9850	Diluted earnings (loss) per share (Note VI-30)	\$ 0.95		\$ 1.88	

(The accompanying notes form an integral part of the consolidated financial statements)

Financial Status

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries Consolidated Statements of Changes in Equity For the Years Ended December 31, 2022 and 2021

Unit : Thousand NTD

	Equity attributable to owners of the parent							Non-controlling interest	Total equity
	Retained Earnings			Other Equity Items					
	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized measurement gains (loss) on FVTOCI equity instruments	Total equity attributable to owners of the parent		
Share capital - common shares	\$ 161,701	\$ 1,665,300	\$ 1,324,287	\$ 1,230,877	\$ 260,235	\$ 160,624	\$ 10,437,860	\$ 557,250	\$ 10,995,110
Balance, January 1, 2021	-	51,290	-	(51,290)	-	-	-	-	-
Appropriation and distribution of earnings :	-	-	-	(388,593)	-	-	(388,593)	-	(388,593)
Record legal reserve	-	-	-	-	-	-	-	-	-
Cash dividends - common shares	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	370	-	-	-	-	-	370	-	370
Net income (loss) in 2021	-	-	-	1,220,618	-	-	1,220,618	24,642	1,245,260
Other comprehensive income (loss) in 2021	-	-	-	3,435	(15,889)	66,291	53,837	7,054	60,891
Total comprehensive income (loss) in 2021	-	-	-	1,224,053	(15,889)	66,291	1,274,455	31,696	1,306,151
Disposal of subsidiary	-	-	-	-	-	-	-	(28,416)	(28,416)
Increase (decrease) in non-controlling interest	-	-	-	-	-	-	-	(34,574)	(34,574)
Disposal of FVTOCI equity instruments	-	-	-	5,361	-	(5,361)	-	-	-
Balance, December 31, 2021	\$ 162,071	\$ 1,716,590	\$ 1,324,287	\$ 2,020,408	\$ 276,124	\$ 99,694	\$ 11,324,092	\$ 525,956	\$ 11,850,048
Balance, January 1, 2022	\$ 162,071	\$ 1,716,590	\$ 1,324,287	\$ 2,020,408	\$ 276,124	\$ 99,694	\$ 11,324,092	\$ 525,956	\$ 11,850,048
Appropriation and distribution of earnings :	-	-	-	(122,941)	-	-	-	-	-
Record legal reserve	-	122,941	-	(122,941)	-	-	-	-	-
Cash dividends - common shares	-	-	-	(841,952)	-	-	(841,952)	-	(841,952)
Other changes in capital surplus	314	-	-	-	-	-	314	-	314
Net income (loss) in 2022	-	-	-	613,218	-	-	613,218	586	613,804
Other comprehensive income (loss) in 2022	-	-	-	63,318	50,781	(12,806)	101,293	(44,665)	56,628
Total comprehensive income (loss) in 2022	-	-	-	676,536	50,781	(12,806)	714,511	(44,079)	670,432
Disposal of subsidiary	-	-	-	-	-	-	-	(43,643)	(43,643)
Capital surplus - changes in equity of subsidiaries	14,793	-	-	-	-	-	14,793	(14,793)	-
Increase (decrease) in non-controlling interest	-	-	-	-	-	-	-	(60,939)	(60,939)
Disposal of FVTOCI equity instruments	-	-	-	(60,283)	-	60,283	-	-	-
Balance, December 31, 2022	\$ 177,178	\$ 1,839,531	\$ 1,324,287	\$ 1,671,768	\$ 225,343	\$ 52,217	\$ 11,211,758	\$ 362,502	\$ 11,574,260

(The accompanying notes form an integral part of the consolidated financial statements)

Financial Status

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Item	Year of 2022	Year of 2021
Unit : Thousand NTD		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	\$ 794,188	\$ 1,561,165
Adjustment items		
Income/gain or expense/loss items not affecting cash flows		
Depreciation expense	266,102	269,198
Amortization expense	18,079	15,499
Loss (gain) on expected credit impairment	(11,603)	44,032
Net loss (gain) on FVTPL financial assets or liabilities	22,288	(42,015)
Interest expense	102,482	63,180
Interest income	(12,928)	(13,580)
Dividend income	(20,143)	(8,115)
Share of loss (profit) of associates and joint ventures under equity method	(76,679)	(50,456)
Loss (gain) on disposal of property, plant and equipment	(842)	(4,261)
Loss (gain) on disposal of investments	-	(3,809)
Loss (gain) from disposal of subsidiary	7,584	(23,884)
Total income/gain or expense/loss items	294,340	245,789
Changes in operating assets / liabilities		
Net changes in operating assets		
(Increase) Decrease in contract assets	(638,451)	(366,524)
(Increase) Decrease in notes receivable	460,875	(568,562)
(Increase) Decrease in accounts receivable	1,033,880	(1,314,181)
(Increase) Decrease in accounts receivable - related parties	(43,369)	62,298
(Increase) Decrease in other receivables	22,992	(16,618)
(Increase) Decrease in other receivables - related parties	494	(2,180)
(Increase) Decrease in inventories	1,325,661	(2,262,140)
(Increase) Decrease in prepayments	187,344	(45,507)
(Increase) Decrease in other current assets	13,053	(13,169)
(Increase) Decrease in other operating assets	24	158
Total net changes in operating assets	2,362,503	(4,526,425)
Net changes in operating liabilities		
Increase (Decrease) in contract liabilities	(212,495)	369,359
Increase (Decrease) in notes payable	(45,314)	69,302
Increase (Decrease) in notes payable - related parties	(33,247)	15,115
Increase (Decrease) in accounts payable	(92,739)	36,236
Increase (Decrease) in accounts payable - related parties	1,394	(31,091)
Increase (Decrease) in other payables	(59,737)	156,086
Increase (Decrease) in provisions	993	483
Increase (Decrease) in other current liabilities	1,174	473
Increase (Decrease) in defined benefit liability, net	(48,527)	(3,373)
Total net changes in operating liabilities	(488,498)	612,590
Total net changes in operating assets / liabilities	1,874,005	(3,913,835)

(continue to next page)

Financial Status

(continue from previous page)

Total Adjustment items	2,168,345	(3,668,046)
Cash generated (used) by operating activities	2,962,533	(2,106,881)
Interest received	14,155	16,935
Dividends received	53,934	27,901
Interest paid	(102,273)	(58,695)
Income tax refunded (paid)	(335,008)	(250,557)
Net cash generated (used) by operating activities	2,593,341	(2,371,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of FVTOCI financial assets	-	(81,676)
Returned capital from dissolution of FVTOCI financial assets	2,791	-
Returned capital from FVTOCI financial assets	-	12,207
Acquisition of FVTPL financial assets	-	(166,298)
Disposal of FVTPL financial assets	-	168,432
Cash received from disposal of subsidiary	(43,643)	67,904
Acquisition of property, plant and equipment	(185,101)	(393,175)
Disposal of property, plant and equipment	6,495	8,543
Increase in guarantee deposits paid	-	(1,209)
Decrease in guarantee deposits paid	991	-
Decrease in other financial assets	402,725	77,494
Increase in prepayments for equipment	(85,793)	(136,048)
Increase in other prepayments	(19,325)	(22,930)
Net cash flows generated (used) by investing activities	79,140	(466,756)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	2,611,337
Decrease in short-term borrowings	(1,379,448)	-
Increase in short-term notes receivable	-	687,023
Decrease in short-term notes receivable	(362,289)	-
Increase in long-term borrowings	381,250	137,500
Increase in guarantee deposits received	38	2,242
Lease principal repayment	(15,303)	(16,602)
Distribution of cash dividends	(841,952)	(388,593)
Change in non-controlling interest	(60,939)	(34,574)
Net cash flows generated (used) by financing activities	(2,278,643)	2,998,333
Effects on cash and cash equivalents due to fluctuations in exchange rates	(11,586)	(7,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	382,252	152,958
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	656,017	503,059
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,038,269	\$ 656,017

(The accompanying notes form an integral part of the consolidated financial statements)

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(in Thousand NTD unless otherwise stated)

I. General Information

Chun Yuan Steel Industry Co., Ltd. (the “Company”) was approved and founded on January 7, 1966, with initial registered capital of NT\$3,000,000. After several capital increases, the current capital is NT\$6,476,553,900, which is divided into 647,655,390 registered common shares, with NT\$10 par value each share. The main business activities of the Company are manufacturing, processing and trading of steel plates, silicon steel sheets, container parts, special steel materials, H-beam steel and undertaking of steel structure constructions, etc. For the main business activities of the Company and its subsidiaries (together, the “Group”), please refer to illustrations in Note IV-3(2). Stocks of the Company are listed and available for transaction at Taiwan Stock Exchange (TWSE) since 1989, December.

The accompanying Consolidated Financial Statements are expressed in the Company’s functional currency, New Taiwan Dollars.

II. The Authorization of the Consolidated Financial Statements

The accompanying Consolidated Financial Statements were approved and authorized for release by the Board of Directors on March 14, 2023.

III. Application of New Standards, Amendments, and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC and effective from CY are as follows:

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note B)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note C)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note D)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note E)

Financial Status

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

Note B: An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Note C: An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

Note D: These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022.

Note E: An entity shall apply the Amendment to IFRS 9 to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IAS 41 to fair value measurements for annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IFRS 1 for annual reporting periods beginning on or after January 1, 2022.

(1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds from selling such items and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards. Additionally, the amendments clarify that costs of testing whether the asset is functioning properly is the costs of assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The Group shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments. The cumulative effects of initially applying the amendments shall be recognize as an adjustment to the opening balance of retained earnings (or other component of

equity, as appropriate) at the beginning of that earliest period presented with comparative information restated.

(2) Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

(3) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments update a reference to the Framework in IFRS 3 and require the acquirer shall apply IFRIC 21 for a levy that would be within the scope of IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

(4) Annual Improvement to IFRS Standards 2018-2020

The annual improvement amends several Standards. Among which, the Amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from those of the original liability, only fees paid net of fees received between the Group (the borrower) and the lender for the new or modified contract, including fees paid or received by either the Group or the lender on the other’s behalf, shall be included in the ‘10 per cent’ test of the discounted present value of the cash flows under the new terms.

Based on the Group’s assessment, the New IFRSs above have no significant effect on the Group’s financial position and financial performance.

2. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2023

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosures of Accounting Policies”	January 1, 2023 (Note A)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note B)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note C)

Note A: An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023.

Note B: These amendments apply to changes in accounting estimates and changes in

accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

Note C: An entity shall apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred taxes for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

(1) Amendments to IAS 1 “Disclosures of Accounting Policies”

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclose the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity’s conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

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

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is a change in accounting estimates unless the change is due to an error from prior periods.

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

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognise deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognise the cumulative effect of initially

Financial Status

applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

3. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IRFS 17	January 1, 2023
Amendments to IRFS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
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

As of the date the accompanying consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group.

Financial Status

IV. 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. Statement of Compliance

The accompanying Consolidated Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and issued into effect by FSC.

2. Basis of Preparation

(1) Except for the following material items, these Consolidated Financial Statements have been prepared under the historical cost convention :

- A. Financial assets and financial liabilities (including derivative instruments) measured at Fair Value Through Profit or Loss (“FVTPL”).
- B. Financial assets measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).
- C. Liabilities on cash-settled share-based payment arrangements measured at fair value.
- D. Defined benefit liabilities recognized based on the present value of defined benefit obligation, net of the pension fund assets.

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

3. Basis of Consolidation

(1) Principles for preparing the 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 in 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 unrealized gains or losses on transactions between companies within the Group are eliminated. The

accounting policies of the 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 recognized 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 recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, 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 recognized 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.

Financial Status

(2) The subsidiaries in the consolidated financial statements :

Investor	Subsidiaries	Main Businesses	Percentage of Ownership	
			2022.12.31	2021.12.31
The Company	Chun Yuan Investment (Singapore) Pte Ltd (“Chun Yuan Singapore”)	General investment activities	100.00%	100.00%
Chun Yuan Singapore	Shenzhen Hong Yuan Metal Industry Co., Ltd. (“Shenzhen Hong Yuan”)	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates	66.75%	66.75%
	Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel	78.56%	70.12%
	Shanghai Chun Yuan Steel Industry Co., Ltd. (“Shanghai Chun Yuan”)	Manufacturing of corner fitting for ocean-freight cargo containers	-	80.00%
BVI Chun Yuan	Chun Yuan Investment (BVI) Co., Ltd. (“BVI Chun Yuan”)	Engage in various business investments	100.00%	100.00%
	Shanghai Huateng Metal Processing Co., Ltd. (“Shanghai Huateng”)	Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates	80.59%	80.59%
	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. (“Qingdao Chun Yuan”)	Manufacturing of new types of mechanical and electrical components, fine blanking dies, and other related metal products	95.00%	95.00%
	Shenzhen Chun Yuan	Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel	9.41%	8.40%
Shenzhen Chun Yuan	Shenzhen Hong Yuan	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates	22.13%	18.63%

A. Increase or decrease in consolidation subsidiaries :

- a. The subsidiary of the Group, Chun Yuan Investment (Singapore) Pte Ltd., had disposed all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. on November 26, 2021. Therefore, Xiamen Chun Yuan is no longer the Company’s subsidiary since that date.
- b. The Board of Directors of Shanghai Chun Yuan resolved to dissolve the entity at November 23, 2021 with the dissolution completed at July 25, 2022 and the cancelation registration completed at September 6, 2022.

B. Subsidiaries not included in the consolidated financial statements : none

C. Adjustments and treatments for subsidiaries with different accounting period : none

D. Significant restrictions : Due to local foreign exchange controls, the cash and bank deposits in Mainland China by the amount of NT\$589,718

thousand and NT\$328,465 thousand as of December 31, 2022 and 2021, respectively, are restricted from transferring out of Mainland China (except for normal dividends).

E. The parent company's securities held by subsidiaries : none

F. Subsidiaries that have non-controlling interests that are material to the Group : After assessment by the Group, non-controlling interests held by the subsidiaries are not material.

4. Foreign Currency Exchange

- (1) 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 Dollars (NT\$), which is the Company's functional currency.
- (2) In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.
- (3) For the purpose of preparing consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Financial Status

5. Classification standards for Current and Noncurrent Assets and Liabilities

(1) Assets that meet one of the following criteria are classified as current assets :

- A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- B. Assets held mainly for trading purposes.
- C. Assets that are expected to be realized within twelve months from the balance sheet date.
- D. 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.

All assets that do not meet any of the above criteria are classified as non-current assets.

(2) Liabilities that meet one of the following criteria are classified as current liabilities :

- A. Liabilities that are expected to be paid off within the normal operating cycle.
- B. Liabilities arising mainly from trading activities.
- C. Liabilities that are to be paid off within twelve months from the balance sheet date. (Even when long-term refinance or payment rearrangement agreements have been formed after the balance sheet date and before issuance date of the financial statements, the liabilities are current liabilities).
- D. 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.

All liabilities that do not meet any of the above criteria are classified as non-current liabilities.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and 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 (including the original maturity of the time deposits within three months.).

7. Financial instruments

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

Financial assets and financial liabilities are initially recognized at fair value. Upon initial recognition, except for financial assets and liabilities classified as measured at

fair value through profit or loss, the transaction costs directly attributable to the acquisition (or issuance) of financial assets (or financial liabilities) shall be added to (or deducted from) the fair value of the financial assets (or financial liabilities). The transaction costs directly attributable to financial assets and liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

A. Measurement type

Transaction date accounting is adopted for recording customary transactions of financial assets.

The financial assets held by the Group are classified as financial assets measured at Fair Value Through Profit or Loss (“FVTPL”), financial assets measured at amortized cost, and investments in equity instruments measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).

(A) Financial assets at fair value through profit or loss (“FVTPL financial assets”)

FVTPL financial assets include either financial assets mandatorily measured at FVTPL or designated as measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments that are not designated as measured at FVTOCI and investments in debt instruments that are not classified as measured at amortized cost or FVTOCI.

FVTPL financial assets are measured at fair value, the generated dividends and interests are recognized as other income and interest income, respectively, and the subsequent gains or losses from re-measurements are reported in other gains and losses. Regarding the method for determining fair value, please refer to Note XII.

(B) Financial assets measured at amortized cost

If the invested financial assets by the Group meet both of the following two criteria, those assets are classified as Financial assets measured at amortized cost :

- a. The purpose of holding the financial assets is to receive contractual cash flows ; and
- b. The contractual provisions of the investments generate cash flows on specified date(s), and such cash flows are fully for payment of the principals and the interests from the outstanding principals.

After initial recognition of the financial assets measured at amortized cost, they are subsequently measured at amortized cost computed

based on the total book value determined by effective interest method, net of any impairment loss. Any foreign exchange gain or loss is recorded in profit or loss.

Except for the following two conditions, interest income is computed using the total book value of the financial assets, multiplied by the effective interest rate :

- (a) For purchased or originated credit-impaired financial asset, interest income is computed using the amortized cost of the financial assets, multiplied by the credit-adjusted effective interest rate.
- (b) For financial assets that are not purchased or originated credit-impaired but later become credit-impaired, interest income is computed using the amortized cost of the financial assets, multiplied by the effective interest rate.

(C) Equity instrument investments measured at FVTOCI

Upon initial recognition, the Group made an irrevocable choice to designate the equity instrument investments, that are not held for trading, recognized for business combination or with consideration, as measured at FVTOCI.

Equity instrument investments measured at FVTOCI are measured at fair value, and the subsequent changes in fair value are reported in other comprehensive income and accumulated in other equity. Upon disposal of the investments, the accumulated gains or losses are transferred to retained earnings, without reclassification to profit or loss.

The dividends from equity instrument investments measured at FVTOCI are recorded in profit or loss when the Group's rights to receive dividends are established, unless the dividends clearly represent recovery for part of investment cost.

B. Impairment of financial assets

- (A) On each balance sheet date, based on the projected credit loss, the Group assesses impairment loss for its financial assets measured at amortized cost (including accounts receivable), investments in debt instruments measured at FVTOCI, lease receivable, and contract assets.
- (B) According to the expected credit loss in the existing period, loss allowances are recognized for accounts receivable, contract assets, and lease receivable. For other financial assets, first evaluates whether or not their credit risks increase significantly after their initial recognition, if not significantly increase, then use 12-months projected credit loss to

recognize loss allowance ; If significantly increased, then use the projected credit loss in the existing period to recognize loss allowance.

- (C) Projected credit loss is the weighted average credit loss using risk of default as the weight. 12-month projected credit loss represents the projected credit loss generated from defaults of the financial instruments within 12 months after the reporting date, and projected credit loss during the existing period represents projected credit loss generated from all possible defaults of the financial instruments during the projected existing period.
- (D) Through allowance accounts, impairment losses adjust and reduce book value of all financial assets, but allowance loss for debt instruments measured at FVTOCI is recorded in other comprehensive income, without reducing their book value.

C. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met :

- (A) The contractual right to receive cash flows from the financial asset is lost.
- (B) The contractual rights to receive cash flows from the financial asset have been transferred, and the Group has transferred almost all risks and rewards of ownership of the financial asset.
- (C) The Group neither retains nor transfers almost all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

Upon writing off the whole financial asset measured at amortized cost, the difference between their book value and consideration received is recognized in profit or loss ; Upon writing off the whole debt instrument measured at fair value through other comprehensive income or loss, the difference between their book value and the consideration received (plus the summary of any accumulated gains or losses already recognized in other comprehensive income) is recognized in profit or loss ; Upon writing off the whole investment in equity instruments measured at fair value through other comprehensive income or loss, the accumulated profit or loss is transferred directly to retained earnings and will not be reclassified to profit or loss.

(2) Equity instrument

Debt and equity instruments issued by the Group are classified as financial liabilities or equity according to substance of the agreements and definition of financial debt and equity instruments. An equity instrument refers to any contract(s) that represents the residual equity (assets minus all liabilities) of an

Financial Status

enterprise. Equity instruments issued by the Group are recorded at the amount of acquisition proceeds, after deducting the direct issuance cost.

(3) Financial liabilities

A. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized costs using effective interest method :

(A) Financial liabilities measured at fair value through profit or loss refer to financial liabilities held for trading or financial assets assigned as measured at fair value through profit or loss upon initial recognition. Financial liabilities classified as held for trading refer to those that are mainly held for short-term repurchase and derivatives that are not financial guarantee contracts or assigned as effective hedge instruments. When financial liabilities meet one of the following conditions, the Group will assign them as measured at fair value through profit or loss upon initial recognition :

- a. Are mixed (combined) contracts ; or
- b. May be eliminated, materially reduced in measurement, or inconsistent in recognition ; or
- c. Are instruments, with written risk management policies, managed and with performances assessed based on fair value.

(B) Financial liabilities measured at fair value through profit or loss are initially measured at fair value, with related transaction costs are recorded in the current period, and subsequently measured at fair value. The changes in fair value are recorded in the current period.

(C) For financial liabilities assigned as measured at fair value through profit or loss, since the amount of change in fair value generated from changes in credit risks is recorded other comprehensive income, they are not reclassified to profit or loss later on. The changes in fair value of remaining liabilities are reported profit or loss. However, if the above accounting treatments trigger or intensify inappropriate accounting proportion, then all gains or losses of the liabilities are recorded in profit or loss.

B. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the

consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(4) Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

8. Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost to complete the sales.

9. Investments accounted for using equity method

(1) Associates refer to all entities over which the Group has influence but without control, generally refer to direct or indirect holding of 20% or more of the voting

Financial Status

shares. Equity method is adopted for the investments in associates and are recognized at cost upon acquisition. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.

- (2) The share of profit or loss, after acquisition of the associates by the Group, is recognized in profit or loss in the current period, and the share of other comprehensive income or loss is recognized in other comprehensive income or loss. If the Group's share of loss from an associate equal or exceeds its interests in the associate, including the carrying amount of the investment in the associate determined using the equity method plus the long-term interests that, in substance, form part of the Group's net investment in the associate, the Group would not further recognize loss, unless the Group has legal obligation or constructive obligation to pay, or had made the payment on behalf of the associate.
- (3) The unrealized gains or losses generated from the transactions between the Group and the associates had been eliminated proportionate to the shareholding ratios in the associates; Unless there is evidence showing that the transferred assets are impaired, the unrealized losses are also eliminated. Necessary adjustments had been made to the accounting policies of the associates had been, in order to be consistent with the policies adopted by the Group.
- (4) When an associate issue new shares, if the Group does not purchase or acquire new shares proportionately and leads to change in shareholding ratio but the Group still maintains material influence, the increase/decrease in the net equity amount is adjusted in "Additional paid-in capital" and "Investments accounted for using equity method". If the shareholding ratio reduces, in addition to the above adjustment, the previously recorded relating gains or losses in other comprehensive income or loss, where the gains or losses shall be reclassified to profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction.
- (5) If the Group losses material influence over the associate, the remaining investment in the original associate is remeasured at fair value, and the difference between the fair value and the book value is recorded in the current-period profit or loss.
- (6) When the Group disposes of an associate, if it losses material influence over the associate, for all of the amounts that were previously recognized in other comprehensive income that were related to the associates, the accounting

treatments are the same as if the Group directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities, would be reclassified to profit or loss, then when the material influence the associates is lost, the gains or losses would be reclassified from equity to profit or loss. If the Group still has material influence over the associates, then only transfer out, proportionately according to the above approach, the previously recognized amount in the other comprehensive income or loss.

- (7) When the Group disposes of an associate, if it losses material influence over the associate, the additional paid-in capital related to the associate is transferred to profit or loss ; If the Group still maintains material influence over the associate, then transfer to profit or loss according to the disposal ratio.

10. Property, plant and equipment

- (1) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- (2) Subsequent costs are included in the asset's carrying amount or Recognized 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 derecognized. All other repair and maintenance are recognized in profit or loss as incurred.
- (3) 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. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. 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 useful lives of the various assets are as following :

Buildings	3 years~60 years
Machinery equipment	2 years~16 years

Financial Status

Transportation equipment	4 years~14 years
Miscellaneous equipment	3 years~10 years

- (4) An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

11. Leases

The Group assesses whether or not a contract is a (or contains) lease on the date when the contract is formed. For contracts that contain lease component and one or more additional lease or non-lease components, based on the corresponding stand-alone price of each lease component and the summarized stand-alone prices of non-lease components, the Group allocates the proceeds of the contract to the respective lease components.

A. When the Group is a lessee

Except for leases with low-value underlying assets or short-term leases with expense recognition on straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all other leases on the starting date of the leases.

Right-of-use assets

Right-of-use assets are initially recognized at cost (including the initial measurement amount of lease liabilities, lease payments before the starting date of lease after subtracting the incentives received, the initial direct cost and estimated cost of recovering the underlying assets), then subsequently measured at the amount of costs after subtracting the accumulated depreciation and accumulated impairment losses, and then adjust the remeasurement amount of the lease liabilities.

Except for right-of-use assets which meet the definition of Investment property, right-of-use asset is listed as a stand-alone item in the consolidated balance sheet. Depreciation for right-of-use asset is recognized on straight-line basis, beginning from the starting date of the lease to either reaching the economic useful life or the lease period, whichever is earlier. But if, upon expiry of the lease period, the Group will obtain ownership to the underlying asset, or if the cost of the right-of-use asset reflects exercising purchase for the right-of-use asset, then recognize depreciation from the starting date of the lease until reaching the economic useful life of the underlying asset.

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantial fixed payments, variable lease payments determined by indices or fee rates, expected amount of payment by lessee under residual-value guarantee, price of reasonably expected execution price for purchasing the right-of-use asset, and expected termination penalty from execution of option to terminate the lease by the lessee during the lease period, less the lease incentive received). If the implied interest rate of the lease can be easily determined, lease payments are discounted using the interest rate. If the interest rate cannot be easily determined, then use the incremental borrowing rate of the lessee.

Lease liabilities are subsequently measured at amortized costs using the effective interest method, and interest expenses are allocated among the lease periods.

If there is change in future lease payment due to change in assessment of lease period and purchase option of underlying asset, change in expected amount of payment by lessee under residual-value guarantee, or change in indices or fee rates used to determine lease payments, the Group will re-measure the lease liabilities and adjust the right-of-use assets accordingly. But if the book value of right-of-use assets has been reduced to zero, then recognize the remaining remeasurement amount in profit or loss. Lease liabilities are listed as a standalone item in the consolidated balance sheet.

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

B. When the Group is a lessor

If almost all risks and returns attached to the underlying asset of a lease have been transferred, then classify the lease as finance lease; Otherwise, classify as operating lease.

When a lease contains both land and building factors, the Group assesses the respective factors and classified the lease into either finance lease or operating lease and allocates the lease payments (including any one-time advance payment) among the land and building proportionate to the fair value of the lease rights of the land and building on the contract formation date. If the lease payments could not be reliably allocated to the two factors, then the whole lease is classified as finance lease. However, if both of the two factors clearly meet the operating lease standards, then the whole lease is classified as operating lease.

12. Impairment of non-financial assets

The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

13. Provisions

Provisions are recognized 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. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as interest expense. Provisions are not recognized for future operating losses.

14. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render their services.

(2) Pensions

A. Defined contribution plan

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

B. Defined benefit plan

(A) 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 or prior period(s).

The liability recognized 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 estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the obligation.

(B) Remeasurements of defined benefit plans are recognized in other comprehensive income as incurred and are recorded as retained earnings.

(C) Past-service costs are recognized immediately in profit or loss.

(3) Employees compensation and directors and supervisors remuneration

Employees compensation and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

(4) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of 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 benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

15. Share capital

Ordinary shares are classified as equity. The classification of special shares is based on assessment of the specified rights attached to the special shares against the substance of the contractual agreements and the definition of financial liabilities and equity. When the special shares show basic features of those of financial liabilities, then they are classified as liability, otherwise they are classified as equity. The

Financial Status

incremental costs directly attributed to the issuance of new shares or subscription rights are listed as deduction item(s) in equity.

16. Share-based payments

- (1) The share-based payment agreements in equity and the obtained employees services are measured based on the fair value of the equity instruments given on the payment date and are recorded as compensation costs during the vesting periods, and equity is adjusted respectively. The fair value of equity instruments should reflect the effects on the market prices under vested conditions or non-vested conditions. The recorded compensation costs are adjusted along with the expected satisfaction of service conditions and the compensation quantity of non-market price vesting conditions, until that the final recorded amount is recorded at the vested quantity on the vesting date.
- (2) The share-based payment agreements in cash, based on the fair value of liability assumed, are recorded as compensation costs and liability during the vesting period and measured at fair value of the equity instruments on each balance sheet date and payment date, with any changes recorded in profit or loss in the period when occurred.

17. Income tax

- (1) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- (2) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group 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.
- (3) Deferred income tax is recognized, 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 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 tax

is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- (4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- (5) Current income tax assets and liabilities are offset against each other and the Allowance for impairment loss reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- (6) A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, personnel training 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 utilized.

18. Revenue recognition

The Group use the following steps and principle to record revenue from contracts with customers :

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

After the Group identifies the contractual obligations with the customers, the transaction prices are allocated to the respective contractual obligations, and revenue is recognized when the respective contractual obligations are fulfilled.

Financial Status

A. Sale of goods

The Group records revenue when the control of goods are transferred to the customers. Transferring control of good means delivery of goods to the customers, and there is no un-fulfilled obligation that will affect acceptance of the goods by the customer. Delivery time means that customers have accepted the goods according to the transaction terms, the risk of obsolete and loss has been transferred to the customer, and the Group has objective evidence considering that all acceptance criteria have been satisfied.

The Group records accounts receivable upon delivery of goods, because that is the time when the Group has unconditional rights to receive the consideration.

When sending materials for processing, since the control of the ownership of the processing products is not transferred, no revenue is recognized upon delivering of materials.

B. Construction revenue

The Group undertakes steel-structure construction contracts and records revenue with passage of time. Since the input costs of construction contracts are directly related to the completion progress of the contractual obligations, the Group measures the completion progress based on the ratio of actual input costs over the expected total cost. The Group records contract assets during the progress of the construction and transfer to accounts receivable upon issuance of bills. If the construction receipts exceed the recognized revenue amount, the difference is recorded as contract liability. The purpose of the construction reserved funds withheld by the customers according to the contractual terms is to ensure that the Group completes all contractual liabilities, and the Group records the funds as contract assets before fulfillment of the contracts.

If the result of the contract fulfillment could not be reliably measured, then only records construction revenue to the extent of expected recoverable costs that has been generated.

19. Borrowing cost

Borrowing costs that can be directly attributed to acquisition, building or production of assets meeting certain criteria are part of the cost of the assets, until almost all the activities necessary for the assets to reach the expected condition for use or sale have been completed.

For certain borrowings, before they meet certain criteria for capital expenditures, if the investment income is earned from temporary investment, then the investment income is subtracted from the borrowing cost that meet certain criteria.

Except for the above, all other borrowing costs are recorded in profit or loss in the current period.

20. Derivative financial instruments and hedge accounting

The derivative financial instruments are forward exchange contract signed by the Group for managing exchange risk of the Group. The signed derivative financial instruments are initially recorded at fair value and subsequently remeasured at fair value by the end of reporting periods, and the generated gains or losses are directly recorded in profit or loss in the period occurred. However, for designated derivatives that are effective hedge instruments, the timing for them in profit loss will depend on the nature of hedging relationships. When the fair value of derivative financial instruments is positive, they are recorded as financial assets; When the fair value is negative, record as financial liabilities.

When the Group cancels the designated hedging relationships, and the maturity, sale, contract termination, execution of the hedging instruments no longer meet the definition of hedge accounting, then hedge accounting is prospectively stopped.

The Group has assigned several derivatives as fair-value hedges for recorded assets, liabilities or confirmed commitments ; When a hedge transaction starts, the relationship between the hedge instrument and the hedged item, the Group's risk management goal and the strategy for executing various hedging transactions are documented. Right after hedging begins, on a continuing basis, the Group also records and assesses whether or not the adopted derivative instruments for hedging transactions can highly and effectively offset the fair-value changes in the hedged items.

When the remaining period of the hedged items exceed 12 months, the total fair value of the derivative financial instruments is classified as either noncurrent financial asset or liability ; When the remaining period of the hedged items is within 12 months, the total fair value of the derivative financial instruments is classified as either current financial asset or liability ; For derivative instruments held for trading, they are classified as either current financial assets or liabilities.

Fair-value changes in derivative instruments that are assigned and are fair value hedges, along with any fair-value changes of the hedged assets or liabilities attributed to hedged risks, are recorded as "Finance costs" in profit or loss in the period occurred. And the gains or losses related to ineffective portion are recorded as "Other gains and losses" in profit or loss in the period occurred.

21. Government grants

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. If government grants are used to compensate expenses or losses that have occurred, or are granted to the Group for immediate financial support purpose and without related cost, then those grants are recorded in profit or loss in the periods when receivable. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method or recorded as an deduction item to the book value of the asset, and the subsidies are recorded in profit or loss through reduction of depreciation expenses over the useful lives of the assets.

The interest rates of the government loans obtained by the Group are lower than those in the market, the difference in the computed interest between the government loans and the market are recognized as government subsidies.

V. Critical Accounting Judgments and Major Sources of Estimation and Assumption Uncertainty

The Group takes into account the economic impact of changes in climates and related governmental policies and regulations as well as inflation and volatility in interest rate on significant accounting estimates and reviews the basic assumptions and estimation on an ongoing basis. If a change in accounting estimate affects only the current period, the effect is recognized in the current period. If a change in accounting estimate affects both current and future periods, the effects are recognized in both periods.

Critical accounting judgements, estimations, and assumptions adopted in developing the accounting policies when the Group prepares these consolidated financial statements are as following :

1. Critical judgements adopted by the accounting policies

(1) Business model determination for classification of financial assets

According to the reflected level of groups of financial assets jointly managed for achieving certain business purposes, the Group assesses the business model to which its financial assets belong. This assessment requires consideration on all relevant evidence, including measurement method for assets performance, risks that affect performance and the approach for determining compensation for the related managers, and requires utilization of judgements. The Group continues to assess whether its judgement for business model is appropriate or not. For this purpose, the Group monitors its financial assets measured at amortized cost that are written off before maturity date and investments in debt instruments measured at FVTOCI, understands whether or not the reason of disposal is consistent with the goal of business model. If it is found that the business model has changed, the Group would reclassify the financial assets according to IFRS 9 and prospectively apply after the reclassification date.

(2) Revenue recognition

According to IFRS 15, the Group determines whether or not the control over the specified goods or services had been obtained by the Group prior to transferring the goods or services to the customers and determines if the Group would be a principal or an agent in the transaction. If it is determined that the Group is an agent in the transaction, then recognize net transaction amount as revenue.

If any one of the following conditions applies, the Group would be a principal :

- A. Before the goods or other assets are transferred to the customers, the Group had obtained the control over the goods or services from another party; or

B. The Group controls the rights to the services provided by another party and has the ability to direct the party to provide the services to the customers on behalf of the Group ; or

C. The Group obtains control over the goods or services from another party, combining with other goods or services, to provide specified goods or services to the customers.

Indices used to determine whether or not the Group had obtained control over the goods or services prior to transferring the goods or services to the customers include (but not limited to) :

(A) The Group bears the main responsibility for the commitment to provide the specified goods or services.

(B) The Group bears the risk of the inventories before and after the goods or services are transferred to the customers.

(C) The Group has the discretionary power to determine the price.

(3) Lease period

When determining lease period, the Group considers all relevant facts and conditions that generate economic incentives to exercise (or not to exercise) options, including any anticipated changes to the facts or conditions from the starting date to the execution date of the options. Factors considered include contractual terms and conditions during the contractual period of the options, material leasehold improvement conducted during the contractual period (or expected contractual period), importance of the target assets to the Group's operations, etc. When there is material change in material event or condition within the Group's controlling scope, re-assess the lease period.

2. Critical accounting estimates and assumptions

(1) Revenue recognition

Sales revenue is recognized when the control of goods or services are transferred to the customers and the contractual obligations are satisfied, and the related expected sales return, discount or other similar allowances are subtracted. The sales return and allowances are estimated based on historical experience and other known reasons, and the Group periodically reviews reasonableness of the estimates.

(2) Estimated impairment on financial assets

The assessments of impairment loss on accounts receivable, debt instruments and financial guarantee contracts are based on the Group's assumptions regarding default rate and expected loss ratio. The Group considers past experience, current

market condition and prospective information to make the assumptions and choose the input value for the impairment loss assessment. If the future actual cash flows are less than expected, material impairment loss may result.

(3) Fair value measurement and evaluation procedures

When there are no market quotes in an active market for the assets and liabilities measured at fair value, the Group, according to applicable laws and regulations or its own judgement, determines whether or not to outsource the evaluation work and determine the proper fair-value evaluation technique. If level one input value could not be obtained when estimating the fair value, the Group refers to the financial condition and operating results of the investees, latest transaction prices, quotes in inactive market for the same equity instrument, quotes for similar instruments in active market, evaluation multipliers for comparable companies and other information and determine the input value. If, in the future, the actual changes in input value differ from the expected value, changes in fair value may result. To monitor if the fair-value measurement is appropriate or not, the Group periodically updates the various input value based on market conditions.

(4) Impairment assessment of tangible and intangible assets

In the course of impairment assessments, the Group determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Group's strategy might result in material impairment of assets in the future.

(5) Impairment assessment for investments accounted for using equity method

When there is sign showing that a particular investments under equity method may already been impaired and the carrying amount could not be recovered, the Group immediately performs impairment assessment on the investment. The Group evaluates the recoverable amount according to the discounted present value of expected future cash flows either from operations of the investee company or from disposal of the investee company, including analyzing reasonableness of the related assumptions.

(6) Realizability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. The Group's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption

Financial Status

period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred income tax assets.

(7) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value.

(8) Net defined benefit pension plan assets

When calculating the present value of defined pension obligations, the Group uses judgments and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate. Changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligations.

(9) Incremental borrowing interest rate of lessee

When determining the lessee's incremental borrowing interest rate used for discounting lease payments, the risk-free rate under the same currency and relevant period is used as reference benchmark, along with consideration on the lessee's credit risk premium and specific lease adjustment (factors such as pledge of assets).

VI. Description of Significant Accounting Items

1. Cash and cash equivalents

Item	December 31, 2022	December 31, 2021
Cash and petty cash	\$ 2, 516	\$ 2, 333
Checking account	111, 470	66, 922
Demand deposits	737, 039	528, 385
Cash equivalents		
Notes receivables	29, 891	-
Time deposits	157, 353	58, 377
Total	<u>\$ 1, 038, 269</u>	<u>\$ 656, 017</u>

Note : (1) The Group conducts businesses with financial institutions with good credit quality, and the Group conducts business with many financial institutions to diversify credit risks. The expected possibility of default is quite low.

(2) The Group does not have any cash and cash equivalents pledged to others.

2. Financial assets measured at FVTPL - current

Item	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Domestic publicly traded shares	<u>\$ 86, 516</u>	<u>\$ 108, 803</u>

(1) The Group does not pledge any of its financial assets measured at FVTPL.

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

3. Financial assets for hedging - current

Item	December 31, 2022	December 31, 2021
Derivative financial assets for hedging - current		
Forward exchange contract – fair value hedge	<u>\$ 2, 154</u>	<u>\$ -</u>

(1) The purpose for adopting hedge accounting is to reduce effects from inconsistent accounting treatments for the hedged items and the hedging instruments. In order to avoid exposure to the foreign-exchange effects from procurement contracts that are not recorded but are confirmed and committed, the Group engages in forward contracts to purchase Australian dollars in advance according to 1 : 1 hedging ratio and control the exchange rates within the Group's tolerable scope.

Financial Status

(2) Transaction information for hedge accounting adopted by the Group :

A. December 31, 2022 :

Hedging instrument	December 31, 2022				Year of 2022	
	Nominal amount (dollar)	Book value of assets	Book value of liabilities	Record changes in fair-value of ineffective hedging basis	Average price or rate	Valuation gain or loss on FVTPL financial assets/liabilities due to ineffective hedging
Fair-value hedging :						
Exchange risk						
Forward exchange transaction	AUD 5,920,200	\$ 2,154	\$ -	\$ -	\$20.645~\$20.753	\$ -
Hedged item	Book value of assets	Accumulated adjustments on book of assets due to fair-value hedging	Book value of liabilities	Accumulated adjustments on book of liabilities due to fair-value hedging	Record changes in fair-value of ineffective hedging basis	Profit or loss recorded due to ineffective hedging
Fair-value hedging :						
Exchange risk						
Forward exchange transaction	\$ -	\$ -	\$2,154(Note)	\$ 2,154	\$ -	\$ -

Note : Recorded as other current liabilities.

B. December 31, 2021 : None.

4. Notes receivable, net

Item	December 31, 2022	December 31, 2021
Measured at amortized costs		
Notes receivable	\$ 1,033,266	\$ 1,499,247
Notes receivable – related parties	-	-
Less : Allowance for losses	(9,076)	(14,181)
Notes receivable, net	\$ 1,024,190	\$ 1,485,066

(1) As of December 31, 2022 and 2021, the Group has no notes receivable pledged to others.

(2) For disclosures relating to loss allowance for notes receivable, please refer to Note VI-5.

Financial Status

5. Accounts receivable, net

Item	December 31, 2022	December 31, 2021
Measured at amortized costs		
Accounts receivable	\$ 2,457,724	\$ 3,616,223
Construction accounts receivable	1,349,798	1,220,591
Accounts receivable - related parties	88	1,394
Construction accounts receivable - related parties	44,675	-
Less : Allowance for losses	(32,112)	(38,389)
Accounts receivable, net	<u>\$ 3,820,173</u>	<u>\$ 4,799,819</u>

(1) The Group offers average 90 days credit period for accounts receivables from sale of goods. The credit standards are established based on the industrial characteristics, business scale and profitability of the transaction parties.

(2) The Group does not pledge any of its accounts receivable to others.

(3) A. The Group's accounts receivable are measured at amortized costs.

B. The Group adopts the simplified method in recognizing allowance for the uncollectable notes and accounts receivable based on the expected credit loss during the existing period. The expected credit loss during the existing period is the loss rate established after considering the customer's past default records, its present financial and economic conditions, and consideration on business prospect and external credit ratings for adjusting historical and present information. Since the Group's past credit loss experience shows that there was no significant difference in the types of loss among the different groups of customers, the provision matrix does not further distinguish these customer groups but only sets the expected rate of credit loss based on number of overdue days of the accounts receivable and actual conditions.

Financial Status

The Group's loss allowances (including related parties) for notes and accounts receivable (including overdue receivables) measured according to the provision matrix are as following :

December 31, 2022	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	\$4, 885, 551	\$ 41, 188	\$ 4, 844, 363
Overdue 1~30 days (Note)	0%-1%	-	-	-
Overdue 31~180 days (Note)	0%-1%	-	-	-
Overdue 181~365 days and over (Note)	100%	63, 002	63, 002	-
		<u>\$4, 948, 553</u>	<u>\$ 104, 190</u>	<u>\$ 4, 844, 363</u>

December 31, 2021	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	\$ 6, 337, 455	\$ 52, 570	\$ 6, 284, 885
Overdue 1~30 days (Note)	0%-1%	-	-	-
Overdue 31~180 days (Note)	0%-1%	-	-	-
Overdue 181~365 days and over (Note)	100%	63, 210	63, 210	-
		<u>\$ 6, 400, 665</u>	<u>\$ 115, 780</u>	<u>\$ 6, 284, 885</u>

Note : Based on the company's actual aging analysis schedule.

Expected rates of credit loss for the Group's above aging intervals (excluding abnormal accounts where 100% loss should be recognized): 0% ~1% for accounts that are not overdue or overdue within 180 days ; 100% for accounts overdue 181~365 days and over.

A. Movements in loss allowance for notes and accounts receivable (including related parties) :

Item	Year of 2022	Year of 2021
Beginning balance	\$ 115, 780	\$ 73, 548
Plus : Record impairment loss	-	44, 032
Less : Reversed for impairment loss	(11, 603)	-
Less : Write-down for uncollectable accounts	(517)	(1, 632)
Foreign exchange difference	530	(168)
Ending balance	<u>\$ 104, 190</u>	<u>\$ 115, 780</u>

The Group does not hold any collateral or credit enhancement for its accounts receivable.

Financial Status

B. With regards to credit risk management and assessment method, please refer to Note XII.

6. Inventories and cost of goods sold

Item	December 31, 2022	December 31, 2021
Finished goods	\$ 770, 536	\$ 1, 081, 357
Work in progress	92, 779	127, 997
Raw materials	3, 377, 999	4, 368, 550
Supplies	11, 324	17, 519
Inventory in transit	98, 184	82, 302
Total	\$ 4, 350, 822	\$ 5, 677, 725

(1) Operating costs :

Item	Year of 2022	Year of 2021
Cost of sold inventories	\$ 15, 924, 365	\$ 17, 958, 393
Construction cost	7, 282, 068	6, 204, 593
Processing cost	104, 183	109, 326
Loss (gain) for market price decline (recovery) of inventories	45, 589	98, 869
Gain on inventory counts	(197)	2
Income from sale of scraps	(358, 502)	(417, 796)
Total operating costs	\$ 22, 997, 506	\$ 23, 953, 387

(2) The Group either reduces the book value of its inventories to their net realizable value, or records gains due to price recovery of inventories and consumption of stock. In the years of 2022 and 2021, the Group recorded NT\$45,589 thousand and NT\$98,869 thousand of loss for market price decline (gain from price recovery) of inventories, respectively.

(3) The Group does not pledge any of its inventories.

7. Other financial assets - current

Item	December 31, 2022	December 31, 2021
Time deposits over 3 months	\$ 74, 050	\$ 476, 435
Funds repatriated under the Repatriated Offshore Funds Act	88, 445	79, 718
Restricted time deposits	14, 091	23, 158
Court deposits for false sequestration or provisional injunction of court	970	970
Total	\$ 177, 556	\$ 580, 281

Financial Status

- (1) For the restricted and pledged time deposits and receivable court deposits for false sequestration or provisional injunction, please refer to Note VIII.
- (2) Since the Group's time deposits with original maturity date over three months do not meet the definition of cash equivalents, these time deposits are classified under Other financial assets – current and, due to immaterial discount effects from short holding period, measured at investment amount. As of December 31, 2022 and 2021, the range of market interest rates for time deposits with original maturity date over three months was 0.35%~4.38% and 0.25%~2.10%, respectively.

8. FVTOCI financial assets - noncurrent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Noncurrent items :		
Equity instruments		
Domestic investments		
Listed stocks		
Clientron Corp.	\$ 218	\$ 324
TBI Motion Technology Co., Ltd.	3,645	4,995
China Ecotek Corporation	128,155	119,481
Newmax Technology Co., Ltd.	1,208	1,712
Subtotal	<u>133,226</u>	<u>126,512</u>
Unlisted stocks		
Wabo Global Trading Corporation	6,445	7,654
Tech Alliance Corp.	–	1,915
Pro-Ascentek Investment Corporation	53,754	61,096
Subtotal	<u>60,199</u>	<u>70,665</u>
Foreign investments		
Unlisted stocks		
Chung Mao Trading (BVI) Corporation	–	1,275
China Steel and Nippon Steel Vietnam Joint Stock Company	296,452	304,934
United Steel International Development Corporation	28,752	25,948
Shenzhen Zongmao International Trading Co., Ltd.	2,489	4,385
Subtotal	<u>327,693</u>	<u>336,542</u>
Total	<u>\$ 521,118</u>	<u>\$ 533,719</u>

- (1) The Group makes the above stock investments based on medium-to-long term strategic purposes and expects to earn profits through long-term investments.

Financial Status

Since the management of the Group considers that, if short-term fluctuations in fair value of such investments are recorded in profit or loss, it will be inconsistent with the aforementioned long-term investment planning. Therefore, the Group had chosen to designate such investments as measured at FVTOCI.

- (2) As of December 31, 2022 and 2021, the Group did not pledge any of its FVTOCI financial assets.
- (3) For the related credit risk management and evaluation methods, please refer to Note XII.

9. Investments accounted for using equity method

Investees	December 31, 2022	December 31, 2021
Individually immaterial associates	\$ 564,256	\$ 519,584

(1) Associates :

A. The Group's shares of individually immaterial associates are listed below :

Company name	Year of 2022	Year of 2021
Net income (loss)	\$ 200,172	\$ 134,315
Other comprehensive income (loss) (net of tax)	6,774	1,462
Total comprehensive income (loss)	\$ 206,946	\$ 135,777

B. The Group's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

C. In years of 2022 and 2021, the cash dividends that the Group received from the associates accounted for using equity method were NT\$33,791 thousand and NT\$19,786 thousand

D. None of the Group's held investments accounted for using equity method is used as collateral or pledged.

10. Property, plant and equipment

	December 31, 2022	December 31, 2021
Self-use	\$ 4,973,113	\$ 4,952,207
Rent out as operating lease	356,563	364,071
Total	\$ 5,329,676	\$ 5,316,278

- (1) Regarding amount of capitalized interests, please refer to Note VI-26.
- (2) After the Group performed impairment assessment, as of December 31, 2022 and 2021, there was no sign of impairment.

Financial Status

(3) The Group does not pledge any of its property, plant and equipment.

Self-use

Item	December 31, 2022	December 31, 2021
Land (note)	\$ 2,794,911	\$ 2,794,882
Buildings	2,459,716	2,230,645
Machinery equipment	4,665,442	4,580,092
Other equipment	585,403	594,893
Unfinished construction or equipment pending for inspection	514,949	594,875
Total cost	11,020,421	10,795,387
Less : Accumulated depreciation	(6,036,283)	(5,832,155)
Less : Accumulated impairment	(11,025)	(11,025)
Total	\$ 4,973,113	\$ 4,952,207

Note : Including land improvements.

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2022.01.01 balance	\$2,794,882	\$2,230,645	\$4,580,092	\$ 594,893	\$ 594,875	\$10,795,387
Addition	29	3,825	17,171	7,499	156,577	185,101
Reclassify	-	215,924	89,361	7,776	(236,503)	76,558
Foreign exchange difference	-	9,427	23,395	749	-	33,571
Disposal of subsidiary	-	-	-	-	-	-
2022.12.31 balance	\$2,794,911	\$2,459,716	\$4,665,442	\$ 585,403	\$ 514,949	\$11,020,421
Accumulated depreciation and impairment						
2022.01.01 balance	\$ 24,184	\$1,724,072	\$3,585,566	\$ 509,358	\$ -	\$5,843,180
Depreciation expense	42	57,763	162,128	22,234	-	242,167
Disposal	-	(105)	(39,875)	(24,563)	-	(64,543)
Foreign exchange difference	-	7,536	18,331	637	-	26,504
Disposal of subsidiary	-	-	-	-	-	-
2022.12.31 balance	\$ 24,226	\$1,789,266	\$3,726,150	\$ 507,666	\$ -	\$6,047,308

Financial Status

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2021.01.01 balance	\$2,664,975	\$2,366,880	\$4,475,192	\$ 575,900	\$ 554,147	\$10,637,094
Addition	-	-	27,129	32,249	333,797	393,175
Transferred to assets rented out as operating lease	(7,626)	(34,973)	(10,788)	-	-	(53,387)
Disposal	-	-	(77,686)	(9,556)	-	(87,242)
Reclassify	137,533	79,195	196,164	5,608	(292,959)	125,541
Foreign exchange difference	-	(6,188)	(12,144)	(483)	(110)	(18,925)
Disposal of subsidiary	\$ -	(174,269)	(17,775)	(8,825)	-	(200,869)
2021.12.31 balance	<u>\$2,794,882</u>	<u>\$2,230,645</u>	<u>\$4,580,092</u>	<u>\$ 594,893</u>	<u>\$ 594,875</u>	<u>\$10,795,387</u>
Accumulated depreciation and impairment						
2021.01.01 balance	\$ 22,539	\$1,734,925	\$3,522,014	\$ 505,207	\$ -	\$5,784,685
Depreciation expense	1,645	61,965	157,324	21,680	-	242,614
Disposal	-	-	(67,139)	(9,388)	-	(76,527)
Transferred to assets rented out as operating lease	-	(4,336)	(1,140)	-	-	(5,476)
Reclassify	-	-	-	-	-	-
Foreign exchange difference	-	(4,210)	(9,495)	(409)	-	(14,114)
Disposal of subsidiary	-	(64,272)	(15,998)	(7,732)	-	(88,002)
2021.12.31 balance	<u>\$ 24,184</u>	<u>\$1,724,072</u>	<u>\$3,585,566</u>	<u>\$ 509,358</u>	<u>\$ -</u>	<u>\$5,843,180</u>

Assets rented out as operating lease

Item	December 31, 2022	December 31, 2021
Land	\$ 306,034	\$ 306,034
Buildings	379,456	379,456
Machinery equipment	95,342	95,342
Total cost	780,832	780,832
Less : Accumulated depreciation	(424,269)	(416,761)
Total	<u>\$ 356,563</u>	<u>\$ 364,071</u>

Financial Status

	Land	Buildings	Machinery equipment	Total
<u>Cost</u>				
2022.01.01 balance	\$ 306,034	\$ 379,456	\$ 95,342	\$ 780,832
Addition	-	-	-	-
Disposal	-	-	-	-
From self-use assets	-	-	-	-
2022.12.31 balance	<u>\$ 306,034</u>	<u>\$ 379,456</u>	<u>\$ 95,342</u>	<u>\$ 780,832</u>
<u>Accumulated depreciation and impairment</u>				
2022.01.01 balance	\$ -	\$ 331,072	\$ 85,689	\$ 416,761
Depreciation expense	-	6,667	841	7,508
Disposal	-	-	-	-
From self-use assets	-	-	-	-
2022.12.31 balance	<u>\$ -</u>	<u>\$ 337,739</u>	<u>\$ 86,530</u>	<u>\$ 424,269</u>
	Land	Buildings	Machinery equipment	Total
<u>Cost</u>				
2021.01.01 balance	\$ 298,408	\$ 344,483	\$ 84,554	\$ 727,445
Addition	-	-	-	-
Disposal	-	-	-	-
From self-use assets	7,626	34,973	10,788	53,387
Reclassify	-	-	-	-
2021.12.31 balance	<u>\$ 306,034</u>	<u>\$ 379,456</u>	<u>\$ 95,342</u>	<u>\$ 780,832</u>
<u>Accumulated depreciation and impairment</u>				
2021.01.01 balance	\$ -	\$ 318,312	\$ 84,549	\$ 402,861
Depreciation expense	-	8,424	-	8,424
From self-use assets	-	4,336	1,140	5,476
Disposal	-	-	-	-
2021.12.31 balance	<u>\$ -</u>	<u>\$ 331,072</u>	<u>\$ 85,689</u>	<u>\$ 416,761</u>

The Group rents out land, offices and factories, with leasing periods from 1~3 years. All operating lease contracts include clauses that, when lessees exercise the lease-renewal rights, the rents are adjusted according to market rates. When the lease periods are ended, the lessees do not have bargain purchase option toward the assets.

Financial Status

The total lease receivable amounts for the property, plant and equipment rented out as operating leases in the future are as below :

	December 31, 2022	December 31, 2021
1 st year	\$ 54,617	\$ 54,619
2 nd year	13,388	53,551
3 rd year	-	13,388
Total	\$ 68,005	\$ 121,558

As of December 31, 2022 and 2021, the market value of the Group's assets rented out as operating leases are still higher than their net book value and are not impaired.

11. Leases

(1) Right-of-use assets

Item	December 31, 2022	December 31, 2021
Land	\$ 48,167	\$ 42,973
Buildings	38,940	38,084
Transportation equipment	3,553	3,467
Total cost	90,660	84,524
Less : Accumulated depreciation	(27,947)	(20,483)
Less : Accumulated impairment	-	-
Net amount	\$ 62,713	\$ 64,041

Cost	Land	Buildings	Transportation equipment	Total
2022.01.01 balance	\$ 42,973	\$ 38,084	\$ 3,467	\$ 84,524
Increase in this period	4,561	6,440	3,553	14,554
Decrease in this period	-	(5,584)	(3,467)	(9,051)
Exchange effects	633	-	-	633
Disposal of subsidiary	-	-	-	-
2022.12.31 balance	\$ 48,167	\$ 38,940	\$ 3,553	\$ 90,660
Accumulated depreciation and impairment				
2022.01.01 balance	\$ 5,435	\$ 12,592	\$ 2,456	\$ 20,483
Depreciation expense	2,059	12,932	1,436	16,427
Written off in this period	-	(5,584)	(3,467)	(9,051)
Exchange effects	88	-	-	88
Disposal of subsidiary	-	-	-	-
2022.12.31 balance	\$ 7,582	\$ 19,940	\$ 425	\$ 27,947

Financial Status

Cost	Land	Buildings	Transportation equipment	Total
2021.1.1 balance	\$ 65,767	\$ 40,090	\$ 3,467	\$ 109,324
Increase in this period	-	13,639	-	13,639
Decrease in this period	(937)	(15,645)	-	(16,582)
Exchange rate effects	(489)	-	-	(489)
Disposal of subsidiary	(21,368)	-	-	(21,368)
2021.12.31 balance	\$ 42,973	\$ 38,084	\$ 3,467	\$ 84,524
Accumulated depreciation and impairment				
2021.1.1 balance	\$ 5,526	\$ 11,722	\$ 722	\$ 17,970
Depreciation expense	2,343	14,082	1,734	18,159
Written off in this period	(937)	(13,212)	-	(14,149)
Exchange rate effects	(45)	-	-	(45)
Disposal of subsidiary	(1,452)	-	-	(1,452)
2021.12.31 balance	\$ 5,435	\$ 12,592	\$ 2,456	\$ 20,483

(2) Lease liabilities

Item	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	\$ 12,597	\$ 12,182
Noncurrent	\$ 13,485	\$ 14,438

Range of discount rates for lease liabilities is shown as below:

	December 31, 2022	December 31, 2021
Land	0.78%	0.78%
Buildings	0.78%	0.78%

Regarding maturity analysis for lease liabilities, please refer to Note XII-2.

(3) Material leasing activities and terms

The Group leases several land, buildings for business use, with leasing periods from 1~8.5 years. The Group has recorded the renewal rights as part of lease liabilities. In addition, according to the contracts, without consent by the lessor, the Group may not sub-lease to third parties. As of December 31, 2022 and 2021, since there was no sign of impairment on the right-of-use assets, impairment assessment was not performed.

(4) Other lease information

A. For the Group's property, plant and equipment rented out as operating leases and agreements for investment properties, please refer to Note VI-10 "Property, plant and equipment".

Financial Status

B. Related lease expense information in 2022 and 2021 :

Item	Year of 2022	Year of 2021
Short-term lease expense	\$ 2,315	\$ 1,328
Lease expense on low-value assets	\$ 1,441	\$ 1,678
Variable lease expense not included in lease liability measurement	\$ -	\$ -
Total cash out-flow of lease (Note)	\$ 19,270	\$ 19,835

Note : Including principal and interest payments for lease liabilities in this period.

C. In 2022 and 2021, the Group has adopted the exemption treatment for short-term leases and low-asset-value leases and does not record the related right-of-use assets and lease liabilities.

12. Long-term notes receivable

	December 31, 2022	December 31, 2021
Overdue receivables	\$ 63,002	\$ 63,210
Less : Allowance for losses	(63,002)	(63,210)
Net amount	\$ -	\$ -

(1) For the related disclosures on long-term notes receivable and allowance losses, please refer to Note VI-5.

(2) With regards to credit risk management and assessment method, please refer to Note XII.

13. Short-term borrowings

Nature of borrowing	December 31, 2022	
	Amount	Interest rate
Credit loan	\$ 3,543,639	1.194%~5.345%
Loan for purchasing materials	1,189,595	1.35%~6.553%
Total	\$ 4,733,234	

Nature of borrowing	December 31, 2021	
	Amount	Interest rate
Credit loan	\$ 4,693,535	0.522%~2.282%
Loan for purchasing materials	1,419,147	0.6356%~4.6%
Total	\$ 6,112,682	

Financial Status

The Group does not provide any of its financial assets, factories or equipment as collateral for its short-term borrowings and had issued separate guaranteed notes collaterals. Please refer to Note IX for details.

14. Short-term notes payable

Item	December 31, 2022	December 31, 2021
Commercial papers payable	\$ 1,067,000	\$ 1,429,000
Less : Un-amortized discount	(411)	(122)
Net amount	\$ 1,066,589	\$ 1,428,878
Range of interest rates	1.232%~1.72%	0.252%~0.65%

The Group issued promising notes at the borrowing amounts as commitments to repay the loans. Please refer to Note IX for details.

15. Provisions - current

Item	December 31, 2022	December 31, 2021
Employee benefits	\$ 40,102	\$ 39,109

Item	Year of 2022	Year of 2021
Beginning balance	\$ 39,109	\$ 38,626
Accrued in this period	40,088	39,117
Reversed in this period	(39,127)	(38,618)
Foreign exchange effects	32	(16)
Ending balance	\$ 40,102	\$ 39,109

Provision for employee benefits is the estimation for the vested short-term rights of paid leaves by the employees.

16. Long-term borrowings and long-term debt due within 1 year or 1 operating cycle

Item	December 31, 2022	December 31, 2021
Yuanta Commercial Bank Co., Ltd. (Note 1)	\$ 87,500	\$ 137,500
Yuanta Commercial Bank Co., Ltd. (Note 2)	131,250	-
Taishin International Bank (Note 3)	100,000	-
Far Eastern International Bank (Note 4)	200,000	-
Total	\$ 518,750	\$ 137,500
Less : Due within 1 year	(125,000)	(50,000)
Long-term borrowings	\$ 393,750	\$ 87,500
Interest rate	1.34%~1.51%	0.98%

- (1) The borrowing of \$150,000 thousand from Yuanta Commercial Bank Co., Ltd. is lent to the Group from 2021/9/22~2024/9/22, with the interest repaid by month and the principal repaid with 12 installments by three months, started from the date of borrowing.
- (2) The borrowing of \$150,000 thousand from Yuanta Commercial Bank Co., Ltd. is lent to the Group from 2022/9/15~2024/9/22, with the interest repaid by month and the principal repaid with 8 installments by three months, started from the date of borrowing.
- (3) The borrowing of \$100,000 thousand from Taishin International Bank is lent to the Group from 2022/1/10~2025/1/10, with the interest repaid by month and the principal repaid at the maturity date.
- (4) The borrowing of \$100,000 thousand from Far Eastern International Bank is lent to the Group from 2022/10/7~2025/10/7, with the interest repaid by month and the principal repaid with 4 installments by three months, started after two-year grace period.

The Group provides no financial asset, plant and equipment as the collateral of long-term borrowings. Please refer to Note IX for notes issued for guarantee.

17. Pensions

(1) Defined contribution plan

A. The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Pursuant to the plan, the Group makes monthly contributions equal to 6% of each individual employee's salary or wage to employees' pension accounts.

B. For the year of 2022 and 2021, according to the contribution rate stipulated by the defined contribution plan, the Company had recognized pension expense of NT\$29,152 thousand and NT\$28,838 thousand, respectively, in the statements of comprehensive income.

(2) Defined benefit plan

A. The Group have a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the

Financial Status

aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Group will make contribution for the deficit by next March. The pension fund is managed by the government's designated authorities and the Group has no right to influence their investment strategies.

B. Amounts recognized in the balance sheet for obligations from defined benefit plan are as follows :

Item	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 713, 167	\$ 785, 356
Fair value of plan assets	(703, 645)	(665, 751)
Defined benefit liability (asset), net	\$ 9, 522	\$ 119, 605

C. Movements in net defined benefit liabilities are as follows :

Item	Year of 2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022 balance	\$ 785, 356	(\$ 665, 751)	\$119, 605
Service cost			
Current-period service cost	5, 443	-	5, 443
Interest expense (revenue)	4, 685	(4, 032)	653
Recorded in profit or loss	10, 128	(4, 032)	6, 096
Remeasurements			
Plan assets returns (excluding the amount in net interests)	-	(54, 795)	(54, 795)
Actuarial (gains) losses - experience adjustments	(6, 760)	-	(6, 760)
Recorded in other comprehensive income (loss)	(6, 760)	(54, 795)	(61, 555)
Contribution by employer	-	(31, 972)	(31, 972)
Payment for benefits	(75, 557)	52, 905	(22, 652)
December 31, 2022 balance	\$ 713, 167	(\$ 703, 645)	\$ 9, 522

Financial Status

Item	Year of 2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1, 2021 balance	\$ 837,735	(\$ 711,718)	\$ 126,017
Service cost			
Current service cost	7,288	-	7,288
Interest expense (revenue)	2,115	(1,789)	326
Recorded in profit or loss	9,403	(1,789)	7,614
Remeasurements			
Plan assets returns (excluding the amount in net interests)		- (11,236)	(26,083)
Actuarial (gains) losses - experience adjustments	8,197	-	26,827
Recorded in other comprehensive income (loss)	8,197	(11,236)	(3,039)
Contribution by employer	-	(10,987)	(10,987)
Payment for benefits	(69,979)	69,979	-
December 31, 2021 balance	<u>\$ 785,356</u>	<u>(\$ 665,751)</u>	<u>\$ 119,605</u>

D. Because of the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks :

(A) Investment risk

Through self-investment or management assignment, the Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank savings. However, the distributable amount to the Group's plan assets is at no less than the revenue computed based on the interest rate of 2-year time deposits in local banks.

(B) Interest rate risk

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

(C) Salary risk

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

Financial Status

E. The main actuarial assumptions used were as follows :

Item	Measurement date	
	December 31, 2022	December 31, 2021
Discount rate	1.17%	0.64%
Future salary increase rate	1.50%	1.50%
The weighted average duration of the defined benefit obligation	5.7 years	6.0 years

(A) Assumptions on future mortality experience as of December 31, 2022 and 2021 are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table, respectively.

(B) If there is any reasonable possible change in material actuarial assumption, holding other assumptions constant, would have affected increase (decrease) the defined benefit obligation by the amounts shown below :

Item	December 31, 2022	December 31, 2021
Discount rate		
0.5% increase	(\$ 21,395)	(\$ 23,561)
0.5% decrease	\$ 21,395	\$ 25,131
Future salary increase rate		
0.5% increase	\$ 20,682	\$ 23,561
0.5% decrease	(\$ 19,969)	(\$ 22,775)

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

F. The contribution that the Group expects to make to its defined benefit pension plans and payment in 2023 is NT\$37,278 thousand.

18. Share capital - common shares

(1) Reconciliation of the Group's outstanding common shares and amounts from the beginning to the end of period :

Item	Year of 2022	
	Number of shares (thousands)	Amount
January 1st balance	647,655	\$ 6,476,554
Capital increase by cash	-	-
December 31st balance	647,655	\$ 6,476,554

Financial Status

Item	Year of 2021	
	Number of shares (thousands)	Amount
January 1st balance	647, 655	\$ 6, 476, 554
Capital increase by cash	-	-
December 31st balance	647, 655	\$ 6, 476, 554

- (2) As of December 31, 2022, the Company's authorized capital is NT\$7,000,000 thousand, which is divided into 700,000 thousand shares.

19. Capital surplus

Item	December 31, 2022	December 31, 2021
Consolidation surplus	\$ 148, 853	\$ 148, 853
Long-term investment	15, 627	834
Other	12, 698	12, 384
Total	\$ 177, 178	\$ 162, 071

According to the Company Act, in addition to offsetting against accumulated loss, when a company does not have accumulated loss, the capital surplus from additional paid-in capital in excess of par during stock issuance and from gifts received may be distributed to shareholders in form of new shares or cash according to their respective shareholding ratios. And according to the Securities and Exchange Act, when reinvest the above capital surplus as additional capital, the total amount is limited to 10% of the received capital. Unless when profit surplus is insufficient to offset loss, a company shall not replenish with capital surplus. Capital surplus generated from investments accounted for using equity method shall not be used for any purpose.

20. Retained earnings and dividend policy

- (1) According to the Company's corporate charter regarding earnings-distribution policies, 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 and special reserve based the amount of stockholders' equity deduction item in the current year. After deducting various reserve items, the remainder, if any, then either to be combined with accumulated earnings from prior years or to be appropriated, shall be proposed by the board of directors and resolved by the stockholders at the stockholders' meeting.

Financial Status

(2) Dividend policy :

The Company is in a matured industry, with stable profitability and robust financial structure. Over many years, the Company commits in diversification and investments in high-value-added steel products and high-tech industry to enlarge its business base. When the board of directors plans for earnings distribution, considering the financial structure, shareholders' equity, stability of dividends, except when capital funds are required, the actual earnings distribution each year accounts for at least 50% of current-year distributable earnings, of which cash dividend should account for no less than 10%.

(3) Except for being used to offset losses or for dividend distribution according to shareholding ratios, legal reserve shall not be used. However, the amount for dividend distribution (including used for issuing new shares or distribution in cash) from legal reserve is limited to the portion of legal reserve that is over 25% of the total received capital.

(4) Special reserve

A. When the Group distributes earnings, according to the laws and regulations, special reserve needs to be recognized based on the debit balance of other equity items on the balance sheet date of the year. Later when the debit balance of other equity items is reversed, the reversed amount can be included in the earnings available for distribution.

B. In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022, dated March 31, 2021, the amounts previously set aside by the Company as special reserve may be reversed proportionately to distributable retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

Item	December 31, 2022	December 31, 2021
Recorded credit balance of other equity	\$ -	\$ -
Recorded amount due to first adoption of IFRSs	1,324,287	1,324,287
Total	\$ 1,324,287	\$ 1,324,287

Financial Status

- (5) The appropriations of 2021 and 2020 earnings have been approved by the shareholders in its meetings in June 2022 and July 2021, respectively. The appropriations and dividends per share were as follows :

Item	Appropriation of Earnings		Dividends Per Share (NT\$)	
	Year of 2021	Year of 2020	Year of 2021	Year of 2020
Legal reserve	\$ 122,941	\$ 51,290		
Cash dividends for common shares	841,952	388,593	\$ 1.30	\$ 0.60
Total	<u>\$ 964,893</u>	<u>\$ 439,883</u>		

- (6) On March 14, 2023, the Company's board of directors proposed the following plan for 2022 earnings distribution :

Item	Appropriation of	Dividends Per Share	
	Earnings	(NT\$)	
Legal reserve	\$ 61,626		
Cash dividends for common shares	388,593	\$	0.60
Total	<u>\$ 450,219</u>		

The proposed 2022 earnings distribution plan is pending to be approved by the shareholders in its meetings in June 2023.

Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

- (7) Shenzhen Chun Yuan

According to Article 46 of corporate charter :

“ When joint venture companies set aside reserve fund, business development funds or employee incentives and benefits funds from profits after income taxes are paid, with the set-aside ratio determined after discussion of the board of directors based on operating conditions of the company. But the total amount shall be limited to 15% of after-tax profit, and the appropriation of reserve fund should be no less than 10% of after-tax profit.”

Note : Reserve fund is called Legal Reserve in the Republic of China (Taiwan).

- (8) Shanghai Huateng, Shenzhen Hong Yuan, Qingdao Chun Yuan, Xiamen Chun Yuan :

The company shall set aside reserve fund and employee incentives and benefits funds from profits after income taxes are paid per regulations, with the

Financial Status

set-aside ratio determined by the board of directors based on actual conditions.

Reserve fund is mainly used in offsetting against company losses, and the

set-aside ratio generally shall not be no less than 10% of after-tax profit.

21. Other equity

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2022.01.01 balance	(\$ 276, 124)	(\$ 99, 694)	(\$ 375, 818)
Exchange differences generated from translation of foreign operations - parent company	50, 761	-	50, 761
Unrealized valuation (loss) gain on FVTOCI financial assets	-	(12, 614)	(12, 614)
Disposal of FVTOCI equity instruments	-	60, 283	60, 283
Share of profits of subsidiaries, associates, and joint ventures under equity method	20	(192)	(172)
2022.12.31 balance	(\$ 225, 343)	(\$ 52, 217)	(\$ 277, 560)

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2021.1.1 balance	(\$ 260, 235)	(\$ 160, 624)	(\$ 420, 859)
Exchange differences generated from translation of foreign operations - parent company	(15, 877)	-	(15, 877)
Unrealized valuation (loss) gain on FVTOCI financial assets	-	60, 737	60, 737
Disposal of FVTOCI equity instruments	-	(5, 361)	(5, 361)
Share of profits of subsidiaries, associates, and joint ventures under equity method	(12)	5, 554	5, 542
2021.12.31 balance	(\$ 276, 124)	(\$ 99, 694)	(\$ 375, 818)

Financial Status

22. Non-controlling interest

Item	Year of 2022	Year of 2021
Beginning balance	\$ 525,956	\$ 557,250
Share attributed to non-controlling interest :		
Net income (loss) in this year	586	24,642
Other comprehensive income (loss) in this year	(44,665)	7,054
Capital surplus – changes in equity of subsidiaries	(14,793)	–
Disposal of subsidiary	(43,643)	(28,416)
Increase (Decrease) in non-controlling interest	(60,939)	(34,574)
Ending balance	<u>\$ 362,502</u>	<u>\$ 525,956</u>

23. Operating revenue

Item	Year of 2022	Year of 2021
Revenue from contracts with customers		
Sales revenue	\$ 16,712,058	\$ 19,814,742
Revenue from construction contracts	7,785,724	6,505,918
Total revenue from contracts with customers	<u>\$ 24,497,782</u>	<u>\$ 26,320,660</u>

(1) Sales revenue

The Group's merchandise sales revenue comes from sale of steel and related products, mainly sold to retailers. According to general commercial practices, the Company accepts returned products and refunds the full amount. Considering past experience, the rate of product return does not have material effect on the company.

(2) Revenue from construction contracts

Revenue from construction contracts of the Group comes from undertaking of steel structure constructions. By referencing the completion progress of the contract activities on the balance sheet date, the Group records revenue and cost, respectively, and the completion progress is measured based on the ratio of actual input cost over the expected total cost.

Financial Status

(3) Breakdown of revenue from contracts with customers

The Group's revenue may be divided into the following major product lines and geographical area :

Year of 2022 :

Major product lines and geographical area	Steel	Construction	Total
<u>Major market area</u>			
Taiwan	\$11,175,764	\$7,785,724	\$18,961,488
Asia	5,536,294	-	5,536,294
Americas	-	-	-
Europe	-	-	-
Total	<u>\$16,712,058</u>	<u>\$7,785,724</u>	<u>\$24,497,782</u>
<u>Timing for recording revenue</u>			
Contract obligation fulfilled at a point of time	\$16,712,058	\$-	\$16,712,058
Contract obligation fulfilled along with time	-	7,785,724	7,785,724
Total	<u>\$16,712,058</u>	<u>\$7,785,724</u>	<u>\$24,497,782</u>

Year of 2021 :

Major product lines and geographical area	Steel	Construction	Total
<u>Major market area</u>			
Taiwan	\$12,849,545	\$6,505,918	\$19,355,463
Asia	6,965,197	-	6,965,197
Total	<u>\$19,814,742</u>	<u>\$6,505,918</u>	<u>\$26,320,660</u>
<u>Timing for recording revenue</u>			
Contract obligation fulfilled at certain point of time	\$19,814,742	\$-	\$19,814,742
Contract obligation fulfilled along with time	-	6,505,918	6,505,918
Total	<u>\$19,814,742</u>	<u>\$6,505,918</u>	<u>\$26,320,660</u>

Financial Status

(4) Contract balance

The Group records notes and accounts receivable, contract assets and contract liabilities related to revenue from contracts with customers are shown as following :

Item	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (including related parties)	\$ 1,024,190	\$ 1,485,066	\$ 907,994
Accounts receivable (including related parties)	\$ 3,820,173	\$ 4,799,819	\$ 3,600,413
Contract assets - current			
Construction contracts	\$ 3,388,523	\$ 2,750,072	\$ 2,383,549
Contract liabilities - current			
Construction contracts	\$ 363,632	\$ 584,599	\$ 213,011
Sale of merchandise	\$ 33,757	\$ 25,285	\$ 27,514

(5) Changes in contract assets and contract liabilities

Changes in contract assets and contract liabilities mainly come from different timing for fulfillment of contract obligations and payment by customers.

	Year of 2022	Year of 2021
Contract assets		
Change in measurement of completion	\$ 638,451	\$ 366,523
Contract liabilities		
Change in measurement of completion	(\$ 220,967)	\$ 371,588

(6) Revenue recorded from beginning contract liabilities

	Year of 2022	Year of 2021
Beginning balance of contract liabilities		
Revenue recorded		
Sales of merchandise	\$ 25,262	\$ 27,401
Contracts of Buildings	\$ 584,599	\$ 213,011

(7) Unfulfilled customer contracts

As of December 31, 2022 and 2021, the existing periods for the unfulfilled merchandise-sale customer contracts and construction contracts of the Group do not exceed one year or one operating cycle and are expected to be fulfilled with revenue recorded within future one year or one operating cycle.

Financial Status

24. Other income

Item	Year of 2022	Year of 2021
Rental income	\$ 57,846	\$ 57,202
Dividend income	20,143	8,115
Commission income	23,801	16,043
Other	49,367	43,249
Total	\$ 151,157	\$ 124,609

25. Other gains and losses

Item	Year of 2022	Year of 2021
Net (loss) gain from FVTPL financial assets	(\$ 22,288)	\$ 42,015
Net foreign exchange (loss) gain	(5,527)	10,898
Gain on disposal of property, plant and equipment	842	4,261
Gain on disposal of investments	-	3,809
Gain from disposal of subsidiary	(7,584)	23,884
Other losses	(6,349)	(11,379)
Total	(\$ 40,906)	\$ 73,488

Financial Status

26. Finance costs

Item	Year of 2022	Year of 2021
Interest expense :		
Bank loans	\$ 111,703	\$ 71,102
Interests from lease liabilities	211	227
Less : Capitalized assets	(9,432)	(8,149)
Finance costs	<u>\$ 102,482</u>	<u>\$ 63,180</u>

27. Employee benefits, depreciation and amortization expense

By nature	Year of 2022		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary	\$ 809,228	\$ 334,138	\$ 1,143,366
Labor and health insurance	107,132	39,469	146,601
Pension	25,663	9,585	35,248
Directors compensation	-	7,928	7,928
Other employee benefits	64,905	43,674	108,579
Depreciation expense	240,976	25,126	266,102
Amortization expense	13,217	4,862	18,079
Total	<u>\$ 1,261,121</u>	<u>\$ 464,782</u>	<u>\$ 1,725,903</u>

By nature	Year of 2021		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary	\$ 814,282	\$ 445,011	\$ 1,259,293
Labor and health insurance	106,313	37,643	143,956
Pension	26,412	10,041	36,453
Directors compensation	-	15,124	15,124
Other employee benefits	62,799	27,346	90,145
Depreciation expense	235,495	33,703	269,198
Amortization expense	11,146	4,353	15,499
Total	<u>\$ 1,256,447</u>	<u>\$ 573,221</u>	<u>\$ 1,829,668</u>

(1) Based on the earning before tax and before subtracting compensation to employees and directors, the Company shall allocate not higher than 2% as employees compensation and shall allocate not higher than 1% of annual profits as directors remuneration. In 2022 and 2021, the accrued employees compensation / directors remuneration were NT\$15,855 thousand / NT\$30,247 thousand and NT\$7,928 thousand / NT\$15,124 thousand, respectively, which

Financial Status

were accrued based on the aforementioned 2% and 1% of earning before tax. If subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.

- (2) In 2022 and 2021, the board of directors of the Company passed the 2021 and 2020, respectively, the employees compensation, directors remuneration, and the related amounts recorded in the financial statements :

	Year of 2021		Year of 2020	
	Employees compensation	Directors remuneration	Employees compensation	Directors remuneration
Resolved distribution amount	\$ 15,855	\$ 7,928	\$ 30,247	\$ 15,124
Recorded in annual financial statements	15,855	7,928	30,247	15,124
Difference amount	\$ -	\$ -	\$ -	\$ -

- (3) Information on employees' compensation and directors' and supervisors' remuneration of the Group as resolved by the meeting of Board of Directors is available from the Market Observation Post System at the website of the TWSE.

28. Income tax

- (1) Income tax expense :

Item	Year of 2022	Year of 2021
<u>Current-period income tax</u>		
Income tax generated from current-period income	\$ 174,005	\$ 289,490
Applicable under the Repatriated Offshore Funds Act	-	8,856
Deduction of income tax in Mainland China	(12,834)	-
Additional tax on un-distributed earnings	8,052	-
Adjustments in respect of prior years	(3,832)	(3,316)
Total current-period income tax	165,391	295,030
<u>Deferred income tax</u>		
Initially generated or reversal of temporary differences	14,993	20,875
Deferred income tax expense	14,993	20,875
Income tax expense (benefit)	\$ 180,384	\$ 315,905

- (2) Income tax (expense) benefit related to other comprehensive income : None.

Financial Status

(3) Reconciliation between income tax (expense) and accounting profit :

Item	Year of 2022	Year of 2021
Income before tax	\$ 794,188	\$1,561,165
Income tax expense at the statutory tax rate	\$ 158,837	\$ 312,233
Income tax affected by adjustment items:		
Effects from items not included when computing income tax		
Net investment loss (income) under equity method	(18,519)	(44,435)
Valuation loss (gain) on financial assets	4,457	(8,403)
Loss on expected credit impairment	19	479
Tax-exempt loss (income)	(3,881)	(2,385)
Investment loss	(472)	1,072
Other adjustments	33,563	30,929
Adjustments in respect of prior years	(3,832)	(3,316)
Deduction of income tax in Mainland China	(12,833)	-
Additional income tax on unappropriated earnings (10 %)	8,052	-
Applicable under the Repatriated Offshore Funds Act	-	8,856
Net changes in deferred income tax	14,993	20,875
Income tax expense recognized in profit or loss	\$ 180,384	\$ 315,905

The income tax rate for the Group entities under the tax laws of Republic of China is 20%, and the applicable tax rate on unappropriated earnings is 5%; The tax amounts generated in other regions are computed according to the applicable tax rates in respective regions.

Under the revised Statute for Industrial Innovation published by the President Office on July 2019, starting from year of 2018, the unappropriated retained earnings that are used to build or acquire certain assets or technology, when reaching certain amount, may be included as an deduction item in computing unappropriated retained earnings. When the Group computes taxes on unappropriated retained earnings, only the portion of capital expenditures actually used for substantial investments was deducted.

According to The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, which was effective since August 15, 2019, the Company had applied and was granted permission to repatriate offshore (including Mainland China area) funds within statutory deadline. Beginning from the above effective date of the Act, the applicable tax rate (on the repatriated offshore funds) for the 1st year was 8%, then 10% for the 2nd year, and regular income tax regulations does not apply; After the funds are repatriated, within 1 year, they may be used in substantial investments after application with the Ministry of Economic Affairs and enjoy 50% favorable

Financial Status

tax refund if the substantial investments are completed within deadline.

(4) Deferred income tax assets or liabilities generated from temporary differences, operating loss carryover, and investment credits :

Item	Year of 2022				
	Beginning balance	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Estimated engineering cost exceeding the amount in the contract	\$ 91,617	(\$ 4,258)	\$ -	\$ -	\$ 87,359
Defined benefit liability, net	14,162	(9,705)	-	-	4,457
Unrealized inventory valuation loss	19,224	10,032	-	-	29,256
Unused paid leaves	8,687	(494)	-	-	8,193
Operating loss carryover	1,458	6,999	-	-	8,457
Other	30,138	(14,768)	-	-	15,370
Subtotal	165,286	(12,194)	-	-	153,092
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(374)	(2,799)	-	-	(3,173)
Reserve for unrealized land value increment	(808,968)	-	-	-	(808,968)
Subtotal	(809,342)	(2,799)	-	-	(812,141)
Total	(\$ 644,056)	(\$ 14,993)	\$ -	\$ -	(\$ 659,049)

Item	Year of 2021				
	Beginning balance	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Estimated engineering cost exceeding the amount in the contract	\$ 95,713	(\$ 4,096)	\$ -	\$ -	\$ 91,617
Defined benefit liability, net	14,837	(675)	-	-	14,162
Unrealized inventory valuation loss	8,876	10,348	-	-	19,224
Unused paid leaves	7,725	962	-	-	8,687
Operating loss carryover	39,276	(37,818)	-	-	1,458
Other	20,402	9,736	-	-	30,138
Subtotal	186,829	(21,543)	-	-	165,286
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(300)	(74)	-	-	(374)
Reserve for unrealized land value increment	(808,968)	-	-	-	(808,968)
Other	(742)	742	-	-	-
Subtotal	(810,010)	668	-	-	(809,342)
Total	(\$ 623,181)	(\$ 20,875)	\$ -	\$ -	(\$ 644,056)

(5) Items not recognized as deferred income tax assets : None.

Financial Status

- (6) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.
- (7) The 2021 corporate income tax had been filed within deadline and is currently under review by the Tax Authority.

29. Other comprehensive income or loss

Item	Year of 2022		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified to profit or loss :			
Remeasurements of defined benefit liability	\$ 61,555	\$ -	\$ 61,555
Unrealized valuation gain (loss) on FVTOCI financial assets	(12,614)	-	(12,614)
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Remeasurements of defined benefit liability	1,763	-	1,763
Unrealized valuation gain (loss) on FVTOCI financial assets	(192)	-	(192)
Subtotal	50,512	-	50,512
Items that may be subsequently reclassified to profit or loss :			
Exchange difference on translation of foreign financial statements	6,095	-	6,095
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Exchange difference on translation of foreign financial statements	21	-	21
Subtotal	6,116	-	6,116
Recorded in other comprehensive income (loss)	\$ 56,628	\$ -	\$ 56,628

Financial Status

Item	Year of 2021		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified to profit or loss :			
Remeasurements of defined benefit liability	\$ 3,039	\$ -	\$ 3,039
Unrealized valuation gain (loss) on FVTOCI financial assets	60,737	-	60,737
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Remeasurements of defined benefit liability	396	-	396
Unrealized valuation gain (loss) on FVTOCI financial assets	5,554	-	5,554
Subtotal	69,726	-	69,726
Items that may be subsequently reclassified to profit or loss :			
Exchange difference on translation of foreign financial statements	(8,823)	-	(8,823)
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Exchange difference on translation of foreign financial statements	(12)	-	(12)
Subtotal	(8,835)	-	(8,835)
Recorded in other comprehensive income (loss)	\$ 60,891	\$ -	\$ 60,891

Financial Status

30. Basic earnings per share

Item	Year of 2022	Year of 2021
A. Basic earnings per share :		
Net income in the current period (A)	\$ 613,218	\$ 1,220,618
Weighted-average outstanding number of shares (thousands) in the current period	647,655	647,655
Weighted-average number of shares (thousands) after retrospective adjustment (B)	647,655	647,655
Basic earnings per share (after tax) (NTD) (A)/(B)	\$ 0.95	\$ 1.88
B. Diluted earnings per share :		
Net income in the current period (C)	\$ 613,218	\$ 1,220,618
Weighted-average outstanding number of shares (thousands) in the current period	647,655	647,655
Effects from employees compensation (note)	994	1,246
Weighted-average outstanding number of shares for computing diluted earnings per share (D)	648,649	648,901
Diluted earnings per share (after tax) (NTD)(C)/(D)	\$ 0.95	\$ 1.88

If the Company may choose to distribute employees compensation either in stocks or in cash, then when computing diluted earnings per share, assuming that employees compensation will be distributed in stocks and the potential common shares have dilution effects, the stocks are included in the weighted-average outstanding number of shares for computing diluted earnings per share. When computing diluted earnings per share before resolution to distribute employees compensation in the next year, such dilution effects from the potential common shares are continuously taken in to consideration.

Financial Status

31. Reconciliation of liabilities from financing activities

Item	January 1, 2022	Cash flow	Non-cash movements	
			Other non-cash movements	December 31, 2022
Short-term borrowings	\$ 6,112,682	(\$ 1,379,448)	\$ -	\$ 4,733,234
Short-term notes payable	1,428,878	(362,000)	(289)	1,066,589
Long-term borrowings (including borrowings due within 1 year)	137,500	381,250	-	518,750
Guarantee deposits received	26,707	38	-	26,745
Lease liabilities	26,620	(15,303)	14,765	26,082
Total liabilities from financing activities	\$ 7,732,387	(\$ 1,375,463)	\$ 14,476	\$ 6,371,400

Item	January 1, 2021	Cash flow	Non-cash movements	
			Other non-cash movements	December 31, 2021
Short-term borrowings	\$ 3,501,345	\$ 2,611,337	\$ -	\$ 6,112,682
Short-term notes payable	741,855	687,000	23	1,428,878
Long-term borrowings (including borrowings due within 1 year)	-	137,500	-	137,500
Guarantee deposits received	24,465	2,242	-	26,707
Lease liabilities	31,790	(16,602)	11,432	26,620
Total liabilities from financing activities	\$ 4,299,455	\$ 3,421,477	\$ 11,455	\$ 7,732,387

32. Disposal of subsidiary - Xiamen Chun Yuan

On December 8, 2020, the Group's extraordinary board of directors' meeting passed a resolution to transfer its indirectly-invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd., with the transfer registration been completed in November 2021, and the Company lost control over the subsidiary.

Financial Status

(1) Analysis for lost-of-control assets and liabilities on the date of loss of control

Item	Amount
Current assets	
Cash and cash equivalents	\$ 7,402
Other	70
Noncurrent assets	
Property, plant and equipment	113,284
Right-of-use assets	19,990
Other	46,542
Current liabilities	
Accounts payable	(10)
Other payables	(114,416)
Noncurrent liabilities	
	-
Net assets disposed	<u>\$ 72,862</u>

(2) Gain or loss from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 75,306
Less : Net assets disposed	(72,862)
Less : Exchange differences from translation of foreign operations	(6,976)
Plus : Non-controlling interests	28,416
Gain from disposal of subsidiary	<u>\$ 23,884</u>

(3) Net cash flows from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 75,306
Less : Balance of disposed cash and cash equivalents	(7,402)
Net cash inflow from disposal of subsidiary	<u>\$ 67,904</u>

Financial Status

33. Disposal of subsidiary - Shanghai Chun Yuan Steel Industry Co., Ltd.

On November 5, 2021, the Group's Board of Directors passed a resolution for the early cessation of the operation of Shanghai Chun Yuan Steel Industry Co., Ltd. and adopted the following procedures of dissolution with the procedures completed at July 25, 2022 and the cancelation registration completed at September 6, 2022.

(1) Analysis for lost-of-control assets and liabilities on the date of loss of control

Item	Amount
Current assets	
Cash and cash equivalents	\$ 218,217
Net assets disposed	\$ 218,217

(2) Gain or loss from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 174,574
Less : Net assets disposed	(218,217)
Less : Exchange differences from translation of foreign operations	(7,584)
Plus : Non-controlling interests	43,643
Gain from disposal of subsidiary	(\$ 7,584)

(3) Net cash flows from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 174,574
Less : Balance of disposed cash and cash equivalents	(218,217)
Net cash outflow from disposal of subsidiary	(\$ 43,643)

VII. Related Party Transactions

1. Parent company and ultimate controller:

The Company is the ultimate controller of the Group.

2. Name of related party and relationship

Name of related party	Relationship with the Company
Chun Shyang Shin Yeh Industry Co., Ltd. (“Chun Shyang Shin Yeh”)	Associate
Chun Yuan Construction Co., Ltd. (“Chun Yuan Construction”)	Associate
Sinkang Industries Co., Ltd. (“Sinkang Industries”)	Other related party
Yung Kuang Hwa Metal Industrial Co., Ltd. (“Yung Kuang Hwa”)	Other related party
Nippon Steel Trading Corporation (“Nippon Steel Trading”)	Other related party
Metal One Corporation (“Metal One”)	Other related party
Marubeni-Itochu Steel Inc. (“Marubeni-Itochu Steel”)	Other related party
Taiwan Steel Tower Co., Ltd. (“Taiwan Steel Tower”)	Other related party

Note : Nippon Steel Trading Corporation and Metal One Corporation have transferred all of their holding of 3.5%, altogether, of Shenzhen Hong Yuan to Shenzhen Chun Yuan Steel Industry Co., Ltd. at January 20, 2022 ; additionally, since all capital of aforementioned two companies invested in Shenzhen Chun Yuan of USD\$2,555 is withdrawn at January 21, 2022, as Shenzhen Chun Yuan conducted the capital reduction, the aforementioned two companies are thus no longer the Company’s associate since that date.

3. Significant transactions with related parties

The balances and transactions between the Group and the subsidiaries (related parties of the Company) had been written off when preparing the Consolidated Financial Statements and are not disclosed. The transaction details between the Group and the other related parties are disclosed as following :

Financial Status

(1) Purchases

Item	Related party category / Name	Year of 2022	Year of 2021
Purchases	Associate	\$ 1,467	\$ 1,520
	Other related party		
	Yung Kuang Hwa	66,450	107,434
	Marubeni-Itochu Steel	44,751	54,616
	Other	13,217	23,104
	Total	\$ 125,885	\$ 186,674

Note: The transaction terms (price, payment) for the above purchases are the same as those of general non-related parties.

(2) Operating revenue

Item	Related party category / Name	Year of 2022	Year of 2021
Sales revenue	Associate	\$ 3,905	\$ 1,850
	Total	\$ 3,905	\$ 1,850

Note: The transaction terms (price, receipt) for the above sales are the same as those of general non-related parties, with 3 months of collection period.

Item	Related party category / Name	Year of 2022	Year of 2021
Construction revenue	Associate - Chun Yuan Construction	\$ 693,890	\$ 187,209

The Group signed construction contract with the above related party according to the agreed prices and collection deadline under the contract, However, the collections may be postponed after agreement by both sides.

Item	Related party category / Name	Year of 2022	Year of 2021
Processing revenue	Associate	\$ 7,948	\$ 7,367
	Other related party	4,623	5,497
	Total	\$ 12,571	\$ 12,864

(3) Property transaction

Acquisition of property, plant and equipment

Related party category / Name	Consideration received	
	Year of 2022	Year of 2021
Associate - Chun Yuan Construction	\$ 51,841	\$ 161,388
Other related party-Yung Kuang Hwa	1,680	3,395
Total	\$ 53,521	\$ 164,783

- A. On July 3, 2019, the board of directors of the Company reviewed and passed the resolution to engage Chun Yuan Construction Co., Ltd. for construction of the new employees dormitory in the Longtan factory and had signed the construction contract with Chun Yuan Construction Co., Ltd. on September 10, 2019, with total construction price of NT\$72,670 thousand. In March 2021, additional NT\$253 thousand was added to the total construction price ; as of December 31, 2021, the amount of accumulated payments was \$72,923 thousand. The construction is complete at the second half of August, 2021.
- B. On August 7, 2019, the board of directors of the Company reviewed and passed the resolution to build new factory in Sin Ji Industrial Park in Tainan (with total planned expenditure of NT\$181,825 thousand), of which Chun Yuan Construction Co., Ltd. was engaged for part of the construction, and the construction amount attributed to Chun Yuan Construction Co., Ltd. was NT\$144,334 thousand with additional payments of NT\$1,281 attended in April, 2022 ; as of December 31, 2022 and 2021, the amount of accumulated payments was NT\$145,399 thousand and NT\$129,718 thousand, respectively. The construction is complete in September, 2022.
- C. On March 20, 2020, the board of directors of the Company passed the resolution to engage the related party, Chun Yuan Construction Co., Ltd., to demolish the Erchong factory, with total project cost of NT\$5,120 thousand.
- D. On July 31, 2020, the board of directors of the Company passed the resolution to engage Chun Yuan Construction Co., Ltd. for building main body of the Sanchong office building and had signed the construction contract with Chun Yuan Construction Co., Ltd. on August 21, 2020, with total construction price of NT\$795,000 thousand. Additional payments of NT\$6,600 and of NT\$6,600 are attended in August, 2021 and April, 2022, separately ; as of December 31, 2022 and 2021, the amount of accumulated

Financial Status

payments was NT\$186,105 thousand and NT\$149,945 thousand, respectively.

(4) Various expenses

Related party category / Name	Year of 2022	Year of 2021	Nature of transaction
Associate	\$ 633	\$ 572	Finance costs
Associate	48	303	Other expense
Other related party	206	283	Other expense
Total	\$ 887	\$ 1,158	

(5) Lease agreements (lessee):

Item	Related party category	December 31, 2022	December 31, 2021
Right-of-use assets	Associate	\$ 2,700	\$ 610
	Other related party	1,623	3,245
	Total	\$ 4,323	\$ 3,855

Item	Related party category	December 31, 2022	December 31, 2021
Lease liabilities	Associate	\$ 2,705	\$ 616
	Other related party	1,635	3,258
	Total	\$ 4,340	\$ 3,874

Item	Related party category	Year of 2022	Year of 2021
Interest expense	Associate	\$ 9	\$ 9
	Other related party	19	31
	Total	\$ 28	\$ 40

(6) Other income

Related party category / Name	Year of 2022	Year of 2021	Nature of transaction
Associate	\$ 8,953	\$ 8,611	Other income
Associate - Chun Shyang Shin Yeh	53,617	53,456	Rental income
Associate - other	1,964	1,962	Rental income
Associate	-	2	Interest income
Other related party	94	552	Other income
Total	\$ 64,628	\$ 64,583	

Financial Status

A. The above rental prices are determined by referencing the market prices and after negotiation between the parties, and the rents are collected monthly or quarterly, of which the main contents of the lease contracts with Chun Yuan Construction and with Chun Shyang Shin Yeh are shown as following :

Lease subject	Year of 2022	
	Lease period / Monthly rents	Amount
Chun Yuan Construction :		
No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	2021.07.01~2022.06.30/74	\$ 1,964
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2022.07.01~2023.06.30/74	
	2021.08.01.~2022.07.31./87 2022.08.01.~2023.07.31./87	
8F., No. 502, Fuxing N. Rd., Taipei City	2021.06.01.~2022.05.31./3	
	2022.06.01.~2023.05.31./3	
Chun Shyang Shin Yeh :		
Longtan land, factory and equipment	2021.04.01.~2024.03.31 /4,463	53,617
		\$ 55,581

Lease subject	Year of 2021	
	Lease period / Monthly rents	Amount
Chun Yuan Construction :		
No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	2020.07.01.~2021.06.30./74	\$ 1,962
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2021.07.01.~2022.06.30./74	
	2020.08.01.~2021.07.31./87 2021.08.01.~2022.07.31./87	
8F., No. 502, Fuxing N. Rd., Taipei City	2020.06.01.~2021.05.31./3	
	2021.06.01.~2022.05.31./3	
Chun Shyang Shin Yeh :		
Longtan land, factory and equipment	2019.04.01.~2021.03.31./3,636	53,456
	2021.04.01 ~2024.03.31 /4,463	
	2019.04.01.~2021.03.31./490	
	2020.04.01.~2021.03.31./284	
		\$ 55,418

Financial Status

(7) Ending balances of receivables (payables)

Item	Related party category / Name	December 31, 2022	December 31, 2021
Accounts receivable	Associate	\$ 88	\$ 959
Accounts receivable	Other related party	-	435
Construction accounts receivable	Associate - Chun Yuan Construction	44, 675	-
Total		44, 763	1, 394
Less : Allowance for losses		-	-
Net amount		\$ 44, 763	\$ 1, 394

As of December 31, 2022 and 2021, the recorded allowance for losses on the above receivables from related parties were both zero.

Item	Related party category / Name	December 31, 2022	December 31, 2021
Other receivables	Associate	\$ 2, 507	\$ 3, 001
Other receivables	Other related party	1	1
		\$ 2, 508	\$ 3, 002

As of December 31, 2022 and 2021, the recorded allowance for losses on the above other receivables from related parties were both zero.

Financial Status

Item	Related party category / Name	December 31, 2022	December 31, 2021
Accounts payable	Associate - other	\$ 1	\$ 1
Accounts payable	Associate - Chun Yuan Construction	6,716	4,240
Accounts payable	Other related party	3,134	4,216
Notes payable	Other related party - other	2,710	23,225
Notes payable	Other related party-Marubeni-Itochu Steel	18,770	31,502
Total		\$ 31,331	\$ 63,184

Item	Related party category / Name	December 31, 2022	December 31, 2021
Guarantee deposits received	Associate - Chun Shyang Shin Yeh	\$ 8,925	\$ 8,925
Guarantee deposits received	Associate - Chun Yuan Construction	148	148
Total		\$ 9,073	\$ 9,073

(8) Contract assets (receivables for construction contracts) and Contract liabilities (payables for construction contracts)

Item	Related party category / Name	December 31, 2022	December 31, 2021
Contract assets	Associate - Chun Yuan Construction	\$ 275,851	\$ 305,464

Note : Contract assets (price, receipt) for the above purchases are the same as those of general non-related parties.

Item	Related party category / Name	December 31, 2022	December 31, 2021
Contract liabilities	Associate - Chun Yuan Construction	\$ 6,292	\$ 3,198

Note : Contract liabilities (price, payment) for the above purchases are the same as those of general non-related parties.

(9) Financing : Please refer to Note XIII-1(1).

(10) Endorsements and guarantees : Please refer to Note XIII-1(2).

Financial Status

4. Key management compensation

Related party category / Name	Year of 2022	Year of 2021
Salary and other short-term employee benefits	\$ 45,367	\$ 62,246
Post-retirement benefits	191	174
Total	\$ 45,558	\$ 62,420

VIII. Pledged Assets

1. Pledged time deposits

Item	Purpose of pledge	December 31, 2022	December 31, 2021
Time deposit at First Bank - Minquan Branch	Guarantee deposit for construction	\$ 563	\$ 557
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for use of land	-	4,061
Time deposit at Chang Hwa Bank - Peimen Branch	Guarantee deposit for construction	591	586
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for construction	4,099	9,257
Demand deposit at Bank of China - Shenzhen Longxing Branch	Guarantee deposit for customs duties	8,838	8,697
Total		<u>\$ 14,091</u>	<u>\$ 23,158</u>

2. Other pledged assets

Name of pledged asset	Purpose of pledge	December 31, 2022	December 31, 2021
Reserved deposit	Deposits for false sequestration or provisional injunction	\$ 970	\$ 970

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

- To secure loan facilities, offering fulfillment or warranty guarantees for construction contracts, as of December 31, 2022 and 2021, the Group issued guarantee notes of NT\$16,640,020 thousand and NT\$14,350,374 thousand, respectively, and are recorded as Guarantee notes deposits and Guarantee notes payable.
- To secure fulfillment guarantees for construction contracts, as of December 31, 2022 and 2021, the Group received guarantee notes of NT\$50,502 thousand and NT\$30,531 thousand, respectively, and are recorded as Guarantee notes deposits received and Guarantee notes receivable.

Financial Status

3. As of December 31, 2022 and 2021, the details of the Group's issued yet unused letters of credit are as following :

Item	December 31, 2022		December 31, 2021	
	NTD	506, 568	NTD	1, 044, 953
Balance of letters of credit	USD	1, 877	USD	5, 106
	AUD	9, 430		

Unit : thousand dollars

X. Significant Disaster Losses : None.

XI. Significant Subsequent Events : None.

XII. Other

1. Capital risk management

Since the Group needs to maintain significant capital to pay for the needs of expansion, improving factories and equipment, the Group manages to ensure sufficient financial resources and operating plans required to satisfy the needs of operating funds, capital expenditures, research expenditures, repayment of debts, dividend payments, etc. in the coming 12 months.

2. Financial instruments

(1) Financial risk of financial instruments

A. Financial risk management policies

The Group's daily activities are exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. In order to reduce the related financial risks, the Group's overall risk management strategy focuses on identifying, assessment and avoiding uncertainties of markets in order to mitigate potential adverse effects on the Group's financial performance from market fluctuations.

The Group's material financial activities are reviewed and approved by the Board of Directors in accordance with relevant requirements and internal control mechanism, which requires the Group to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

B. Nature and degree of material financial risks

(A) Market Risk

a. Exchange rate risk

The Group is exposed to exchange rate risks from sales, purchases, borrowing transactions in non-functional currencies and from net

investments in foreign operations. The Group's functional currency is mainly in NTD. Part of the Group's foreign-currency receivables and payables are in the same currency, where hedge effects would naturally take place. Since the net investments in foreign operations are strategic investments, the Group does not perform hedging for the investments.

The Group assigns the current portion of the foreign exchange forward contracts to avoid exchange rate risks, with the adopted hedge ratio of 1:1, and most of the contract due dates are within 1 year from the reporting date. The future portion of the foreign exchange forward contracts is not assigned as hedge instrument, but is recorded as a standalone hedge cost as a component "Other equity – gains or losses of hedge instruments" under equity. The Group's policy is to request that the critical articles of the foreign exchange forward contracts shall match with the hedged items.

Using the exchange rates, amounts and timing of the cash flows as basis, the Group determines whether or not the economic relationships between the hedged items and the hedge instruments exists. The Group uses virtual derivative instrument method to assess if the assigned derivative instruments in each hedge relationship are expected or could actually and effectively offset changes in the cash flows of the hedged items.

In the above hedge relationship, the major sources of ineffective hedges are :

Effects of credit risks of the transaction counterparties and the Company on the fair value of the foreign exchange forward contracts. Because changes in fair value of the hedged items are due to changes in exchange rates of the hedges cash flows, and do not reflect the effects from the above-mentioned credit risks and changes in the timing of the cash flows from the hedged transactions.

Financial Status

b. Exposure to exchange rates and sensitivity analysis (including items and amounts from transactions within the Group that were written off in the consolidated financial statements)

	December 31, 2022					
	Foreign currency	Exchange rate	Book value (NTD thousand)	Sensitivity analysis		
				Change scale	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$7,004	30.71	\$ 215,101	Appreciate 1%	\$ 1,721	\$ -
USD:RMB	13,255	6.9669	407,061	Appreciate 1%	3,256	-
<u>Long-term investments accounted for using equity method</u>						
USD:NTD	86,908	30.71	2,668,933	Appreciate 1%	-	21,351
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	7,288	30.71	223,811	Appreciate 1%	1,790	-
USD:RMB	5,382	6.9669	165,281	Appreciate 1%	1,322	-
December 31, 2021						
	Foreign currency	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Change scale	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$8,768	27.68	\$ 242,703	Appreciate 1%	\$ 1,942	\$ -
USD:RMB	25,518	6.372	706,338	Appreciate 1%	5,651	-
<u>Long-term investments accounted for using equity method</u>						
USD:NTD	97,728	27.68	2,705,115	Appreciate 1%	-	21,641
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	7,914	27.68	219,058	Appreciate 1%	1,752	-
USD:RMB	31,723	6.372	878,093	Appreciate 1%	7,025	-

After assessment, there is no material effect on exchange gains or losses from fluctuations in exchange rates of the Group's monetary items.

c. Price risk

The Group is exposed to price risk of equity instruments since the Group holds investments in equity instruments. These equity instrument investments are classified either as FVTPL financial assets or financial assets measured at FVTOCI.

The Group mainly invests in domestic listed equity instruments, and the prices of such equity instruments would be affected by uncertainty of future value of such instruments. If the prices of equity instruments had increased or decreased by 1%, the after-tax income / other comprehensive income for 2022 and 2021, through increase or decrease in fair value of FVTPL financial assets, would have increased (decreased) by NT\$865 thousand / NT\$1,088 thousand and NT\$1,332 thousand / NT\$1,265 thousand, respectively.

d. Interest rate risk

(a) Overview of the Group's interest-bearing financial instruments on the reporting date :

Item	Book value	
	December 31, 2022	December 31, 2021
Interest rate risk on fair value :		
Financial assets	\$ 363,830	\$ 637,688
Financial liabilities	(6,318,573)	(7,679,060)
Net amount	<u>(\$ 5,954,743)</u>	<u>(\$ 7,041,372)</u>
Interest rate risk on cash flows :		
Financial assets	\$ 737,039	\$ 528,385
Financial liabilities	-	-
Net amount	<u>\$ 737,039</u>	<u>\$ 528,385</u>

(b) Sensitivity analysis for Interest rate risk on fair value :

The Group does not classify any financial assets and liabilities with fixed interest rates to FVTPL financial assets or FVTOCI financial assets, nor does the Group designate any derivative instrument (interest rate swap) as hedge instrument under the fair-value hedge accounting model. Therefore, the changes in interest rates on the reporting date will not affect profit or loss and other comprehensive income.

(c) Sensitivity analysis for Interest rate risk on cash flows :

The Group's financial instruments with variable interest rates are assets (liabilities) with floating interest rates, and their effective interest rates will change along with fluctuations in market interest rates, which then make the Group's future cash flows fluctuate. If the market interest rate increases by 1%, the Group's net income in 2022 and 2021 will increase by NT\$5,896 thousand and NT\$4,227 thousand, respectively.

(B) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily bank deposits and various financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business-related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures for credit risk management related to business operations. Risk evaluation for individual customer is performed taking into account various factors that may affect the customer's payment ability, including the customer's financial condition, internal credit ratings of the Group, historical transaction records, current economic conditions, etc. .

b. Financial credit risk

The Group's exposure to financial credit risk pertaining to bank deposits and other financial instruments was evaluated and monitored by the Group's treasury function. The Group only transacts with creditworthy counterparties, banks, financial institutions with investment grade, companies and government agencies; therefore, no material concern on fulfillment of contracts, thus there is no material credit risk. In addition, the Group does not classify any financial instrument as measured at amortized cost or as FVTOCI debt instruments.

(a) Credit concentration risk

As of December 31, 2022 and 2021, the Group's top 10 customer's account for 31.69% and 23.20% of the Group's total

Financial Status

accounts receivables, respectively, and the credit concentration risk for the rest of accounts receivable is relatively insignificant.

(b) Measurement of expected credit impairment loss

①Accounts receivable : Simplified method is adopted, please refer to Note VI-5.

②Basis for determining whether or not credit risk increases significantly : None. (The Group does not have any financial instrument classified as measured at amortized cost or FVTOCI debt instruments)

(c) The Group does not hold any collateral or other credit-enhancing securities to avoid credit risk related to financial assets.

c. Liquidity risk

(a) Liquidity risk management

The objective of the Group's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Group has sufficient financial flexibility for its operations.

(b) Aging analysis for financial liabilities :

Non-derivative financial liabilities	December 31, 2022					Contract cash flows	Book value
	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years		
Short-term borrowings	\$ 4,741,224	\$ -	\$ -	\$ -	\$ -	\$ 4,741,224	\$ 4,733,234
Short-term notes payable	1,067,000	-	-	-	-	1,067,000	1,066,589
Notes payable	55,753	-	-	-	-	55,753	55,753
Notes payable - related parties	21,480	-	-	-	-	21,480	21,480
Accounts payable	949,772	-	-	-	-	949,772	949,772
Accounts payable - related parties	9,851	-	-	-	-	9,851	9,851
Other payables	504,108	-	-	-	-	504,108	504,108
Guarantee deposits received	26,745	-	-	-	-	26,745	26,745
Long-term borrowings (including those due within 1 year)	66,121	65,698	98,797	302,025	-	532,641	518,750
Total	\$ 7,442,054	\$ 65,698	\$ 98,797	\$302,025	\$ -	\$ 7,908,574	\$ 7,886,282

Additional information for analysis on due dates of lease liabilities :

Lease liabilities	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total	Book value
						undiscounted lease payments	
	\$ 12,744	\$ 13,591	\$ -	\$ -	\$ -	\$ 26,335	\$ 26,082

Financial Status

Non-derivative financial liabilities	December 31, 2021					Contract cash flows	Book value
	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years		
Short-term borrowings	\$ 6,114,372	\$ -	\$ -	\$ -	\$ -	\$ 6,114,372	\$ 6,112,682
Short-term notes payable	1,429,000	-	-	-	-	1,429,000	1,428,878
Notes payable	101,067	-	-	-	-	101,067	101,067
Notes payable - related parties	54,727	-	-	-	-	54,727	54,727
Accounts payable	1,042,511	-	-	-	-	1,042,511	1,042,511
Accounts payable - related parties	8,457	-	-	-	-	8,457	8,457
Other payables	564,162	-	-	-	-	564,162	564,162
Guarantee deposits received	26,707	-	-	-	-	26,707	26,707
Long-term borrowings (including those due within 1 year)	50,570	87,920	-	-	-	138,490	137,500
Total	\$ 9,391,573	\$ 87,920	\$ -	\$ -	\$ -	\$ 9,479,493	\$ 9,476,691

Additional information for analysis on due dates of lease liabilities :

Lease liabilities	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total	Book value
						undiscounted lease payments	
	\$ 12,333	\$ 14,551	\$ -	\$ -	\$ -	\$ 26,884	\$ 26,620

The Group does not expect early realization or significant difference in the actual cash flows in the analysis.

(2) Types of financial instruments

As of December 31, 2022 and 2021, the carrying amounts of the Group's financial assets and financial liabilities are listed below :

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 1,038,269	\$ 656,017
Notes and accounts receivable (including related parties)	4,844,363	6,284,885
Other receivables (including related parties)	33,935	58,648
Other financial assets - current	177,556	580,281
Guarantee deposits paid	11,541	12,532
Financial assets at fair value through other comprehensive income - noncurrent	521,118	533,719
Financial assets at fair value through profit or loss	86,516	108,803
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	4,733,234	6,112,682
Short-term notes payable	1,066,589	1,428,878
Notes and accounts payable (including related parties)	1,036,856	1,206,762
Other payables (including related parties)	504,108	564,162
Guarantee deposits received	26,745	26,707
Long-term borrowings (including those due within 1 year)	518,750	137,500

3. Fair value information

(1) For information regarding the fair value of the Group's financial assets and financial liabilities that are not measured at fair value, please refer to Note XII-4(3).

(2) Fair value are grouped into Levels 1 to 3 as follows :

Level 1 :

Inputs for this level are openly quoted prices in active markets for the same instruments. An active market refers to a market that meets all of the following criteria : Has traded merchandises of the same nature ; Buyer and seller with intention to trade may be found anytime in the market, and the price information is available to the public. The fair value of Group's investment in listed stocks, beneficiary certificates, and derivative instruments with openly quoted prices in active markets, etc. are all of this level.

Level 2 :

Inputs for this level are observable prices other than openly quoted prices in active markets, including observable inputs obtained from active markets.

Level 3 :

Inputs for this level are input parameters (for measuring fair value) that are not based on observable inputs available in the markets.

(3) Financial instruments that are not measured at fair value

The book value of the Group's financial instruments that are not measured at fair value (including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits paid, short-term borrowings, notes and accounts payable, other payables and refundable deposits received) reasonably approximates their fair value.

(4) Fair value information by level :

The Group's financial instruments are measured at fair value on repetitive basis. And assets held for sale are measured at lower of book value or fair value less selling costs on non-repetitive basis. The Group's fair value information by level is shown as following schedule :

Financial Status

Item	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Assets :				
Repetitive fair value				
FVTPL financial assets				
Equity securities	\$ 86,516	\$ -	\$ -	\$ 86,516
FVTOCI financial assets				
Equity securities				
Domestic publicly traded shares	133,226	-	-	133,226
Domestic or overseas non-publicly traded shares	-	-	387,892	387,892
Total	<u>\$ 219,742</u>	<u>\$ -</u>	<u>\$ 387,892</u>	<u>\$ 607,634</u>

Item	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Assets :				
Repetitive fair value				
FVTPL financial assets				
Equity securities	\$ 108,803	\$ -	\$ -	\$ 108,803
FVTOCI financial assets				
Equity securities				
Domestic publicly traded shares	126,512	-	-	126,512
Domestic or overseas non-publicly traded shares	-	-	407,207	407,207
Total	<u>\$ 235,315</u>	<u>\$ -</u>	<u>\$ 407,207</u>	<u>\$ 642,522</u>

(5) The methods and assumptions the Group used to measure fair values :

A. If openly quoted prices in active markets for financial instruments are available, the Group will use the openly quoted prices in active markets as the fair value. The market prices in major exchanges or polished market prices by OTC are all basis for fair value publicly traded equity instruments and debt instruments with quoted prices in the active market.

If the open quotes can be timely and generally obtained from exchange, brokerages, underwriter, industrial union, pricing service agency or competent authority, then the financial instruments are considered having open quotes in active markets. If the above conditions could not be met, then such markets are deemed as inactive. Generally speaking, if the price differences are quite large, significant increase in buying and selling price gap or decrease in transaction volume, then they are all indices of inactive market.

Based on classification and nature of financial instruments (that have active market) held by the Group are listed below :

(A) Listed stocks: Closing price

(B) Close fund : Closing price

B. Except for the above financial instruments with active markets, the fair values of other financial instruments are determined by using valuation techniques or by reference to quotes from counterparty. The fair values of financial instruments determined by using valuation techniques can be referred to current fair values of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including by applying model using market information available on the consolidated balance sheet date (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

The Group's held unlisted stocks without active market, their fair value is estimated by market approach. The determination is assessed based on valuation on companies of the same type, quotes from 3rd party, net book value of the Group and operating condition. In addition, the material unobservable inputs are mainly liquidity discount, but since possible changes due to liquidity discounts would not lead to material potential financial effects, therefore, the quantified information is not disclosed.

C. Valuations for derivative financial instruments are based on valuation model widely accepted by market users, such as Discounted Cash Flow Approach and Option Pricing Model. Forward exchange contracts are generically valued based on the forward exchange rates at present time. Structured interest-rate derivative financial instruments are valued according to appropriate Option Pricing Model (such as Black-Scholes Model) or other valuation method, such as Monte Carlo simulation.

D. The Group's assets held for sale are valued using market approach (P/E ratio), using the P/E ratios of the latest identical or similar transactions as observable input values, to project the fair value of the grouped assets held for sale.

E. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

(6) Transfer between Level 1 and Level 2 of the fair value hierarchy : None.

Financial Status

(7) Changes in level 3 instruments :

Item	Investments in financial instruments without open quotes	
	Year of 2022	Year of 2021
Beginning balance	\$ 407,207	\$ 286,671
Addition in this period	-	81,676
Gains or losses recognized in other comprehensive income or loss	(19,363)	51,739
Disposal in this period (returned capital from liquidation or capital reduction)	(2,791)	(12,207)
Exchange effects	2,839	(672)
Ending balance	\$ 387,892	\$ 407,207

(8) Quantified information for fair value measurement of material unobservable input(Level 3) :

	December 31, 2022 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets :					
Un-listed stocks	\$ 387,892	Market Approach	Liquidity discount	10.00%~28.55%	The higher liquidity discount, the lower fair value
	December 31, 2021 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets :					
Un-listed stocks	\$ 407,207	Market Approach	Liquidity discount	9.00%~28.04%	The higher liquidity discount, the lower fair value

(9) Evaluation procedures for Level 3 fair value :

According to the Group's valuation procedures for Level 3 fair value classification, the Group's accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The evaluation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

Financial Status

Regarding measurement for Level 3 fair value, the sensitivity analysis on reasonable potential substitute assumption of fair value :

		December 31, 2022					
Item	Input value	Change	Profit or loss		Other comprehensive income (loss)		
			Favorable change	Unfavorable change	Favorable change	Unfavorable change	
Financial assets							
Equity instrument							
Un-listed stocks	Liquidity discount	1%	\$ -	\$ -	\$ -	(\$ 2,205)	
		-1%	\$ -	\$ -	\$ 2,324	\$ -	
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,324</u>	<u>\$ -</u>	
		December 31, 2021					
Item	Input value	Change	Profit or loss		Other comprehensive income (loss)		
			Favorable change	Unfavorable change	Favorable change	Unfavorable change	
Financial assets							
Equity instrument							
Un-listed stocks	Liquidity discount	1%	\$ -	\$ -	\$ -	(\$ 2,191)	
		-1%	\$ -	\$ -	\$ 2,185	\$ -	
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,185</u>	<u>\$ -</u>	

4. On December 8, 2020, the special meeting of the board of directors of the Group passed a resolution to transfer equity of its indirectly invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd. (“Xiamen Chun Yuan”). Xiamen Chun Yuan had engaged assets valuation company to perform valuation and look for proper buyer. In the meantime, the chairman and general manager of Xiamen Chun Yuan are authorized to handle the disposal of the related claims, debts and equipment ; On November 11, 2021, the Company’s 100% held subsidiary, Chun Yuan Investment (Singapore) Pte Ltd., signed the equity-transfer agreement with Xiamen Can-Am Health & Fitness Co., Ltd., and the two sides completed the share-transfer registration on November 26, 2021.
5. Considering that Shanghai Chun Yuan Steel Industry Co., Ltd. no longer operates, in order to avoid overall shareholder interests, the Company’s board of directors passed a resolution on November 5, 2021 to end the operations of the company and to proceed with the subsequent liquidation procedures, which ended at July 25, 2022. The cancelation registration is completed at September 6, 2022.

Financial Status

XIII. Supplementary Disclosures

1. Information on significant transactions

- (1) Loans to others : Schedule 1.
- (2) Endorsements and guarantees provided to others : Schedule 2
- (3) Marketable securities held at the end of the period : Schedule 3
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : None
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital : None
- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital : None
- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital : Schedule 4
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- (9) Information about the derivative financial instruments transaction : Please refer to Note VI-3 and Schedule 5.
- (10) Business relationships and material transactions between the parent company and subsidiaries : Schedule 6

2. Information on investees : Schedule 7

3. Information on investment in Mainland China : Schedule 8

4. Information on major shareholders : Schedule 9

Schedule 1

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Loans to Others

December 31, 2022

Unit : Foreign currency thousand ; Thousand NTD

No.	Financing Company	Counter-party	Financial Statement Account	Related Party (Yes/No)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan Metal Industry Co., Ltd. related ("Shenzhen Hong Yuan")	Other receivables - related parties	Yes	\$ 176,400	\$ 176,400	\$ 176,400	3.85%	1	\$ 40,427	-	\$ -	None	-	\$ 176,400	\$ 332,452
1	Shenzhen Chun Yuan	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. ("Qingdao Chun Yuan")	Other receivables - related parties	Yes	88,200	88,200	88,200	3.85%	1	-	-	-	None	-	176,400	332,452

Note 1 : Nature of loan :

- (1) Has business transactions, put 1.
- (2) Has necessity for short-term financing, put 2.

Note 2 : Computation for financing limits to any individual entity and total financing limits by Shenzhen Chun Yuan :

- (1) Total lending amount by Shenzhen Chun Yuan to others is limited to 40% of the net worth of Shenzhen Chun Yuan.
- (2) Financing limits by Shenzhen Chun Yuan to each borrower :

A. Subsidiary or parent company : No more than 40% of the net worth of Shenzhen Chun Yuan.

B. Has business transactions : Accumulated lending amount shall not exceed the total business transaction amount in the latest one year. However, if with related party of Shenzhen Chun Yuan, the lending amount shall not exceed RMB40,000 thousand and no more than 40% of the net worth of Shenzhen Chun Yuan.

Schedule 2

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Endorsements and Guarantees Provided to Others
December 31, 2022

Unit : Thousand NTD

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (note2)	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Companies mutually guaranteed by contract between industrial peers based on the needs of business relationship and construction undertaking	\$11,211,758	\$ 707,000	\$ 707,000	\$ 707,000	\$ -	6.31%	\$ 11,211,758	N	N	N	
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan	1. Has business transactions 2. Directly or indirectly hold over 50% voting shares of the investee company	1,689,050	1,689,050	1,689,050	1,126,080	-	147.21%	2,242,352	N	N	Y	

Note 1 : Illustration for the "No." column :

- (1) Security issuer, put 0.
- (2) Investee companies, start serial numbers from 1.

Note 2 : (1) The maximum limit of guarantee provided by the Company to any individual entity and maximum limit of the total amount of guarantee provided by the Company :

Total amount of guarantee provided by the Company, or total amount of guarantee provided by the Company and subsidiaries, shall not exceed the net worth of the Company.

1. Maximum limit of total guarantee provided by the Company to any individual entity :
 - A. Has business transactions : Shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year, and shall not exceed 10% of the Company's net worth.
 - B. Parent or subsidiary of the Company : Shall not exceed 50% of the Company's net worth.
 - C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the Company's net worth.
2. Maximum limit of guarantee provided by the Company and subsidiaries to any individual entity :
 - A. Has business transactions : Shall not exceed 10% of the Company's net worth and shall not exceed the total transaction amount between the guaranteed party and the

Company in the latest one year. But if the guaranteed party is an associate of the Company or the Company's subsidiary, then shall not exceed 20% of the Company's net worth.

B. Parent or subsidiary of the Company : Shall not exceed 50% of the Company's net worth.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the Company's net worth.

3. The computations for the maximum limits in this schedule are based on the net worth amount in the Company's latest (2022Q4) audited financial statements.

(2) Computation for maximum limit of guarantee provided by the Shenzhen Chun Yuan to any individual entity and maximum limit of the total amount of guarantee provided by the Shenzhen Chun Yuan :

Total amount of guarantee provided by the company, or total amount of guarantee provided by the company and subsidiaries, shall not exceed 20% of the net worth of the parent company.

Maximum limits of guarantee provided by the company or by the company and subsidiaries as a whole, to any individual entity :

A. Has business transactions : Shall not exceed the total transaction amount between the guaranteed party and the company in the latest one year. But if the guaranteed party is an associate of the company, then shall not exceed USD5,000 thousand and shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

B. Parent or subsidiary of the Company : Shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the company's net worth.

Financial Status

Schedule 3

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries Marketable Securities Held December 31, 2022

Unit : Thousand NTD

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Reporting Date			Note
				Shares/Units	Book Value	Percentage of Ownership (%)	
Chun Yuan Steel Industry Co., Ltd.	United Microelectronics Corp.	-	FVTPL financial assets - current	7,994	\$ 325	-	\$ 325
	Fubon Financial Holding Co., Ltd. - Common Shares	-	FVTPL financial assets - current	995,409	56,042	-	56,042
	China Steel Corporation	-	FVTPL financial assets - current	515,613	15,365	-	15,365
	Taiwan Mask Corporation	-	FVTPL financial assets - current	107,663	9,119	-	9,119
	Fubon Financial Holding Co., Ltd.- A Special Shares	-	FVTPL financial assets - current	36,515	2,205	-	2,205
	Fubon Financial Holding Co., Ltd.- B Special Shares	-	FVTPL financial assets - current	40,010	2,301	-	2,301
	Fubon Financial Holding Co., Ltd.- C Special Shares	-	FVTPL financial assets - current	21,029	1,159	-	1,159
	Wabo Global Trading Corporation	-	FVTOCI financial assets - non-current	595,000	6,445	5.00%	6,445
	Pro-Ascetek Investment Corporation	-	FVTOCI financial assets - non-current	8,000,000	53,754	6.67%	53,754
	Clientron Corp.	-	FVTOCI financial assets - non-current	9,645	218	-	218
	Shieh-Tai Biochemical Technology Co., Ltd.	-	FVTOCI financial assets - non-current	120,339	-	-	-
	Tbi Motion Technology Co., Ltd.	-	FVTOCI financial assets - non-current	100,000	3,645	-	3,645
	China Steel And Nippon Steel Vietnam Joint Stock Company	-	FVTOCI financial assets - non-current	18,368,000	296,452	2.00%	296,452
	Chien Tai Cement Co., Ltd.	-	FVTOCI financial assets - non-current	16	-	-	-
	Lion Corp. Berhad	-	FVTOCI financial assets - non-current	890,400	-	-	-
China Ecotek Corporation	-	FVTOCI financial assets - non-current	2,990,772	128,155	-	128,155	
Newmax Technology Co., Ltd.	-	FVTOCI financial assets - non-current	43,384	1,208	-	1,208	
Shenzhen Zongmao International Trading Co., Ltd.	-	FVTOCI financial assets - non-current	-	2,489	7.50%	2,489	
Chun Yuan Investment (Singapore) Pte Ltd.	United Steel International Development Corporation	-	FVTOCI financial assets - non-current	1,500,000	28,752	3.06%	28,752

Schedule 4

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries

Total Purchases From or Sales to Related Parties of at least NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

Unit : Thousand NTD

Company Name	Related Party	Nature of Relationships	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Unit Price	Payment Terms	Ending Balance	% to Total	
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Investee company valued using equity method	Construction revenue	\$ 693, 890	-	Same	-	Receivables for construction contracts	275, 851	7. 97%
								Payables for construction contracts	6, 292	0. 75%

Financial Status

Schedule 5

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Information about the derivative financial instruments transaction
December 31, 2022

Unit : Thousand NTD

Trade date	Schedule of transaction details of derivative financial instrument			Estimated profit or loss		Derivative financial assets (liabilities) for hedging - current	Note
	Category/ position of the instrument	Type of currency/ Amount	Forward rate	Market value	Amount of profit or loss	Fair value	
2022/9/28	Currency Forward	AUD 2,581,200	20.044	20.645	\$ 1,550	\$ 1,550	Settlement on 2023/5/15 (Cathay United Bank)
2022/9/22	Currency Forward	AUD 757,800	20.551	20.753	153	153	Settlement on 2023/3/31(Standard Chartered)
2022/9/22	Currency Forward	AUD 2,581,200	20.4715	20.646	451	451	Settlement on 2023/5/15 (Cathay United Bank)
Total						\$ 2,154	

The purpose of adopting hedge accounting is to reduce the impact of inconsistent accounting treatment of the hedged item and the hedging instrument. To hedge the exposure to exchange rate fluctuations of purchase contracts for which the Group has not recognized firm commitments, the Group undertakes forward prepurchase contracts in Australian dollars at a hedge ratio of 1:1 to keep the exchange rate within the Group's tolerance.

Schedule 6

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Business Relationships between Parent and Subsidiaries and Significant Transactions
December 31, 2022

Unit : Thousand NTD

No. (Note 1)	Company Name	Counter-Party	Nature of Relationships (Note 2)	Transaction Details			
				Account	Amount	Transaction Terms	% to Total Consolidated Revenue or Total Assets (Note 3)
0	Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Parent to subsidiary	Other receivables	\$ 6,163	Per agreed contract	0.03
0	Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Parent to subsidiary	Operating revenue	3,283	The transaction terms (price, receipt) are the same as those of general non-related parties	0.01
0	Chun Yuan Steel Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Parent to subsidiary	Other income	6,142	Per agreed contract	0.03
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Other receivables	6,426	Per agreed contract	0.03
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Account receivable	814	The transaction terms (price, receipt) are the same as those of general non-related parties	-
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Operating revenue	12,444	The transaction terms (price, receipt) are the same as those of general non-related parties	0.05
0	Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Parent to subsidiary	Other income	4,914	Per agreed contract	0.02
0	Chun Yuan Steel Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Parent to subsidiary	Other income	5,675	Per agreed contract	0.02
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Rental income	29,595	Per agreed contract	0.12
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Other receivables	190,072	Per agreed contract	0.91
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Interest income	6,531	Per agreed contract	0.03
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other receivables	88,160	Per agreed contract	0.42
1	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Interest income	2,928	Per agreed contract	0.01
2	Shanghai Huateng Metal Processing Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other receivables	19	Per agreed contract	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Operating revenue	2,774	The transaction terms (price, receipt) are the same as those of general non-related parties	0.01
2	Shanghai Huateng Metal Processing Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Operating revenue	853	The transaction terms (price, receipt) are the same as those of general non-related parties	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Subsidiary to subsidiary	Account receivable	260	The transaction terms (price, receipt) are the same as those of general non-related parties	-
2	Shanghai Huateng Metal Processing Co., Ltd.	Shenzhen Chun Yuan Steel Industry Co., Ltd.	Subsidiary to subsidiary	Other receivables	29	Per agreed contract	-
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Other receivables	31	Per agreed contract	-
3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Operating revenue	23,596	The transaction terms (price, receipt) are the same as those of general non-related parties	0.10

Financial Status

3	Shenzhen Hong Yuan Metal Industry Co., Ltd.	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Subsidiary to subsidiary	Other receivables	21	Per agreed contract	-
4	Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Shanghai Huateng Metal Processing Co., Ltd.	Subsidiary to subsidiary	Operating revenue	21, 154	The transaction terms (price, receipt) are the same as those of general non-related parties	0, 09

Note 1 : Information regarding transactions between parent and subsidiaries shall be respectively noted in the “No.” column as following :

1. Parent company, put 0.
2. Subsidiaries, start serial numbers from 1.

Note 2 : Indication numbers for the following three types of relationship between the transaction parties :

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary

Note 3 : Regarding computation for the ratio of transaction amount over the total consolidated revenue or assets, for asset or liability items, compute based on ending balance which accounts for the total consolidated assets; for profit or loss items, compute based on accumulated interim amount which accounts for the total consolidated revenue.

Note 4 : Whether or not significant transactions are listed in this schedule is determined based on materiality principle of the Company.

Schedule 7

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Information on equity investments (not including investments in Mainland China)
December 31, 2022

Unit : Foreign currency thousand, Thousand NTD
Unit of shares : Share

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at year-end		Net income (losses) of the investee	Share of profit/loss of investee	Note
				Year end	Year end of last year	Number of shares	Ratio (%)			
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Taiwan	Construction industry; Design and construction for steel structures and bridges	\$ 59,635	\$ 59,635	20,729,909	26.33%	\$ 279,823	\$ 25,021	
	Chun Yuan Investment (Singapore) Pte Ltd.	Singapore	General investment activities	1,257,123	1,257,123	61,739,835	100.00%	2,688,933	15,913	
	Chun Shyang Shin Yeh Industry Co., Ltd.	Taiwan	Manufacturing, sale, lease and repairment of auto sheet metal parts, stamping parts, molds, jigs, inspection/measuring tools.	68,568	68,568	6,856,000	48.97%	284,433	105,491	51,659
Chun Yuan Investment (Singapore) Pte Ltd.	Chun Yuan Investment (BVI) Co., Ltd.	British Virgin Islands	General investment activities	USD 21,630	USD 21,630	-	100.00%	USD 52,849	USD 610	

Schedule 8

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Information on investment in Mainland China

December 31, 2022

Unit : Foreign currency thousand ; Thousand NTD

Investee in Mainland China	Main Business Activities	Total Amount of Paid-in Capital	Investment method (Note 1)	Accumulated Outflow of Investment from Taiwan as of beginning of period	Investment Flows		Accumulated Outflow of Investment from Taiwan by the End of Period	Net Income (Losses) of the Investee	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (note2)	Carrying Amount of Investment by the End of Period	Accumulated Inward Remittance of Earnings by the End of Period
					Outflow	Inflow						
Shenzhen Chun Yuan	1. Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel. 2. Improve operating performance, expand market.	\$ 651,398 (USD 21,245) (Note 6, Note 7)	(B)	\$ 316,773 (USD 10,630)	\$ -	\$ -	\$ 316,773 (USD 10,630)	\$ 24,727 (USD 847)	87.97%	(B)2 \$ 21,668 (USD 742)	\$ 672,946 (USD 21,913)	\$ -
Shanghai Chun Yuan Steel Industry Co., Ltd.	1. Corner fitting for ocean-freight cargo containers. 2. Improve operating performance, expand market.	158,238 (USD 6,000) (Note 11)	(B)	126,565 (USD 4,800)	-	-	126,565 (USD 4,800)	(2,879) (USD -99)	80.00%	(B)2 (2,303) (USD -79)	(USD 0)	187,239 (USD 6,188)
Shanghai Huateng Metal Processing Co., Ltd.	1. Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates. 2. Improve operating performance, expand market.	799,583 (USD 24,800)	(B)	249,739 (USD 8,000)	-	-	249,739 (USD 8,000)	(12,568) (USD -430)	80.59%	(B)2 (10,129) (USD -347)	872,898 (USD 28,424)	199,711 (USD 6,758)
Shenzhen Hong Yuan Metal Industry Co., Ltd.	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates (cold-roll steel sheets, hot-roll steel sheets, Lead-coating tin plates, not including accessories or merchandises subjected to export permission certificates)	153,036 (USD 4,680) (Note 4, Note 8, Note 9)	(B)	68,477 (USD 2,143)	-	-	68,477 (USD 2,143)	(11,459) (USD -392)	86.21%	(B)2 (10,174) (USD -348)	192,914 (USD 6,282)	42,896 (USD 1,466)

Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Manufacturing and processing of new types of mechanical and electrical components, fine blanking dies, and other related metal products.	592,009 (USD 18,000) (Note 5)	(B)	216,497 (USD 6,700)	-	216,497 (USD 6,700)	34,286 (USD 1,174)	676,938 (USD 22,043)	(B).2 32,571 (USD 1,115)	-
---	--	-------------------------------------	-----	------------------------	---	------------------------	-----------------------	-------------------------	--------------------------------	---

Accumulated Investment in Mainland China by the End of Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 978,051	\$ 1,256,317	\$ 6,944,556

Note : The investment income or losses recorded in this period are computed based on average exchange rate of 1 USD = 29.20 NTD. And the carrying value of investments are computed based on exchange rate of 1 USD = 30.71 NTD

Note 1 : Investment methods are classified into the following 3 categories :

- (A) Direct investment in Mainland China.
- (B) Indirect investment in Mainland China through third country.
- (C) Other method.

Note 2 : In the "Share of Profits/Losses" column, the basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly :

(A) If under preparation and without profit or loss, shall indicate clearly.

(B) Basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly.

1. Based on audited financial statements of international accounting firm with cooperating relationships ROC accounting firms.
2. Audited financial statements of the Taiwan parent company.
3. Other (self-prepared financial statements).

Note 3 : According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company's equity or consolidated equity, whichever is higher.

Note 4 : Invested 45% of shares in 2002 through the third entity Chun Yuan Investment (Singapore) Pte Ltd., and invested 25% of shares in Shenzhen Hong Yuan Metal Industry Co., Ltd. 25% via 2001 earnings of the indirectly invested Shenzhen Chun Yuan. There was no outflow of funds.

Note 5 : In April 2005, after permission by Investment Commission, MOEA, invested USD17,100 thousand in Qingdao Chun Yuan Precision Mechatronic Co. through Chun Yuan Investment (Singapore) Pte Ltd. in the third region ; The company obtained business certificate on June 30, 2005, with registered paid-in capital of USD18,000 thousand. Based on the conditions of the funds reaching Mainland China, Chun Yuan Investment (Singapore) Pte Ltd., using the above funds and distributed profits from the directly or indirectly invested subsidiaries in Mainland China over the past years, invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co, Ltd. . As of December 31, 2022, the accumulated outflow of funds was USD17,100 thousand.

Note 6 : In July 2007, after permission by Investment Commission, MOEA, additional USD5,250 thousand of capital increase was directly transferred out to Chun Yuan Investment (Singapore) Pte Ltd., of which USD2,000 thousand was from distributed profits from subsidiaries in Mainland China, invested in Shenzhen Chun Yuan through Chun Yuan Investment (BVI) Co, Ltd. .

Note 7 : In July 2008, after permission by Investment Commission, MOEA, additional USD2,850 thousand of capital increase was invested in Chun Yuan Investment (Singapore) Pte Ltd., along with USD1,000 thousand of earnings distribution from subsidiaries in Mainland China over the past years, purchased 14.12% of equity in Shenzhen Chun Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 8 : In 2008, using its own capital, Shenzhen Chun Yuan purchased 15% of equity in Shenzhen Hong Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 9 : In March 2010, after permission by Investment Commission, MOEA, additional USD2, 500 thousand of capital increase in Chun Yuan Investment (Singapore) Pte Ltd. by the Company. As of December 31, 2022, USD2, 143 thousand had been transferred out, and the fund was directly transferred for acquiring 45.79% of equity in Shenzhen Hong Yuan Metal Industry Co., Ltd. .

Note 10 : In June 2011, Investment Commission, MOEA approved USD16,000 thousand of investment in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. through 3rd region, Chun Yuan Investment (Singapore) Pte Ltd. : In April 2013, after approval by Investment Commission, MOEA, the investment amount was reduced to USD9,450 thousand. As of December 31, 2022, USD9,450 thousand had been transferred out. On November 26, 2021, Chun Yuan Singapore sold all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. . Therefore, from that date forward, Xiamen Chun Yuan is no longer the Company's subsidiary.

Note 11 : On November 5, 2021, the Group's Board of Directors passed a resolution for the early cessation of the operation of Shanghai Chun Yuan Steel Industry Co., Ltd. and adopted the following procedures of dissolution, with the dissolution completed at July 25, 2022 and the cancelation registration completed at September 6, 2022.

(2) Material indirect transactions with Mainland China investee companies through business entities in the third region :

For material direct or indirect transactions that the Group had with the Mainland China investee companies through business entities in the third region during 2022, please refer to “Information on significant transactions” and “Business relationships between parent and subsidiaries and condition of important transactions” in the consolidated financial statements.

Schedule 9

Chun Yuan Steel Industry Co., Ltd. and Subsidiaries
Information on major shareholders
December 31, 2022

Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Li, Wen Fa	36,300,321	5.60%

Note : The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.

Financial Status

XIV. Segment Information

1. The Group currently has 6 reporting segments, which are Construction Business Division, First Business Division, Second Business Division, Qingdao Chun Yuan, Shanghai Huateng, and Shenzhen Hong Yuan.

Main businesses :

Construction Business Division—Undertaking of various large construction projects (buildings, factories, bridges and equipment).

First Business Division—Manufacturing and processing of various hot-roll steel sheets, cold-roll steel sheets, coating-plated and aluminum materials.

Second Business Division—Manufacturing and selling of EI sheets suitable for various transformers, stabilizers; manufacturing and selling of iron rotor/stator cores for various motors; manufacturing and selling of various molds; manufacturing and selling of special steel materials for alloy tooling steel and structural steel; provide laser cutting, clipping, punching, pressing, welding, shaping, and other professional processing services and planning; design, manufacture, install and sell various mechanical or electronically controlled moving cabinets, light/medium/heavy material racks and other logistics storage equipment.

Qingdao Chun Yuan—Manufacturing and selling of new types of mechanical and electrical components, fine blanking dies, and other related metal products.

Shanghai Huateng—Manufacturing of cold-rolled silicon steel sheets, various metal materials, rotors, stators.

Shenzhen Hong Yuan—Manufacturing and selling of transformer parts, rotors, stators made of reel-punched silicon steel.

2. Basis for information on the Group's major segments :

- (1) Taiwan Region : Based on strategic business units, with respective management team and provide different products and services. Since each strategic business unit requires different technologies and marketing strategies, the respective strategic business units are managed separately and report to their respective operating decision makers.

- (2) Mainland China : Based on regional operating units, the respective operating units have their own management team and are managed separately and report to their respective operating decision makers.

3. The Group does not allocate income tax expenses (benefits) or non-regular profit or losses to the reporting segments. In addition, not all of profit or losses of the reporting segments include material non-cash items other than depreciation and amortization. The reporting amounts are consistent with the reports used by the operating decision makers.

Except that pension expenses of each operating segment are recorded and measured on cash basis, the accounting policies of the operating segments are the same as those mentioned in the Parent company's summary of significant accounting policies. The operating profit or loss of the Group's operating segments are measured based on before-tax operating profit or loss (not including non-regular profit or losses and foreign exchange gains or losses) and are used as basis for measuring performances. The transactions and transfers among the Group's segments are regarded as arm's length transactions and measured based on current market prices.

Financial Status

4. Segment Information : (1) Year of 2022

Item	Unit : Thousand NTD							Total	
	Construction Business Division	First Business Division	Second Business Division	Qingdao Chun Yuan	Shanghai Huateng	Shenzhen Hong Yuan	Other Divisions		Adjustment and write-offs
Operating revenue :									
From outside customers	\$7,867,962	\$8,038,978	\$3,620,833	\$1,146,987	\$2,280,278	\$1,475,120	\$ 58,800	\$ 8,824	\$24,497,782
Revenue among segments	460	323,417	63,760	21,713	3,627	47,339	(383,328)	(76,988)	-
Total revenue	\$7,868,422	\$8,362,395	\$3,684,593	\$1,168,700	\$2,283,905	\$1,522,459	(\$ 324,528)	(\$ 68,164)	\$24,497,782
Depreciation and amortization	98,087	35,642	53,234	27,069	31,398	8,353	30,398	-	284,181
Interest expense	3,053	4,453	4,022	12,321	15,574	15,873	50,114	(2,928)	102,482
Investment income (loss) recorded using equity method	-	-	-	-	-	-	141,912	(65,233)	76,679
Interest income	-	4	-	1,475	1,797	320	7,911	1,421	12,928
Segment profit (loss)	\$ 402,676	\$ 47,888	\$ 157,540	\$ 45,787	(\$ 15,499)	(\$ 15,462)	\$ 239,370	(\$ 68,112)	\$ 794,188
Assets									
Capital expenditure on noncurrent assets	-	-	-	62,707	7,143	1,685	218,355	330	290,220
Long-term equity investments at equity	-	-	-	-	-	-	7,271,881	(6,707,625)	564,256
Segment assets	\$6,343,129	\$3,095,752	\$1,859,204	\$ 865,766	\$1,580,902	\$ 807,642	\$13,630,999	(\$7,389,010)	\$20,794,384
Liabilities									
Segment liabilities	\$1,372,739	\$ 614,097	\$ 432,944	\$ 153,199	\$ 497,768	\$ 596,196	\$6,043,837	(\$ 490,656)	\$ 9,220,124

(2) Year of 2021

Item	Unit : Thousand NTD							Total	
	Construction Business Division	First Business Division	Second Business Division	Qingdao Chun Yuan	Shanghai Huateng	Shenzhen Chun Yuan	Other Divisions		Adjustment and write-offs
Operating revenue :									
From outside customers	\$6,687,741	\$9,108,922	\$4,036,135	\$1,289,333	\$3,075,922	\$2,013,299	\$355,002	(\$245,694)	\$26,320,660
Revenue among segments	-	397,697	72,443	-	13,649	83,460	(458,462)	(108,787)	-
Total revenue	\$6,687,741	\$9,506,619	\$4,108,578	\$1,289,333	\$3,089,571	\$2,096,759	(\$103,460)	(\$354,481)	\$26,320,660
Depreciation and amortization	87,778	35,917	60,309	26,781	31,391	9,270	33,251	-	284,697
Interest expense	1,364	2,139	1,058	11,081	10,329	13,048	24,580	(419)	63,180
Investment income (loss) recorded using equity method	-	-	-	-	-	-	521,536	(471,080)	50,456
Interest income	-	4	-	1,926	817	361	9,419	1,053	13,580
Segment profit (loss)	\$220,973	\$689,973	\$357,347	\$51,630	\$116,086	\$29,048	\$251,285	(\$155,177)	\$1,561,165
Assets									
Capital expenditure on noncurrent assets	-	-	-	8,297	15,334	2,988	525,509	-	552,128
Long-term equity investments at equity	-	-	-	-	-	-	7,522,321	(7,002,737)	519,584
Segment assets	\$6,105,592	\$4,345,351	\$2,148,553	\$1,247,493	\$1,907,249	\$1,144,587	\$13,476,634	(\$7,231,836)	\$23,143,623
Liabilities									
Segment liabilities	\$1,451,468	\$580,349	\$436,152	\$579,273	\$740,491	\$898,780	\$7,040,297	(\$433,235)	\$11,293,575

Financial Status

5. Regional information

	Revenue from outside customers		Noncurrent assets	
	Year of 2022	Year of 2021	December 31, 2022	December 31, 2021
Taiwan	\$ 18,835,947	\$ 19,355,464	\$ 4,946,304	\$ 4,920,752
Asia	5,661,835	6,965,196	551,771	554,843
Americas	-	-		
Europe	-	-		
Total	\$ 24,497,782	\$ 26,320,660	\$ 5,498,075	\$ 5,475,595

6. Information by Products

Product	Year of 2022	Year of 2021
Construction	\$ 7,811,542	\$ 6,590,895
Steel plates	9,526,391	11,211,293
special steel plates	1,248,174	1,398,023
silicon steel materials	4,488,315	5,442,208
Special steel materials	1,129,953	1,361,091
Processing	120,220	155,833
Other	173,187	161,317
Total	\$ 24,497,782	\$ 26,320,660

7. Information on important customers

Customers that account for 10% or more of the total consolidated revenue : None.

V. The Company's individual financial statement for the most recent year, certified by CPAs

Crowe

國富浩華聯合會計師事務所
Crowe (TW) CPAs
10541台北市松山區復興北路
369號10樓
10F., No.369, Fuxing N. Rd.,
Songshan Dist.,
Taipei City 10541, Taiwan
Tel +886 2 87705181
Fax +886 2 87705191
www.crowe.tw

Independent Auditors' Report

To : Chun Yuan Steel Industry Co., Ltd.

Opinion

We have audited the Parent Company Only Financial Statements of Chun Yuan Steel Industry Co., Ltd. (the "Company"), which comprise the Parent Company Only balance sheets as of December 31, 2022 and 2021, the Parent Company Only statements of comprehensive income, Parent Company Only statements of changes in equity, and Parent Company Only statements of cash flows for the years ended December 31, 2022 and 2021, 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 financial position of the Company as of December 31, 2022 and 2021, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards 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 Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements for the year ended December 31, 2022. 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 Parent Company Only Financial Statements of the Company for the year ended December 31, 2022 are stated as follows :

A. Valuation of inventory

For the accounting policies regarding inventories, please refer to Note IV-7 of the Parent Company Only Financial Statements ; Regarding accounting estimates and assumptions of inventory impairment assessment, please refer to Note V-2 (7) of the Parent Company Only Financial Statements.



Illustration of key audit matter :

As of December 31, 2022, the net balance of inventories of the Company was NT\$3,384,003 thousand (net of NT\$104,392 thousand of allowance for inventory valuation loss), which mainly consist of steel plates and structural steel materials, etc. Due to either changes in economic environment, advancements in manufacturing technology, or fluctuation in the price of raw materials, the products in stock may be obsolete or no longer meet the market demand, and drastic changes in the demand for and selling prices of related products may result. Since inventory valuation is relevant to significant judgement and estimates, it is regarded as a key audit matter.

Audit procedures in response :

By performing test of internal controls, we obtained understanding of the Company's assessment method for estimating impairment of its inventories and the design and implementation of the related control system. In addition, we have also performed the following major audit procedures : Assessed reasonableness of accounting policy for inventory valuation ; Reviewed inventory aging reports, analyzed changes in inventory aging and evaluated if the inventory valuation had been carried out according to the accounting policy ; Obtained understanding and assessed reasonableness of the basis of net realizable value adopted by the management, selected samples and agreed to the related supporting document for testing accuracy of the amounts, and assessed if the management had made proper disclosure regarding subsequent inventory evaluations.

B. Revenue recognition

For the accounting policies regarding recognition of construction revenue, please refer to Note IV-17 of the Parent Company Only Financial Statements ; For the related revenue disclosures, please refer to Note VI-21.

Illustration of key audit matter :

Revenue is an important index used by enterprises and investors for assessing financial and business performance. The sources of the Company's revenue are divided mainly in two categories, revenue from sales of merchandise and construction revenue. Selling prices are affected by fluctuations in market prices of materials ; Construction revenue are mainly from provision of construction-related services and are recorded according to the degree of completion during the period of construction contract. The degree of completion is computed based on the percentage of cost incurred up to the reporting date for each construction contract out of the estimated total cost of the respective construction contract. Due to complexity in estimating the total cost of contract items, which often involves judgements and would affect the degree of completion and revenue recognition of constructions, recognition of revenue is regarded as a key audit matter.

Audit procedures in response :

By performing test of internal controls, we obtained understanding of the Company's assessment method for recognizing construction revenue and the design and implementation of the related control system.



In addition, we have performed the following key audit procedures :

1. Tested if the Company's timing for recognizing sales revenue was correct and performed analysis on the top-10 sales customers, compared condition of changes, assessed if there was any significant abnormality.
2. Reviewed major contracts to understand specific terms and risks of the respective contracts and assessed accuracy of revenue recognition.
3. Obtained summarized schedules of construction costs and performed the related substantive procedures, including agreeing the sampled current-period cost incurred to the related document, extra/deducted works agreed to supporting document, recomputing the construction revenue according to the degree of completion and confirming that the revenue has been properly booked.

C. Evaluation on expected credit loss of notes and accounts receivable

As of December 31, 2022, the net balance of notes and accounts receivable was NT\$3,472,192 thousand (net of NT\$69,601 thousand of expected credit loss), which accounted for 18% of the total Parent Company Only assets and was material to the Parent Company Only Financial Statements of the Company. Since the expected credit-loss valuation of the notes and accounts receivable, whose sign of impairment and historical rate of loss involve significant judgement by management, we consider that evaluation on expected credit loss of notes and accounts receivable to be a key audit matter.

Our audit procedures performed include (but not limited to) the following :

1. Tested the internal controls used by the management for managing notes and accounts receivable, such as sampling and testing for understanding of the controls regarding granting of credit lines and collection of overdue accounts by responsible personnel.
2. Considered the historical experience on occurrences of expected credit loss, assessed appropriateness of the recognition policy for loss allowance, including identification for client risks and analysis of historical bad-debt ratio.
3. Verified aging intervals of notes and accounts receivables and analyzed whether or not the changes in aging were reasonable, accompanied by confirmation of accounts and understanding of subsequent receipts.
4. We also considered appropriateness of the disclosures regarding notes and accounts receivables and the related risks, as in Note V and Note VI to the Parent Company Only Financial Statements of the Company.

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

Management is responsible for 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 maintaining necessary internal controls relating to preparation of the Parent Company Only Financial Statements, to ensure that the Parent Company Only Financial Statements 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, to cease operations, or has no practical alternative but to do so.

Those charged with governance (including board of supervisors) of the Company are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards 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 based on these Parent Company Only Financial Statements.

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

1. Identify and assess the risks of material misstatement of the 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under 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, determine whether any material uncertainty exists in the 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 related notes) and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieve fair presentation.

6. Obtain sufficient and 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 guidance, supervision and performance for the audit of the Company. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope, timing of the audit and significant audit findings (including any significant deficiencies in internal control that we have identified 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 affect our independence (including the related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only Financial Statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wang, Wu-Chang and Chen, Kui-Mei.

Wang, Wu-Chang

Chen, Kui-Mei

Crowe (TW) CPAs

Taipei, Taiwan, Republic of China

March 14, 2023

Notice to Readers

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

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

Financial Status

Chun Yuan Steel Industry Co., Ltd.

Balance Sheets

As of December 31, 2022 and 2021

Unit : Thousand NTD

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note VI-1)	\$ 175,083	1	\$ 104,473	1
1110	Financial assets measured at FVTPL - current (Note VI-2)	86,516	1	108,803	1
1139	Financial assets for hedging - current (Note VI-3)	2,154	-	-	-
1140	Contract assets - current (Note VI-21)	3,388,523	17	2,750,072	13
1150	Notes receivable, net (Note VI-4)	898,399	5	1,403,952	7
1170	Accounts receivable, net (Note VI-5)	2,528,217	13	2,898,765	14
1180	Accounts receivable - related parties, net (Note VI-5, Note VII)	45,576	-	2,969	-
1200	Other receivables	20,922	-	44,721	-
1210	Other receivables - related parties (Note VII)	15,097	-	19,000	-
1220	Current-period income tax assets	-	-	2,782	-
1310	Inventories, net (Note VI-6)	3,384,003	17	4,413,388	21
1410	Prepayments	14,867	-	34,090	-
1476	Other financial assets - current (Note VI-7)	95,372	1	109,693	1
1479	Other current assets - other	11,707	-	2,462	-
11xx	Total Current Assets	10,666,436	55	11,895,170	58
	Noncurrent Assets				
1517	Financial assets measured at FVTOCI - noncurrent (Note VI-8)	492,366	2	507,771	2
1550	Investments accounted for using equity method (Note VI-9)	3,233,189	17	3,224,699	16
1600	Property, plant and equipment (Note VI-10)	4,850,023	25	4,830,896	23
1755	Right-of-use assets (Note VI-11)	25,929	-	26,503	-
1780	Intangible assets	1,950	-	1,950	-
1840	Deferred income tax assets (Note VI-26)	101,679	1	115,449	1
1915	Prepayments for equipment	41,211	-	37,323	-
1920	Guarantee deposits paid	10,720	-	11,676	-
1990	Other noncurrent assets - other	16,470	-	12,404	-
15xx	Total Noncurrent Assets	8,773,537	45	8,768,671	42
1xxx	Total Assets	\$ 19,439,973	100	\$ 20,663,841	100

(continue to next page)

Financial Status

(continue from previous page)

Code	Liabilities and Equity	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note VI-12)	\$ 4,087,735	21	\$ 4,561,383	22
2110	Short-term notes payable (Note VI-13)	1,066,589	6	1,428,878	7
2130	Contract liabilities - current (Note VI-21)	390,952	2	605,001	3
2150	Notes payable	4,589	-	4,661	-
2160	Notes payable - related parties (Note VII)	2,711	-	16,897	-
2170	Accounts payable	817,846	4	952,932	5
2180	Accounts payable - related parties (Note VII)	9,851	-	8,464	-
2200	Other payables	394,823	2	431,161	2
2230	Current-period income tax liabilities	22,731	-	177,208	1
2250	Provisions - current (Note VI-14)	37,890	-	36,924	-
2280	Lease liabilities - current (Note VI-11)	12,597	-	12,182	-
2320	Long-term liabilities due within 1 year or 1 operating cycle (Note VI-15)	125,000	1	50,000	-
2300	Other current liabilities – other	12,261	-	9,281	-
21xx	Total Current Liabilities	6,985,575	36	8,294,972	40
	Noncurrent Liabilities				
2540	Long-term borrowings (Note VI-15)	393,750	2	87,500	-
2570	Deferred income tax liabilities (Note VI-26)	812,141	4	809,342	4
2580	Lease liabilities - noncurrent (Note VI-11)	13,485	-	14,438	-
2640	Defined benefit liability, net - noncurrent (Note VI-16)	9,522	-	119,605	1
2645	Guarantee deposits received	13,742	-	13,892	-
25xx	Total Noncurrent Liabilities	1,242,640	6	1,044,777	5
2xxx	Total Liabilities	8,228,215	42	9,339,749	45
	Equity				
3100	Share capital (Note VI-17)				
3110	Common shares	6,476,554	33	6,476,554	31
3200	Capital surplus (Note VI-18)	177,178	1	162,071	1
3300	Retained earnings (Note VI-19)	4,835,586	25	5,061,285	24
3310	Legal reserve	1,839,531	9	1,716,590	8
3320	Special reserve	1,324,287	7	1,324,287	6
3350	Unappropriated retained earnings	1,671,768	9	2,020,408	10
3400	Other equity (Note VI-20)	(277,560)	(1)	(375,818)	(1)
3410	Exchange differences on translation of foreign financial statements	(225,343)	(1)	(276,124)	(1)
3420	Unrealized gains (losses) on financial assets measured at FVTOCI	(52,217)	-	(99,694)	-
3xxx	Total Equity	11,211,758	58	11,324,092	55
	Total Liabilities and Equity	\$ 19,439,973	100	\$ 20,663,841	100

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Financial Status

Chun Yuan Steel Industry Co., Ltd.
Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Code	Item	Unit : Thousand NTD			
		Year of 2022		Year of 2021	
		Amount	%	Amount	%
4000	Operating revenue (Note VI-21)	\$ 19,547,805	100	\$ 19,806,395	100
5000	Operating costs (Note VI-6)	(18,391,090)	(94)	(18,037,153)	(91)
5900	Gross profit (loss) from operations	1,156,715	6	1,769,242	9
	Operating expenses				
6100	Selling expenses	(343,370)	(2)	(330,334)	(2)
6200	Administrative expenses	(231,890)	(1)	(336,348)	(2)
6450	Loss or recovery gain on expected credit impairment	8,322	-	(14,361)	-
6000	Total operating expenses	(566,938)	(3)	(681,043)	(4)
6900	Operating income (loss)	589,777	3	1,088,199	5
	Non-operating income and expenses				
7100	Interest income	1,741	-	311	-
7010	Other income (Note VI-22)	166,389	1	136,495	1
7020	Other gains and losses (Note VI-23)	(19,884)	-	48,899	-
7050	Finance costs (Note VI-24)	(61,643)	-	(29,078)	-
7070	Share of profits of subsidiaries, associates, and joint ventures under equity method	92,593	-	222,177	1
7000	Total non-operating income and expenses	179,196	1	378,804	2
7900	Net income (loss) before income tax	768,973	4	1,467,003	7
7950	Income tax (expense) benefit (Note VI-26)	(155,755)	(1)	(246,385)	(1)
8200	NET INCOME (LOSS)	613,218	3	1,220,618	6
	Other comprehensive income (loss) (Note VI-27)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan	61,555	1	3,039	-
8316	Unrealized valuation gains or losses on equity instruments measured at FVTOCI	(12,614)	-	60,737	-
8331	Remeasurements of defined benefit plan - subsidiaries, associates and joint ventures	1,763	-	396	-
8336	Unrealized valuation gains or losses on equity instruments at FVTOCI – subsidiaries, associates and joint ventures	(192)	-	5,554	-
8360	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	50,761	-	(15,877)	-
8370	Share of other comprehensive income of associates and joint ventures under equity method - items that may be reclassified into profit or loss	20	-	(12)	-
8300	Other comprehensive income (loss), net	101,293	1	53,837	-
8500	Total comprehensive income (loss)	\$ 714,511	4	\$ 1,274,455	6
	EARNINGS PER SHARE (NTD)				
9750	Basic earnings per share (Note VI-28)	\$ 0.95		\$ 1.88	
9850	Diluted earnings per share (Note VI-28)	\$ 0.95		\$ 1.88	

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Chun Yuan Steel Industry Co., Ltd.

Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit : Thousand NTD

Item	Retained Earnings			Other Equity Items			Total Equity
	Common Shares	Capital Surplus	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized valuation gains (loss) on FVTOCI equity instruments	
Balance, January 1, 2021	\$ 6,476,554	\$ 161,701	\$ 1,324,287	\$ 1,230,877	(\$ 260,235)	\$ 160,624	\$ 10,437,860
Appropriation and distribution of earnings :							
Record legal reserve	-	-	-	(51,290)	-	-	-
Cash dividends – common shares	-	-	-	(388,593)	-	-	(388,593)
Other changes in capital surplus	-	370	-	-	-	-	370
Net income (loss) in 2021	-	-	-	1,220,618	-	-	1,220,618
Other comprehensive income (loss) in 2021	-	-	-	3,435	(15,889)	66,291	53,837
Total comprehensive income (loss) in 2021	-	-	-	1,224,053	(15,889)	66,291	1,274,455
Disposal of FVTOCI equity instruments	-	-	-	5,361	-	(5,361)	-
Balance, December 31, 2021	\$ 6,476,554	\$ 162,071	\$ 1,324,287	\$ 2,020,408	(\$ 276,124)	\$ 99,694	\$ 11,324,092
Appropriation and distribution of earnings :							
Record legal reserve	-	-	-	(122,941)	-	-	-
Cash dividends – common shares	-	-	-	(841,952)	-	-	(841,952)
Other changes in capital surplus	-	314	-	-	-	-	314
Net income (loss) in 2022	-	-	-	613,218	-	-	613,218
Other comprehensive income (loss) in 2022	-	-	-	63,318	(50,781)	(12,806)	101,293
Total comprehensive income (loss) in 2022	-	-	-	676,536	(50,781)	(12,806)	714,511
Equity changes in subsidiary	-	14,793	-	-	-	-	14,793
Disposal of FVTOCI equity instruments	-	-	-	(60,283)	-	60,283	-
Balance, December 31, 2022	\$ 6,476,554	\$ 177,178	\$ 1,324,287	\$ 1,671,768	(\$ 225,343)	\$ 52,217	\$ 11,211,758

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Financial Status

Chun Yuan Steel Industry Co., Ltd.

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Item	Unit : Thousand NTD	
	Year of 2022	Year of 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	\$ 768,973	\$ 1,467,003
Adjustment items		
Income/gain or expense/loss items		
Depreciation expense	197,523	192,207
Amortization expense	8,532	4,614
Loss (gain) on expected credit impairment	(8,322)	14,361
Net loss (gain) on FVTPL financial assets or liabilities	22,288	(42,015)
Interest expense	61,643	29,078
Interest income	(1,741)	(311)
Dividend income	(20,143)	(8,115)
Share of loss (profit) of subsidiaries, associates and joint ventures under equity method	(92,593)	(222,177)
Loss (gain) on disposal of property, plant and equipment	(2,322)	(3,109)
Loss (gain) on disposal of investments	-	(3,809)
Total income/gain or expense/loss items	164,865	(39,276)
Changes in operating assets / liabilities		
Net changes in operating assets		
(Increase) Decrease in contract assets	(638,451)	(366,524)
(Increase) Decrease in notes receivable	510,658	(568,846)
(Increase) Decrease in accounts receivable	373,658	(684,901)
(Increase) Decrease in accounts receivable - related parties	(42,607)	60,753
(Increase) Decrease in other receivables	24,042	(18,987)
(Increase) Decrease in other receivables - related parties	3,903	(431)
(Increase) Decrease in inventories	1,029,385	(1,765,221)
(Increase) Decrease in prepayments	19,223	27,383
(Increase) Decrease in other current assets	(9,245)	(19,151)
(Increase) Decrease in other financial assets	14,321	-
(Increase) Decrease in other operating assets	(12,492)	(12,900)
Total net changes in operating assets	1,272,395	(3,348,825)
Net changes in operating liabilities		
Increase (Decrease) in contract liabilities	(214,048)	387,908
Increase (Decrease) in notes payable	(72)	87
Increase (Decrease) in notes payable - related parties	(14,186)	(3,061)
Increase (Decrease) in accounts payable	(135,086)	32,258
Increase (Decrease) in accounts payable - related parties	1,387	(31,086)
Increase (Decrease) in other payables	(40,791)	71,600
Increase (Decrease) in other payables - related parties	-	(375)
Increase (Decrease) in provisions	966	363
Increase (Decrease) in other current liabilities	827	422
Increase (Decrease) in defined benefit liability, net	(48,528)	(3,373)
Total net changes in operating liabilities	(449,531)	454,743
Total net changes in operating assets / liabilities	822,864	(2,894,082)

(continue to next page)

Financial Status

(continue from previous page)

Total adjustment items	987,729	(2,933,358)
Cash generated (used) by operating activities	<u>1,756,702</u>	<u>(1,466,355)</u>
Interest received	1,497	316
Dividends received	171,391	116,461
Interest paid	(56,665)	(28,336)
Income tax refunded (paid)	<u>(290,882)</u>	<u>(158,399)</u>
Net cash generated (used) by operating activities	<u>1,582,043</u>	<u>(1,536,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of FVTOCI financial assets	-	(81,676)
Returned capital from FVTOCI financial assets	2,791	12,207
Acquisition of FVTPL financial assets	-	(166,298)
Disposal of FVTPL financial assets	-	168,432
Acquisition of property, plant and equipment	(173,118)	(374,449)
Disposal of property, plant and equipment	2,350	3,378
Increase (decrease) in guarantee deposits paid	956	(711)
Increase in prepayments for equipment	(32,320)	(133,399)
Net cash flows generated (used) by investing activities	<u>(199,341)</u>	<u>(572,516)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	(473,648)	1,676,074
Increase in short-term notes payable	(362,289)	687,023
Increase in long-term borrowings	381,250	137,500
Increase in guarantee deposits received	(150)	1,705
Lease principal repayments	(15,303)	(16,602)
Distribution of cash dividends	<u>(841,952)</u>	<u>(388,593)</u>
Net cash flows generated (used) by financing activities	<u>(1,312,092)</u>	<u>2,097,107</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,610	(11,722)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>104,473</u>	<u>116,195</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 175,083</u>	<u>\$ 104,473</u>

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Financial Status

Chun Yuan Steel Industry Co., Ltd.

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2022 and 2021

(in Thousand NTD unless otherwise stated)

I. General Information

Chun Yuan Steel Industry Co., Ltd. (the “Company”) was approved and founded on January 7, 1966, with initial registered capital of NT\$3,000,000. After several capital increases, the current capital is NT\$6,476,553,900, which is divided into 647,655,390 registered common shares, with NT\$10 par value each share. The main business activities of the Company are manufacturing, processing and trading of steel plates, silicon steel sheets, container parts, special steel materials, H-beam steel and undertaking of steel structure constructions, etc. Stocks of the Company are listed and available for transaction at Taiwan Stock Exchange (TWSE) since 1989, December.

II. The Authorization of the Financial Statements

The accompanying Parent Company Only Financial Statements were approved and authorized for release by the Board of Directors on March 14, 2023.

III. Application of New Standards, Amendments, and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC and effective from CY are as follows:

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note B)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note C)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note D)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note E)

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

Note B: An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Note C: An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

Note D: These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022.

Note E: An entity shall apply the Amendment to IFRS 9 to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IAS 41 to fair value measurements for annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IFRS 1 for annual reporting periods beginning on or after January 1, 2022.

(1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds from selling such items and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards. Additionally, the amendments clarify that costs of testing whether the asset is functioning properly is the costs of assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The Group shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments. The cumulative effects of initially applying the amendments shall be recognize as an adjustment to the opening balance of retained earnings (or other component of

Financial Status

equity, as appropriate) at the beginning of that earliest period presented with comparative information restated.

(2) Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) an allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

(3) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments update a reference to the Framework in IFRS 3 and require the acquirer shall apply IFRIC 21 for a levy that would be within the scope of IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

(4) Annual Improvement to IFRS Standards 2018-2020

The annual improvement amends several Standards. Among which, the Amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from those of the original liability, only fees paid net of fees received between the Group (the borrower) and the lender for the new or modified contract, including fees paid or received by either the Group or the lender on the other’s behalf, shall be included in the ‘10 per cent’ test of the discounted present value of the cash flows under the new terms.

Based on the Group’s assessment, the New IFRSs above have no significant effect on the Group’s financial position and financial performance.

2. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2023

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosures of Accounting Policies”	January 1, 2023 (Note A)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note B)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note C)

Note A: An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023.

Note B: These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

Note C: An entity shall apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred taxes for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

(1) Amendments to IAS 1 “Disclosures of Accounting Policies”

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclose the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity’s conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

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

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is a change in accounting estimates unless the change is due to an error from prior periods.

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

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction.

Financial Status

At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognise deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

3. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IRFS 17	January 1, 2023
Amendments to IRFS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
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

As of the date the accompanying consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group.

IV. 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. Statement of Compliance

The accompanying Parent Company Only Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of Preparation

(1) Except for the following material items, these Parent Company Only Financial Statements have been prepared under the historical cost convention :

- A. Financial assets and financial liabilities (including derivative instruments) measured at Fair Value Through Profit or Loss (“FVTPL”).
- B. Financial assets measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).
- C. Liabilities on cash-settled share-based payment arrangements measured at fair value.
- D. Defined benefit liabilities recognized based on the present value of defined benefit obligation, net of the pension fund assets.

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

3. Foreign Currency Exchange

(1) Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Parent Company Only Financial Statements are presented in New Taiwan Dollars (NT\$), which is the Company’s functional currency.

(2) In preparing the Parent Company Only financial statements, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign

Financial Status

currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

(3) Translation of foreign operations

A. For all subsidiaries, associates and jointly controlled entities with their functional currencies differ from the reporting currency, their operating results and financial positions are translated into the reporting currency using the following methods :

- (A) Each asset and liability reported in the balance sheet is translated using the exchange rate on the balance sheet date.
- (B) Each income and expense reported in the statement of comprehensive income is translated using the average exchange rate in the current period.
- (C) All exchange differences generated due to translations are recognized as other comprehensive income.

B. When the partly disposed or sold foreign operations are associates or jointly controlled entities, the exchange differences are prorated and allocated to part of the sales gains or losses in the profit or loss. When the Company still retains part of equity interests in the associates or jointly controlled entities but already loses material influence in the foreign operations that are associates, or control over the jointly controlled entities, then all the equity interests are treated as disposal of the foreign operations.

C. When the partly disposed or sold foreign operations are subsidiaries, the accumulated exchange differences recognized as other comprehensive income or loss are prorated and allocated to the non-controlling interests of the foreign operations. When the Company still retains part of equity interests in the subsidiaries but already loses material influence in the subsidiaries, then all the equity interests are treated as disposal of the foreign operations.

4. Classification of Current and Noncurrent Assets and Liabilities

(1) Assets that meet one of the following criteria are classified as current assets :

- A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- B. Assets held mainly for trading purposes;
- C. Assets that are expected to be realized within twelve months from the balance sheet date; or
- D. 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.

The Company classifies the assets that does not meet any of the above criteria as non-current.

(2) Liabilities that meet one of the following criteria are classified as current liabilities :

- A. Liabilities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising mainly from trading activities;
- C. Liabilities that are to be paid off within twelve months from the balance sheet date;
- D. Liabilities for which the repayment date cannot be extended unconditionally to at least 12 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.

The Company classifies the liabilities that does not meet any of the above criteria as non-current.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, and highly liquid investments (including time deposits with initial due dates within 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Financial instruments

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

Financial assets and financial liabilities are initially recognized at fair value. Upon initial recognition, except for financial assets and liabilities classified as measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition (or issuance) of financial assets (or financial liabilities) shall be added to (or deducted from) the fair value of the financial assets (or financial liabilities). The

Financial Status

transaction costs directly attributable to financial assets and liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

A. Measurement type

Transaction date accounting is adopted for recording customary transactions of financial assets.

The financial assets held by the Company are classified as financial assets measured at Fair Value Through Profit or Loss (“FVTPL”), financial assets measured at amortized cost, and investments in equity instruments measured at Fair Value Through Other Comprehensive Income (“FVTOCI”).

(A) Financial assets at fair value through profit or loss (“FVTPL financial assets”)

FVTPL financial assets include either financial assets mandatorily measured at FVTPL or designated as measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments that are not designated as measured at FVTOCI and investments in debt instruments that are not classified as measured at amortized cost or FVTOCI.

FVTPL financial assets are measured at fair value, the generated dividends and interests are recognized as other income and interest income, respectively, and the subsequent gains or losses from re-measurements are reported in other gains and losses. Regarding the method for determining fair value, please refer to Note XII.

(B) Financial assets measured at amortized cost

If the invested financial assets by the Company meet both of the following two criteria, those assets are classified as Financial assets measured at amortized cost :

- a. The purpose of holding the financial assets is to receive contractual cash flows ; and
- b. The contractual provisions of the investments generate cash flows on specified date(s), and such cash flows are fully for payment of the principals and the interests from the outstanding principals.

After initial recognition of the various financial assets measured at cost, they are subsequently measured at amortized cost computed based on the total book value determined by effective interest method, less of

any impairment loss. Any foreign exchange gain or loss is recorded in profit or loss.

Except for the following two conditions, interest income is computed using the total book value of the financial assets, multiplied by the effective interest rate :

(a) For purchased or originated credit-impaired financial asset, interest income is computed using the amortized cost of the financial assets, multiplied by the credit-adjusted effective interest rate.

(b) For financial assets that are not purchased or originated credit-impaired but later become credit-impaired, interest income is computed using the amortized cost of the financial assets, multiplied by the effective interest rate.

(C) Equity instrument investments measured at FVTOCI

Upon initial recognition, the Company made an irrevocable choice to designate the equity instrument investments, that are not held for trading, recognized for business combination or with consideration, as measured at FVTOCI.

Equity instrument investments measured at FVTOCI are measured at fair value, and the subsequent changes in fair value are reported in other comprehensive income and accumulated in other equity. Upon disposal of the investments, the accumulated gains or losses are transferred to retained earnings, without reclassification to profit or loss.

The dividends from equity instrument investments measured at FVTOCI are recorded in profit or loss when the Company's rights to receive dividends are established, unless the dividends clearly represent recovery for part of investment cost.

B. Impairment of financial assets

(A) On each balance sheet date, based on the projected credit loss, the Company assesses impairment loss for its financial assets measured at amortized cost (including accounts receivable), investments in debt instruments measured at FVTOCI, lease receivable, and contract assets.

(B) According to the expected credit loss in the existing period, loss allowances are recognized for accounts receivable, contract assets, and lease receivable. For other financial assets, first evaluates whether or not their credit risks increase significantly after their initial recognition, if not significantly increase, then use 12-months projected credit loss to

Financial Status

recognize loss allowance ; if significantly increased, then use the projected credit loss in the existing period to recognize loss allowance.

(C) Projected credit loss is the weighted average credit loss using risk of default as the weight. 12-month projected credit loss represents the projected credit loss generated from defaults of the financial instruments within 12 months after the reporting date, and projected credit loss during the existing period represents projected credit loss generated from all possible defaults of the financial instruments during the projected existing period.

(D) Through allowance accounts, impairment losses adjust and reduce book value of all financial assets, but allowance loss for debt instruments measured at FVTOCI is recorded in other comprehensive income, without reducing their book value.

C. Derecognition of financial assets

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

(A) The contractual right to receive cash flows from the financial asset is lost.

(B) The contractual rights to receive cash flows from the financial asset have been transferred, and the Company has transferred almost all risks and rewards of ownership of the financial asset.

(C) The Company neither retains nor transfers almost all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

Upon writing off the whole financial asset measured at amortized cost, the difference between their book value and consideration received is recognized in profit or loss ; Upon writing off the whole debt instrument measured at fair value through other comprehensive income or loss, the difference between their book value and the consideration received (plus the summary of any accumulated gains or losses already recognized in other comprehensive income) is recognized in profit or loss ; Upon writing off the whole investment in equity instruments measured at fair value through other comprehensive income or loss, the accumulated profit or loss is transferred directly to retained earnings and will not be reclassified to profit or loss.

(2) Equity instrument

Debt and equity instruments issued by the Company are classified as financial liabilities or equity according to substance of the agreements and definition of

financial debt and equity instruments. An equity instrument refers to any contract(s) that represents the residual equity (assets minus all liabilities) of an enterprise. Equity instruments issued by the Company are recorded at the amount of acquisition proceeds, after deducting the direct issuance cost.

(3) Financial liabilities

A. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized costs using effective interest method :

(A) Financial liabilities measured at fair value through profit or loss refer to financial liabilities held for trading or financial assets assigned as measured at fair value through profit or loss upon initial recognition. Financial liabilities classified as held for trading refer to those that are mainly held for short-term repurchase and derivatives that are not financial guarantee contracts or assigned as effective hedge instruments. When financial liabilities meet one of the following conditions, the Company will assign them as measured at fair value through profit or loss upon initial recognition :

- a. Are mixed (combined) contracts ; or
- b. May be eliminated, materially reduced in measurement, or inconsistent in recognition ; or
- c. Are instruments, with written risk management policies, managed and with performances assessed based on fair value.

(B) Financial liabilities measured at fair value through profit or loss are initially measured at fair value, with related transaction costs are recorded in the current period, and subsequently measured at fair value. The changes in fair value are recorded in the current period.

(C) For financial liabilities assigned as measured at fair value through profit or loss, since the amount of change in fair value generated from changes in credit risks is recorded other comprehensive income, they are not reclassified to profit or loss later on. The changes in fair value of remaining liabilities are reported profit or loss. However, if the above accounting treatments trigger or intensify inappropriate accounting proportion, then all gains or losses of the liabilities are recorded in profit or loss.

B. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(4) Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

7. Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in

the ordinary course of business, less the estimated cost of completion and cost to complete the sales.

8. Investments accounted for using equity method

- (1) Subsidiaries refer to entities (including structural entities) controlled by the Company. When the Company is exposed to variable returns or has the rights to the variable returns and has the ability, through such entity, to influence the returns, the Company is considered to have control over the entity. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- (2) The unrealized gains or losses from the transactions between the Company and its subsidiaries had been eliminated. Necessary adjustments had been made to the accounting policies of the subsidiaries in order to be consistent with the policies adopted by the Company.
- (3) The shares of profit or loss after acquisition of the subsidiaries are recognized in profit or loss in the current period, and the shares of other comprehensive income or loss are recorded in other comprehensive income or loss. If the recognized share of loss by the Company equals or exceeds the equity interest in the subsidiaries, the Company continues to recognize losses based on the shareholding ratios.
- (4) If the changes in shareholdings does not lead to loss of control (transaction with non-controlling interests), they are treated as equity transactions; that is, transactions with the owners. The differences between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received are recognized directly as equity.
- (5) When the Company loses control over its subsidiaries, the remaining investments in the former subsidiaries are re-measured at fair value, which becomes the fair value of the initially recognized financial assets or the cost of the initially recognized investments in associates or joint ventures, and the differences between the fair value and the book value are recognized in profit or loss in the current period. For all of the amounts that were previously recognized in other comprehensive income that re related to the subsidiaries, the accounting treatments are the same as if the Company directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities,

Financial Status

- would be reclassified to profit or loss, then when the control over the subsidiaries is lost, the gains or losses would be reclassified from equity to profit or loss.
- (6) Associates refer to all entities over which the Company has influence but without control, generally refer to direct or indirect holding of 20% or more of the voting shares. Equity method is adopted for the investments in associates and are recognized at cost upon acquisition.
- (7) The share of profit or loss, after acquisition of the associates by the Company, is recognized in profit or loss in the current period, and the share of other comprehensive income or loss is recognized in other comprehensive income or loss. If the Company's share of loss from an associate equal or exceeds its interests in the associate (including any other unsecured receivables), the Company would not further recognize loss, unless the Company has legal obligation or constructive obligation to pay, or had made the payment on behalf of the associate.
- (8) The unrealized gains or losses generated from the transactions between the Company and the associates had been eliminated proportionate to the shareholding ratios in the associates; unless there is evidence showing that the transferred assets are impaired, the unrealized losses are also eliminated. Necessary adjustments had been made to the accounting policies of the associates had been, in order to be consistent with the policies adopted by the Company.
- (9) When an associate issue new shares, if the Company does not purchase or acquire new shares proportionately and leads to change in shareholding ratio but the Company still maintains material influence, the increase/decrease in the net equity amount is adjusted in "Additional paid-in capital" and "Investments accounted for using equity method". If the shareholding ratio reduces, in addition to the above adjustment, the previously recorded relating gains or losses in other comprehensive income or loss, where the gains or losses shall be reclassified to profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction.
- (10) If the Company losses material influence over the associate, the remaining investment in the original associate is remeasured at fair value, and the difference between the fair value and the book value is recorded in the current-period profit or loss.
- (11) When the Company disposes of the associates, if it losses material influence over the associates, for all of the amounts that were previously recognized in other comprehensive income that were related to the associates, the accounting

treatments are the same as if the Company directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities, would be reclassified to profit or loss, then when the material influence the associates is lost, the gains or losses would be reclassified from equity to profit or loss. If the Company still has material influence over the associates, then only transfer out, proportionately according to the above approach, the previously recognized amount in the other comprehensive income or loss.

- (12) When the Company disposes of the associates, if it loses material influence over the associates, the Capital surplus related to the associates would be reclassified to profit or loss ; If the Company still has material influence over the associates, then reclassified to profit or loss proportionately according to the disposal ratio.
- (13) According to the rules under Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current-period profit or loss and other comprehensive income or loss in the Parent Only Financial Statements should be the same as the current-period profit or loss and other comprehensive income or loss allocated to the parent company in the financial statements prepared under consolidated basis, and the owners' interest in the Parent Only Financial Statements should be the same as the owners' interest allocated to the parent company in the financial statements prepared under consolidated basis.

9. Property, plant and equipment

- (1) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- (2) Subsequent costs are included in the assets carrying amount or Recognized 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 derecognized. All other repair and maintenance are recognized in profit or loss as incurred.
- (3) 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. The assets' residual values, useful lives and depreciation

Financial Status

methods are reviewed, and adjusted if appropriate, at each end of reporting year. 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 useful lives of the various assets are as following :

Buildings	3 years~60 years
Machinery equipment	2 years~16 years
Transportation equipment	4 years~14 years
Miscellaneous equipment	3 years~10 years

- (4) An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

10. Leases

The Company assesses whether or not a contract is a (or contains) lease on the date when the contract is formed. For contracts that contain lease component and one or more additional lease or non-lease components, based on the corresponding stand-alone price of each lease component and the summarized stand-alone prices of non-lease components, the Company allocates the proceeds of the contract to the respective lease components.

- (1) When the Company is a lessee

Except for leases with low-value underlying assets or short-term leases with expense recognition on straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all other leases on the starting date of the leases.

Right-of-use assets

Right-of-use assets are initially recognized at cost (including the initial measurement amount of lease liabilities, lease payments before the starting date of lease after subtracting the incentives received, the initial direct cost and estimated cost of recovering the underlying assets), then subsequently measured at the amount of costs after subtracting the accumulated depreciation and accumulated impairment losses, and then adjust the remeasurement amount of the lease liabilities.

Except for right-of-use assets which meet the definition of Investment property, right-of-use asset is listed as a stand-alone item in the consolidated balance sheet. Depreciation for right-of-use asset is recognized on straight-line basis, beginning from the starting date of the lease to either reaching the economic useful life or the lease period, whichever is earlier. But if, upon expiry of the lease period, the Company will obtain ownership to the underlying asset, or if the cost of the right-of-use asset reflects exercising purchase for the right-of-use asset, then recognize depreciation from the starting date of the lease until reaching the economic useful life of the underlying asset.

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantial fixed payments, variable lease payments determined by indices or fee rates, expected amount of payment by lessee under residual-value guarantee, price of reasonably expected execution price for purchasing the right-of-use asset, and expected termination penalty from execution of option to terminate the lease by the lessee during the lease period, less the lease incentive received). If the implied interest rate of the lease can be easily determined, lease payments are discounted using the interest rate. If the interest rate cannot be easily determined, then use the incremental borrowing rate of the lessee.

Lease liabilities are subsequently measured at amortized costs using the effective interest method, and interest expenses are allocated among the lease periods.

If there is change in future lease payment due to change in assessment of lease period and purchase option of underlying asset, change in expected amount of payment by lessee under residual-value guarantee, or change in indices or fee rates used to determine lease payments, the Company will re-measure the lease liabilities and adjust the right-of-use assets accordingly. But if the book value of right-of-use assets has been reduced to zero, then recognize the remaining remeasurement amount in profit or loss. Lease liabilities are listed as a standalone item in the Parent Company Only balance sheet.

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

(2) When the Company is a lessor

If almost all risks and returns attached to the underlying asset of a lease have been transferred, then classify the lease as finance lease; otherwise, classify as operating lease.

Financial Status

When a lease contains both land and building factors, the Company assesses the respective factors and classified the lease into either finance lease or operating lease and allocates the lease payments (including any one-time advance payment) among the land and building proportionate to the fair value of the lease rights of the land and building on the contract formation date. If the lease payments could not be reliably allocated to the two factors, then the whole lease is classified as finance lease. However, if both of the two factors clearly meet the operating lease standards, then the whole lease is classified as operating lease.

11. Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

12. Provisions

Provisions are recognized 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. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as interest expense. Provisions are not recognized for future operating losses.

13. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render services.

(2) Pensions

A. Defined contribution plan

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

B. Defined benefit plan

(A) 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 or prior period(s). The liability recognized 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 estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the obligation.

(B) Remeasurements of defined benefit plans are recognized in other comprehensive income as incurred and are recorded as retained earnings.

(C) Past-service costs are recognized immediately in profit or loss.

(3) Employees compensation and directors and supervisors remuneration

Employees compensation and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

(4) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of 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 benefits in exchange for the

Financial Status

termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

14. Share capital

Ordinary shares are classified as equity. The classification of special shares is based on assessment of the specified rights attached to the special shares against the substance of the contractual agreements and the definition of financial liabilities and equity. When the special shares show basic features of those of financial liabilities, then they are classified as liability, otherwise they are classified as equity. The incremental costs directly attributed to the issuance of new shares or subscription rights are listed as deduction item(s) in equity.

15. Share-based payments

- (1) The share-based payment agreements in equity and the obtained employees services are measured based on the fair value of the equity instruments given on the payment date and are recorded as compensation costs during the vesting periods, and equity is adjusted respectively. The fair value of equity instruments should reflect the effects on the market prices under vested conditions or non-vested conditions. The recorded compensation costs are adjusted along with the expected satisfaction of service conditions and the compensation quantity of non-market price vesting conditions, until that the final recorded amount is recorded at the vested quantity on the vesting date.
- (2) The share-based payment agreements in cash, based on the fair value of liability assumed, are recorded as compensation costs and liability during the vesting period and measured at fair value of the equity instruments on each balance sheet date and payment date, with any changes recorded in profit or loss in the period when occurred.

16. Income tax

- (1) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- (2) The current income tax charge 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.

- (3) Deferred income tax is recognized, 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 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 tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax asset is realized or the deferred tax liability is settled.
- (4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- (5) Current income tax assets and liabilities are offset against each other and the Allowance for impairment loss reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- (6) A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, personnel training 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 utilized.

17. Revenue recognition

The Company use the following steps and principle to record revenue from contracts with customers :

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

After the Company identifies the contractual obligations with the customers, the transaction prices are allocated to the respective contractual obligations, and revenue is recognized when the respective contractual obligations are fulfilled.

A. Sale of goods

The Company records revenue when the control of goods are transferred to the customers. Transferring control of good means delivery of goods to the customers, and there is no un-fulfilled obligation that will affect acceptance of the goods by the customer. Delivery time means that customers have accepted the goods according to the transaction terms, the risk of obsolete and loss has been transferred to the customer, and the Company has objective evidence considering that all acceptance criteria have been satisfied.

The Company records accounts receivable upon delivery of goods, because that is the time when the Company has unconditional rights to receive the consideration.

When sending materials for processing, since the control of the ownership of the processing products is not transferred, no revenue is recognized upon delivering of materials.

B. Construction revenue

The Company undertakes steel-structure construction contracts and records revenue with passage of time. Since the input costs of construction contracts are directly related to the completion progress of the contractual obligations, the Company measures the completion progress based on the ratio of actual input costs over the expected total cost. The Company records contract assets during the progress of the construction and transfer to accounts receivable upon issuance of bills. If the construction receipts exceed the recognized revenue amount, the difference is recorded as contract liability. The purpose of the construction reserved funds withheld by the customers according to the contractual terms is to ensure that the Company completes all contractual

liabilities, and the Company records the funds as contract assets before fulfillment of the contracts.

If the result of the contract fulfillment could not be reliably measured, then only records construction revenue to the extent of expected recoverable costs that has been generated.

18. Borrowing cost

Borrowing costs that can be directly attributed to acquisition, building or production of assets meeting certain criteria are part of the cost of the assets, until almost all the activities necessary for the assets to reach the expected condition for use or sale have been completed.

For certain borrowings, before they meet certain criteria for capital expenditures, if the investment income is earned from temporary investment, then the investment income is subtracted from the borrowing cost that meet certain criteria.

Except for the above, all other borrowing costs are recorded in profit or loss in the current period.

19. Derivative financial instruments and hedge accounting

The derivative financial instruments are forward exchange contract signed by the Company for managing exchange risk of the Company. The signed derivative financial instruments are initially recorded at fair value and subsequently remeasured at fair value by the end of reporting periods, and the generated gains or losses are directly recorded in profit or loss in the period occurred. However, for designated derivatives that are effective hedge instruments, the timing for them in profit loss will depend on the nature of hedging relationships. When the fair value of derivative financial instruments is positive, they are recorded as financial assets; when the fair value is negative, record as financial liabilities.

When the Company cancels the designated hedging relationships, and the maturity, sale, contract termination, execution of the hedging instruments no longer meet the definition of hedge accounting, then hedge accounting is prospectively stopped.

The Company has assigned several derivatives as fair-value hedges for recorded assets, liabilities or confirmed commitments; when a hedge transaction starts, the relationship between the hedge instrument and the hedged item, the Company's risk management goal and the strategy for executing various hedging transactions are documented. Right after hedging begins, on a continuing basis, the Company also records and assesses whether or not the adopted derivative instruments for hedging transactions can highly and effectively offset the fair-value changes in the hedged items.

Financial Status

When the remaining period of the hedged items exceed 12 months, the total fair value of the derivative financial instruments is classified as either noncurrent financial asset or liability ; When the remaining period of the hedged items is within 12 months, the total fair value of the derivative financial instruments is classified as either current financial asset or liability ; For derivative instruments held for trading, they are classified as either current financial assets or liabilities.

Fair-value changes in derivative instruments that are assigned and are fair value hedges, along with any fair-value changes of the hedged assets or liabilities attributed to hedged risks, are recorded as “Finance costs” in profit or loss in the period occurred. And the gains or losses related to ineffective portion are recorded as “Other gains and losses” in profit or loss in the period occurred.

20. Government grants

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. If government grants are used to compensate expenses or losses that have occurred, or are granted to the Company for immediate financial support purpose and without related cost, then those grants are recorded in profit or loss in the periods when receivable. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method or recorded as a deduction item to the book value of the asset, and the subsidies are recorded in profit or loss through reduction of depreciation expenses over the useful lives of the assets.

The interest rates of the government loans obtained by the Company are lower than those in the market, the difference in the computed interest between the government loans and the market are recognized as government subsidies.

V. Critical Accounting Judgments and Major Sources of Estimation and Assumption Uncertainty

The Group takes into account the economic impact of changes in climates and related governmental policies and regulations as well as inflation and volatility in interest rate on significant accounting estimates and reviews the basic assumptions and estimation on an ongoing basis. If a change in accounting estimate affects only the current period, the effect is recognized in the current period. If a change in accounting estimate affects both current and future periods, the effects are recognized in both periods.

Critical accounting judgements, estimations, and assumptions adopted in developing the accounting policies when the Company prepares these Parent Company Only Financial Statements are as following :

1. Critical judgements adopted by the accounting policies

(1) Business model determination for classification of financial assets

According to the reflected level of groups of financial assets jointly managed for achieving certain business purposes, the Company assesses the business model to which its financial assets belong. This assessment requires consideration on all relevant evidence, including measurement method for assets performance, risks that affect performance and the approach for determining compensation for the related managers, and requires utilization of judgements. The Company continues to assess whether its judgement for business model is appropriate or not. For this purpose, the Company monitors its financial assets measured at amortized cost that are written off before maturity date and investments in debt instruments measured at FVTOCI, understands whether or not the reason of disposal is consistent with the goal of business model. If it is found that the business model has changed, the Company would reclassify the financial assets according to IFRS 9 and prospectively apply after the reclassification date.

(2) Revenue recognition

According to IFRS 15, the Company determines whether or not the control over the specified goods or services had been obtained by the Company prior to transferring the goods or services to the customers and determines if the Company would be a principal or an agent in the transaction. If it is determined that the Company is an agent in the transaction, then recognize net transaction amount as revenue.

If any one of the following conditions applies, the Company would be a principal :

- A. Before the goods or other assets are transferred to the customers, the Company had obtained the control over the goods or services from another party; or

Financial Status

- B. The Company controls the rights to the services provided by another party and has the ability to direct the party to provide the services to the customers on behalf of the Company ; or
- C. The Company obtains control over the goods or services from another party, combining with other goods or services, to provide specified goods or services to the customers.

Indices used to determine whether or not the Company had obtained control over the goods or services prior to transferring the goods or services to the customers include (but not limited to) :

- (A) The Company bears the main responsibility for the commitment to provide the specified goods or services.
- (B) The Company bears the risk of the inventories before and after the goods or services are transferred to the customers.
- (C) The Company has the discretionary power to determine the price.

(3) Lease period

When determining lease period, the Company considers all relevant facts and conditions that generate economic incentives to exercise (or not to exercise) options, including any anticipated changes to the facts or conditions from the starting date to the execution date of the options. Factors considered include contractual terms and conditions during the contractual period of the options, material leasehold improvement conducted during the contractual period (or expected contractual period), importance of the target assets to the Company's operations, etc. When there is material change in material event or condition within the Company's controlling scope, re-assess the lease period.

2. Critical accounting estimates and assumptions

(1) Revenue recognition

Sales revenue is recognized when the control of goods or services are transferred to the customers and the contractual obligations are satisfied, and the related expected sales return, discount or other similar allowances are subtracted. The sales return and allowances are estimated based on historical experience and other known reasons, and the Company periodically reviews reasonableness of the estimates.

(2) Estimated impairment on financial assets

The assessments of impairment loss on accounts receivable, debt instruments and financial guarantee contracts are based on the Company's assumptions regarding default rate and expected loss ratio. The Company considers past experience,

current market condition and prospective information to make the assumptions and choose the input value for the impairment loss assessment. If the future actual cash flows are less than expected, material impairment loss may result.

(3) Fair value measurement and evaluation procedures

When there are no market quotes in an active market for the assets and liabilities measured at fair value, the Company, according to applicable laws and regulations or its own judgement, determines whether or not to outsource the evaluation work and determine the proper fair-value evaluation technique. If level one input value could not be obtained when estimating the fair value, the Company refers to the financial condition and operating results of the investees, latest transaction prices, quotes in inactive market for the same equity instrument, quotes for similar instruments in active market, evaluation multipliers for comparable companies and other information and determine the input value. If, in the future, the actual changes in input value differ from the expected value, changes in fair value may result. To monitor if the fair-value measurement is appropriate or not, the Company periodically updates the various input value based on market conditions.

(4) Impairment assessment of tangible and intangible asset

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific Company of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future.

(5) Impairment assessment on investments under equity method

When there is sign showing that a particular investment under equity method may already been impaired and the carrying amount could not be recovered, the Company immediately performs impairment assessment on the investment. The Company evaluates the recoverable amount according to the discounted present value of expected future cash flows either from operations of the investee company or from disposal of the investee company, including analyzing reasonableness of the related assumptions.

(6) Realizability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. The Company's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of

Financial Status

expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred income tax assets.

(7) Valuation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value.

(8) Net defined benefit pension plan assets

When calculating the present value of defined pension obligations, the Company uses judgments and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate. Changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligations.

(9) Incremental borrowing interest rate of lessee

When determining the lessee's incremental borrowing interest rate used for discounting lease payments, the risk-free rate under the same currency and relevant period is used as reference benchmark, along with consideration on the lessee's credit risk premium and specific lease adjustment (factors such as pledge of assets).

Financial Status

VI. Description of Significant Accounting Items

1. Cash and cash equivalents

Item	December 31, 2022	December 31, 2021
Cash and petty cash	\$ 1,680	\$ 1,490
Checking account	111,470	66,922
Demand deposits	18,715	34,666
Foreign currency deposits	13,327	1,395
Cash equivalents		
Notes receivables	29,891	-
Total	\$ 175,083	\$ 104,473

Note : (1) The Company conducts businesses with financial institutions with good credit quality, and the Company conducts business with many financial institutions to diversify credit risks. The expected possibility of default is quite low.

(2) The Company does not have any cash and cash equivalents pledged to others.

2. Financial assets measured at FVTPL – current

Item	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss		
Domestic publicly traded shares	\$ 86,516	\$ 108,803

(1) The Company does not pledge any of its financial assets measured at FVTPL.

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

3. Financial assets for hedging - current

Item	December 31, 2022	December 31, 2021
Derivative financial assets for hedging - current		
Forward exchange contract – fair value hedge	\$ 2,154	\$ -

(1) The purpose for adopting hedge accounting is to reduce effects from inconsistent accounting treatments for the hedged items and the hedging instruments. In order to avoid exposure to the foreign-exchange effects from procurement contracts that are not recorded but are confirmed and committed, the Company engages in forward contracts to purchase Australian dollars in advance according to 1 : 1

Financial Status

hedging ratio and control the exchange rates within the Company's tolerable scope.

(2) Transaction information for hedge accounting adopted by the Company :

A. December 31, 2022 :

Hedging instrument	December 31, 2022				Year of 2022	
	Nominal amount (dollar)	Book value of assets	Book value of liabilities	Record changes in fair-value of ineffective hedging basis	Average price or rate	Valuation gain or loss on FVTPL financial assets/liabilities due to ineffective hedging
Fair-value hedging :						
Exchange risk					\$20.645~	
Forward exchange transaction	AUD 5,920,200	\$ 2,154	\$ -	\$ -	\$20.753	\$ -

Hedged item	Book value of assets	Accumulated adjustments on book of assets due to fair-value hedging	Book value of liabilities	Accumulated adjustments on book of liabilities due to fair-value hedging	Record changes in fair-value of ineffective hedging basis	Profit or loss recorded due to ineffective hedging
Fair-value hedging :						
Exchange risk						
Forward exchange transaction	\$ -	\$ -	\$2,154(Note)	\$2,154	\$ -	\$ -

Note : Recorded as other current liabilities.

B. December 31, 2021 : None.

4. Notes receivable, net

Item	December 31, 2022	December 31, 2021
Measured at amortized costs		
Notes receivable	\$ 907,475	\$ 1,418,133
Less : Allowance for losses	(9,076)	(14,181)
Notes receivable, net	\$ 898,399	\$ 1,403,952

(1) As of December 31, 2022 and 2021, the Company has no notes receivable pledged to others.

(2) For disclosures relating to loss allowance for notes receivable, please refer to Note VI-5.

Financial Status

5. Accounts receivable, net

Item	December 31, 2022	December 31, 2021
Measured at amortized costs		
Accounts receivable	\$ 1,204,589	\$ 1,707,454
Construction accounts receivable	1,349,798	1,220,591
Accounts receivable - related parties	901	2,969
Construction accounts receivable - related parties	44,675	-
Less : Allowance for losses	(26,170)	(29,280)
Accounts receivable, net	<u>\$ 2,573,793</u>	<u>\$ 2,901,734</u>

(1) The Company offers average 90 days credit period for accounts receivables from sale of goods. The credit standards are established based on the industrial characteristics, business scale and profitability of the transaction parties.

(2) The Company does not pledge any of its accounts receivable to others.

(3) A. The Company's accounts receivable are measured at amortized costs.

B. The Company adopts the simplified method in recognizing allowance for the uncollectable notes and accounts receivable based on the expected credit loss during the existing period. The expected credit loss during the existing period is the loss rate established after considering the customer's past default records, its present financial and economic conditions, and consideration on business prospect and external credit ratings for adjusting historical and present information. Since the Company's past credit loss experience shows that there was no significant difference in the types of loss among the different groups of customers, the provision matrix does not further distinguish these customer groups but only sets the expected rate of credit loss based on number of overdue days of the accounts receivable.

The Company's loss allowances (including related parties) for notes and accounts receivable (including overdue receivables) measured according to the provision matrix are as following :

December 31, 2022	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	\$3,507,438	\$ 35,246	\$3,472,192
Overdue 1~30 days (Note)	0%-1%	-	-	-
Overdue 31~180 days (Note)	0%-1%	-	-	-
Overdue 181~365 days and over (Note)	100%	34,355	34,355	-
		<u>\$3,541,793</u>	<u>\$ 69,601</u>	<u>\$3,472,192</u>

Financial Status

December 31, 2021	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%-1%	\$4,349,147	\$ 43,461	\$4,305,686
Overdue 1~30 days (Note)	0%-1%	-	-	-
Overdue 31~180 days (Note)	0%-1%	-	-	-
Overdue 181~365 days and over (Note)	100%	34,979	34,979	-
		<u>\$4,384,126</u>	<u>\$ 78,440</u>	<u>\$4,305,686</u>

Note : Based on the company's actual aging analysis schedule.

Expected rates of credit loss for the Company's above aging intervals (excluding abnormal accounts where 100% loss should be recognized): 0% ~ 1% for accounts that are not overdue or overdue within 180 days ; 100% for accounts overdue 181~365 days and over.

C. Movements in loss allowance for notes and accounts receivable (including related parties) :

Item	Year of 2022	Year of 2021
Beginning balance	\$ 78,440	\$ 65,712
Plus : Recognize impairment loss	-	14,361
Less : Reversal of impairment loss	(8,322)	-
Less : Write-offs	-	-
Less : Reversed for uncollectible accounts	(517)	(1,633)
Foreign exchange amount	-	-
Ending balance	<u>\$ 69,601</u>	<u>\$ 78,440</u>

The Company does not hold any collateral or credit enhancement for its accounts receivable.

D. With regards to credit risk management and assessment method, please refer to Note XII.

6. Inventories and cost of goods sold

	December 31, 2022	December 31, 2021
Finished goods	\$ 441,581	\$ 558,623
Work in progress	63,301	52,475
Raw materials	2,856,246	3,760,686
Supplies	8,331	8,536
Inventory in transit	14,544	33,068
Total	<u>\$ 3,384,003</u>	<u>\$ 4,413,388</u>

Financial Status

(1) Operating cost :

Item	Year of 2022	Year of 2021
Cost of sold inventories	\$ 11,073,011	\$ 11,801,330
Construction cost	7,282,068	6,204,593
Processing cost	104,183	109,327
Loss (gain) for market price decline (recovery) of inventories	46,113	37,958
Gain on inventory counts	(197)	2
Income from sale of scraps	(114,088)	(116,057)
Total operating costs	<u>\$ 18,391,090</u>	<u>\$ 18,037,153</u>

(2) The Company either reduces the book value of its inventories to their net realizable value, or records gains due to price recovery of inventories and consumption of stock. In the years of 2022 and 2021, the Company recorded NT\$46,113 thousand and NT\$37,958 thousands of loss for market price decline (gain from price recovery) of inventories, respectively.

(3) The Company does not pledge any of its inventories.

7. Other financial assets - current

Item	December 31, 2022	December 31, 2021
Time deposits over 3 months	\$ 704	\$ 14,544
Funds repatriated under the Repatriated Offshore Funds Act	88,445	79,718
Restricted time deposits	5,253	14,461
Court deposits for false sequestration or provisional injunction of court	970	970
Total	<u>\$ 95,372</u>	<u>\$ 109,693</u>

(1) For the restricted and pledged time deposits and receivable court deposits for false sequestration or provisional injunction, please refer to Note VIII.

(2) Since the Company's time deposits with original maturity date over three months do not meet the definition of cash equivalents, these time deposits are classified under Other financial assets – current and, due to immaterial discount effects from short holding period, measured at investment amount. As of December 31, 2022 and 2021, the range of market interest rates for time deposits with original maturity date over three months was 0.815%~3.95% and 0.80%~0.82%, respectively.

Financial Status

8. Financial assets at fair value through other comprehensive income - noncurrent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Noncurrent items :		
Equity instruments		
Domestic investments		
Listed stocks		
Clientron Corp.	\$ 218	\$ 324
TBI Motion Technology Co., Ltd.	3,645	4,995
China Ecotek Corporation	128,155	119,481
Newmax Technology Co., Ltd.	1,208	1,712
Subtotal	<u>133,226</u>	<u>126,512</u>
Unlisted stocks		
Wabo Global Trading Corporation	6,445	7,654
Tech Alliance Corp.	-	1,915
Pro-Ascentek Investment Corporation	53,754	61,096
Subtotal	<u>60,199</u>	<u>70,665</u>
Foreign investments		
Unlisted stocks		
Chung Mao Trading (BVI) Corporation	-	1,275
China Steel and Nippon Steel Vietnam Joint Stock Company		
Shenzhen Zongmao International Trading Co., Ltd.	2,489	4,385
Subtotal	<u>298,941</u>	<u>310,594</u>
Total	<u>\$ 492,366</u>	<u>\$ 507,771</u>

- (1) The Company makes the above stock investments based on medium-to-long term strategic purposes and expects to earn profits through long-term investments. Since the management of the Company considers that, if short-term fluctuations in fair value of such investments are recorded in profit or loss, it will be inconsistent with the aforementioned long-term investment planning. Therefore, the Company had chosen to designate such investments as measured at FVTOCI.
- (2) As of December 31, 2022 and 2021, the Company did not pledge any of its FVTOCI financial assets.
- (3) For the related credit risk management and evaluation methods, please refer to Note XII.

Financial Status

9. Investments accounted for using equity method

Investees	December 31, 2022	December 31, 2021
Subsidiaries:		
Chun Yuan Investment (Singapore) Pte Ltd.	\$ 2,668,933	\$ 2,705,115
Individually immaterial associates	564,256	519,584
Total	<u>\$ 3,233,189</u>	<u>\$ 3,224,699</u>

(1) Subsidiaries :

A. Regarding information on the Company's subsidiaries, please refer to Note IV-3(2) of the Company's 2022 consolidated financial statements.

B. The Company's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

(2) Associates :

A. The Company's shares of individually immaterial associates are listed below :

Company name	Year of 2022	Year of 2021
Net income (loss)	\$ 200,172	\$ 134,315
Other comprehensive income (loss) (net of tax)	6,774	1,462
Total comprehensive income (loss)	<u>\$ 206,946</u>	<u>\$ 135,777</u>

B. The Company's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

C. In years of 2022 and 2021, the cash dividends that the Company received from the associates accounted for using equity method were NT\$33,791 thousand and NT\$19,786 thousand.

10. Property, plant and equipment

	December 31, 2022	December 31, 2021
Self-use	\$ 4,493,460	\$ 4,466,825
Rent out as operating lease	356,563	364,071
Total	<u>\$ 4,850,023</u>	<u>\$ 4,830,896</u>

(1) Regarding amount of capitalized interests, please refer to Note VI-24.

(2) After the Company performed impairment assessment, as of December 31, 2022 and 2021, there was no sign of impairment.

(3) The Company does not pledge any of its property, plant and equipment.

Financial Status

Self-use		December 31, 2022	December 31, 2021
Item			
Land (Note)		\$ 2,794,911	\$ 2,794,882
Buildings		1,809,834	1,590,871
Machinery equipment		3,042,508	3,000,185
Other equipment		538,651	540,363
Unfinished construction or equipment pending for inspection		514,949	594,875
Total cost		8,700,853	8,521,176
Less : Accumulated depreciation	(4,196,368)	(4,043,326)
Less : Accumulated impairment	(11,025)	(11,025)
Total	\$	4,493,460	\$ 4,466,825

Note : Including land improvements.

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
<u>Cost</u>						
2022.01.01 balance	\$2,794,882	\$1,590,871	\$3,000,185	\$540,363	\$594,875	\$8,521,176
Addition	29	3,145	7,177	6,190	156,577	173,118
Disposal	-	(105)	(6,089)	(15,679)	-	(21,873)
Reclassify	-	215,923	41,235	7,777	(236,503)	28,432
2022.12.31 balance	<u>\$2,794,911</u>	<u>\$1,809,834</u>	<u>\$3,042,508</u>	<u>\$538,651</u>	<u>\$514,949</u>	<u>\$8,700,853</u>
<u>Accumulated depreciation and impairment</u>						
2022.01.01 balance	\$ 24,184	\$1,220,778	\$2,346,405	\$462,984	\$ -	\$4,054,351
Depreciation expense	42	38,528	115,861	20,456	-	174,887
Disposal	-	(105)	(6,083)	(15,657)	-	(21,845)
2022.12.31 balance	<u>\$ 24,226</u>	<u>\$1,259,201</u>	<u>\$2,456,183</u>	<u>\$467,783</u>	<u>\$ -</u>	<u>\$4,207,393</u>

Financial Status

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
<u>Cost</u>						
2021.01.01 balance	\$2,664,975	\$1,546,649	\$2,865,759	\$511,565	\$ 525,956	\$8,114,904
Addition	-	-	15,547	30,678	328,224	374,449
Transferred to assets rented out as operating lease	(7,626)	(34,973)	(10,788)	-	-	(53,387)
Disposal	-	-	(32,721)	(7,488)	-	(40,209)
Reclassify	137,533	79,195	162,388	5,608	(259,305)	125,419
2021.12.31 balance	<u>\$2,794,882</u>	<u>\$1,590,871</u>	<u>\$3,000,185</u>	<u>\$540,363</u>	<u>\$ 594,875</u>	<u>\$8,521,176</u>
<u>Accumulated depreciation and impairment</u>						
2021.01.01 balance	\$ 22,539	\$1,189,648	\$2,269,222	\$450,982	\$ -	\$3,932,391
Depreciation expense	1,645	35,468	110,805	19,458	-	167,376
Disposal	-	-	(32,484)	(7,456)	-	(39,940)
Transferred to assets rented out as operating lease	-	(4,336)	(1,140)	-	-	(5,476)
2021.12.31 balance	<u>\$ 24,184</u>	<u>\$1,220,780</u>	<u>\$2,346,403</u>	<u>\$462,984</u>	<u>\$ -</u>	<u>\$4,054,351</u>

Assets rented out as operating lease

Item	December 31, 2022	December 31, 2021
Land	\$ 306,034	\$ 306,034
Buildings	379,456	379,456
Machinery equipment	95,342	95,342
Total cost	780,832	780,832
Less : Accumulated depreciation	(424,269)	(416,761)
Total	<u>\$ 356,563</u>	<u>\$ 364,071</u>

	Land	Buildings	Machinery equipment	Total
<u>Cost</u>				
2022.01.01 balance	\$ 306,034	\$ 379,456	\$ 95,342	\$ 780,832
Addition	-	-	-	-
Disposal	-	-	-	-
From self-use assets	-	-	-	-
2022.12.31 balance	<u>\$ 306,034</u>	<u>\$ 379,456</u>	<u>\$ 95,342</u>	<u>\$ 780,832</u>
<u>Accumulated depreciation and impairment</u>				
2022.01.01 balance	-	331,072	85,689	416,761
Depreciation expense	-	6,667	841	7,508
Disposal	-	-	-	-
From self-use assets	-	-	-	-
2022.12.31 balance	<u>\$ -</u>	<u>\$ 337,739</u>	<u>\$ 86,530</u>	<u>\$ 424,269</u>

Financial Status

	Land	Buildings	Machinery equipment	Total
<u>Cost</u>				
2021.01.01 balance	\$ 298,408	\$ 344,483	\$ 84,554	\$ 727,445
Addition	-	-	-	-
Disposal	-	-	-	-
From self-use assets	7,626	34,973	10,788	53,387
2021.12.31 balance	<u>\$ 306,034</u>	<u>\$ 379,456</u>	<u>\$ 95,342</u>	<u>\$ 780,832</u>
<u>Accumulated depreciation and impairment</u>				
2021.01.01 balance	\$ -	\$ 318,312	\$ 84,549	\$ 402,861
Depreciation expense	-	8,424	-	8,424
Disposal	-	-	-	-
From self-use assets	-	4,336	1,140	5,476
2021.12.31 balance	<u>\$ -</u>	<u>\$ 331,072</u>	<u>\$ 85,689</u>	<u>\$ 416,761</u>

The Company rents out land, offices and factories, with leasing periods from 1~3 years. All operating lease contracts include clauses that, when lessees exercise the lease-renewal rights, the rents are adjusted according to market rates. When the lease periods are ended, the lessees do not have bargain purchase option toward the assets. The total lease receivable amounts for the property, plant and equipment rented out as operating leases in the future are as below :

	December 31, 2022	December 31, 2021
1 st year	\$ 54,617	\$ 54,619
2 nd year	13,388	53,551
3 rd year	-	13,388
Total	<u>\$ 68,005</u>	<u>\$ 121,558</u>

As of December 31, 2022 and 2021, the market value of the Company's assets rented out as operating leases are still higher than their net book value and are not impaired.

11. Leases

(1) Right-of-use assets

Item	December 31, 2022	December 31, 2021
Land	\$ 4,561	\$ -
Buildings	38,940	38,084
Transportation equipment	3,553	3,467
Total cost	47,054	41,551
Less: Accumulated depreciation	(21,125)	(15,048)
Less: Accumulated impairment	-	-
Net amount	<u>\$ 25,929</u>	<u>\$ 26,503</u>

Financial Status

Cost	Land	Buildings	Transportation equipment	Total
2022.01.01 balance	\$ -	\$ 38,084	\$ 3,467	\$ 41,551
Increase in this period	4,561	6,440	3,553	14,554
Decrease in this period	-	(5,584)	(3,467)	(9,051)
2022.12.31 balance	<u>\$ 4,561</u>	<u>\$ 38,940</u>	<u>\$ 3,553</u>	<u>\$ 47,054</u>
<u>Accumulated depreciation and impairment</u>				
2022.01.01 balance	\$ -	\$ 12,592	\$ 2,456	\$ 15,048
Depreciation expense	760	12,932	1,436	15,128
Written off in this period	-	(5,584)	(3,467)	(9,051)
2022.12.31 balance	<u>\$ 760</u>	<u>\$ 19,940</u>	<u>\$ 425</u>	<u>\$ 21,125</u>

Cost	Land	Buildings	Transportation equipment	Total
2021.1.1 balance	\$ 937	\$ 40,090	\$ 3,467	\$ 44,494
Increase in this period	-	13,639	-	13,639
Decrease in this period	(937)	(15,645)	-	(16,582)
2021.12.31 balance	<u>\$ -</u>	<u>\$ 38,084</u>	<u>\$ 3,467</u>	<u>\$ 41,551</u>
<u>Accumulated depreciation and impairment</u>				
2021.1.1 balance	\$ 345	\$ 11,722	\$ 722	\$ 12,789
Depreciation expense	592	14,082	1,734	16,408
Written off in this period	(937)	(13,212)	-	(14,149)
2021.12.31 balance	<u>\$ -</u>	<u>\$ 12,592</u>	<u>\$ 2,456</u>	<u>\$ 15,048</u>

(2) Lease liabilities

Item	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	<u>\$ 12,597</u>	<u>\$ 12,182</u>
Noncurrent	<u>\$ 13,485</u>	<u>\$ 14,438</u>

Range of discount rates for lease liabilities is shown as below:

	December 31, 2022	December 31, 2021
Land	0.78%	0.78%
Buildings	0.78%	0.78%

Regarding maturity analysis for lease liabilities, please refer to Note XII-2.

(3) Material leasing activities and terms

The Company leases several land, buildings for business use, with leasing periods from 1~8.5 years. The Company has recorded the renewal rights as part of lease liabilities. In addition, according to the contracts, without consent by the lessor, the Company may not sub-lease to third parties. As of December 31, 2022 and 2021, there was no sign of impairment on the right-of-use assets.

Financial Status

(4) Other lease information

A. For the Company's property, plant and equipment rented out as operating leases and agreements for investment properties, please refer to Note VI-10 "Property, plant and equipment".

B. Related lease expense information in 2022 and 2021 :

Item	Year of 2022	Year of 2021
Short-term lease expense	\$ 2,315	\$ 1,328
Lease expense on low-value assets	\$ 1,441	\$ 1,678
Variable lease expense not included in lease liability measurement	\$ -	\$ -
Total cash out-flow of lease (Note)	\$ 19,270	\$ 19,835

Note : Including principal and interest payments for lease liabilities in this period.

C. In 2022 and 2021, the Company has adopted the exemption treatment for short-term leases and low-asset-value leases and does not record the related right-of-use assets and lease liabilities.

12. Short-term borrowings

Nature of borrowing	December 31, 2022	
	Amount	Interest rate
Credit loan	\$ 3,166,000	1.194%~1.85%
Loan for purchasing materials	921,735	1.35%~6.2474%
Total	\$ 4,087,735	

Nature of borrowing	December 31, 2021	
	Amount	Interest rate
Credit loan	\$ 3,929,000	0.522%~0.85%
Loan for purchasing materials	632,383	0.6356%~0.98%
Total	\$ 4,561,383	

The Company does not provide any of its financial assets, factories or equipment as collateral for its short-term borrowings and had issued separate guaranteed notes collaterals. Please refer to Note IX for details.

Financial Status

13. Short-term notes payable

Item	December 31, 2022	December 31, 2021
Commercial papers payable	\$ 1,067,000	\$ 1,429,000
Less : Un-amortized discount	(411)	(122)
Net amount	<u>\$ 1,066,589</u>	<u>\$ 1,428,878</u>
Range of interest rates	<u>1.232%~1.72%</u>	<u>0.252%~0.65%</u>

The commercial papers payable were issued with guarantee by financial security companies, and credit-line promissory noted were provided as commitments to repay the loans. Please refer to Note IX for details.

14. Provisions - current

Item	December 31, 2022	December 31, 2021
Employee benefits	<u>\$ 37,890</u>	<u>\$ 36,924</u>

Item	Year of 2022	Year of 2021
Beginning balance	\$ 36,924	\$ 36,562
Accrued in this period	37,890	36,924
Reversed in this period	(36,924)	(36,562)
Ending balance	<u>\$ 37,890</u>	<u>\$ 36,924</u>

Provision for employee benefits is the estimation for the vested short-term rights of paid leaves by the employees.

15. Long-term borrowings and long-term liabilities due within 1 year or 1 operating cycle

Item	December 31, 2022	December 31, 2021
Un-secured bank loans	\$ 518,750	\$ 137,500
Less : Due within 1 year	(125,000)	(50,000)
Long-term borrowings	<u>\$ 393,750</u>	<u>\$ 87,500</u>
Range of interest rates	<u>1.34%~1.51%</u>	<u>0.98%</u>

The Group provides no financial asset, plant and equipment as the collateral of long-term borrowings. Please refer to Note IX for notes issued for guarantee.

16 Pensions

(1) Defined contribution plan

A. The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Pursuant to the plan, the Company makes monthly

Financial Status

contributions equal to 6% of each individual employee's salary or wage to employees' pension accounts.

B. For the year of 2022 and 2021, according to the contribution rate stipulated by the defined contribution plan, the Company had recognized pension expense of NT\$29,152 thousand and NT\$28,838 thousand, respectively, in the statements of comprehensive income.

(2) Defined benefit plan

A. The Company have a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited in 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 each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The pension fund is managed by the government's designated authorities and the Company has no right to influence their investment strategies.

B. Amounts recognized in the balance sheet for obligations from defined benefit plan are as follows :

Item	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 713, 167	\$ 785, 356
Fair value of plan assets	(703, 645)	(665, 751)
Defined benefit liability (asset), net	\$ 9, 522	\$ 119, 605

Financial Status

C. Movements in net defined benefit liabilities are as follows :

Item	Year of 2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance, January 1, 2022	\$ 785,356	(\$ 665,751)	\$ 119,605
Service cost			
Current service cost	5,443	-	5,443
Interest expense (income)	4,685	(4,032)	653
Recorded in profit or loss	10,128	(4,032)	6,096
Remeasurements			
Plan assets returns (excluding the amount in net interests)	-	(54,795)	(54,795)
Actuarial (gains) losses - experience adjustments	(6,760)	-	(6,760)
Recorded in other comprehensive income (loss)	(6,760)	(54,795)	(61,555)
Contribution by employer	-	(31,972)	(31,972)
Payment for benefits	(75,557)	52,905	(22,652)
Balance, December 31, 2022	\$ 713,167	(\$ 703,645)	\$ 9,522
Item	Year of 2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance, January 1, 2021	\$ 837,735	(\$ 711,718)	\$ 126,017
Service cost			
Current service cost	7,288	-	7,288
Interest expense (income)	2,115	(1,789)	326
Recorded in profit or loss	\$ 9,403	(\$ 1,789)	\$ 7,614
Remeasurements			
Plan assets returns (excluding the amount in net interests)	\$ -	(\$ 11,236)	(\$ 11,236)
Actuarial (gains) losses - experience adjustments	8,197	-	8,197
Recorded in other comprehensive income (loss)	\$ 8,197	(\$ 11,236)	(\$ 3,039)
Contribution by employer	-	(10,987)	(10,987)
Payment for benefits	(69,979)	69,979	-
Balance, December 31, 2021	\$ 785,356	(\$ 665,751)	\$ 119,605

Financial Status

D. Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks :

(A) Investment risk

Through self-investment or management assignment, the Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank savings. However, the distributable amount to the Company's plan assets is at no less than the revenue computed based on the interest rate of 2-year time deposits in local banks.

(B) Interest rate risk

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

(C) Salary risk

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

E. The main actuarial assumptions used were as follows :

Item	Measurement date	
	December 31, 2022	December 31, 2021
Discount rate	1.17%	0.64%
Future salary increase rate	1.50%	1.50%
The weighted average duration of the defined benefit obligation	5.7 years	6.0 years

(A) Assumptions on future mortality experience as of December 31, 2022 and 2021 were set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Financial Status

(B) If there is any reasonable possible change in material actuarial assumption, holding other assumptions constant, would have affected increase (decrease) the defined benefit obligation by the amounts shown below :

Item	December 31, 2022	December 31, 2021
Discount rate		
0.5% increase	(\$ 21,395)	(\$ 23,561)
0.5% decrease	\$ 21,395	\$ 25,131
Future salary increase rate		
0.5% increase	\$ 20,682	\$ 23,561
0.5% decrease	(\$ 19,969)	(\$ 22,775)

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

F. The contribution that the Company expects to make to its defined benefit pension plans and payment in 2023 is NT\$37,278 thousand.

17 Share capital - common shares

(1) Reconciliation of the Company's outstanding common shares and amounts from the beginning to the end of period :

Item	Year of 2022	
	Number of shares (thousands)	Amount
January 1st balance	647,655	\$ 6,476,554
December 31st balance	647,655	\$ 6,476,554

Item	Year of 2021	
	Number of shares (thousands)	Amount
January 1st balance	647,655	\$ 6,476,554
December 31st balance	647,655	\$ 6,476,554

(2) As of December 31, 2022, the Company's authorized capital is NT\$7,000,000 thousand, which is divided into 700,000 thousand shares.

Financial Status

18. Capital surplus

Item	December 31, 2022	December 31, 2021
Consolidation surplus	\$ 148,853	\$ 148,853
Long-term investment	15,627	834
Other	12,698	12,384
Total	\$ 177,178	\$ 162,071

According to the Company Act, in addition to offsetting against accumulated loss, when a company does not have accumulated loss, the capital surplus from additional paid-in capital in excess of par during stock issuance and from gifts received may be distributed to shareholders in form of new shares or cash according to their respective shareholding ratios. And according to the Securities and Exchange Act, when reinvest the above capital surplus as additional capital, the total amount is limited to 10% of the received capital. Unless when profit surplus is insufficient to offset loss, a company shall not replenish with capital surplus. Capital surplus generated from investments accounted for using equity method shall not be used for any purpose.

19. Retained earnings and dividend policy

(1) According to the Company's corporate charter regarding earnings-distribution policies, 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 and special reserve based the amount of stockholders' equity deduction item in the current year. After deducting various reserve items, the remainder, if any, then either to be combined with accumulated earnings from prior years or to be appropriated, shall be proposed by the board of directors and resolved by the stockholders at the stockholders' meeting.

(2) Dividend policy :

The Company is in a matured industry, with stable profitability and robust financial structure. Over many years, the Company commits in diversification and investments in high-value-added steel products and high-tech industry to enlarge its business base. When the board of directors plans for earnings distribution, considering the financial structure, shareholders' equity, stability of dividends, except when capital funds are required, the actual earnings distribution each year accounts for at least 50% of current-year distributable earnings, of which cash dividend should account for no less than 10%.

(3) Except for being used to offset losses or for dividend distribution according to shareholding ratios, legal reserve shall not be used. However, the amount for dividend distribution (including used for issuing new shares or distribution in

Financial Status

cash) from legal reserve is limited to the portion of legal reserve that is over 25% of the total received capital.

(4) Special reserve

A. When the Company distributes earnings, according to the laws and regulations, special reserve needs to be recognized based on the debit balance of other equity items on the balance sheet date of the year. Later when the debit balance of other equity items is reversed, the reversed amount can be included in the earnings available for distribution.

B. In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022, dated March 31, 2021, the amounts previously set aside by the Company as special reserve may be reversed proportionately to distributable retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

Item	December 31, 2022	December 31, 2021
Recorded credit balance of other equity	\$ -	\$ -
Recorded amount due to first adoption of IFRSs	1,324,287	1,324,287
Total	<u>\$ 1,324,287</u>	<u>\$ 1,324,287</u>

(5) The appropriations of 2021 and 2020 earnings have been approved by the shareholders in its meetings in June 2022 and July 2021, respectively. The appropriations and dividends per share were as follows :

Item	Appropriation of Earnings		Dividends Per Share (NT\$)	
	Year of 2021	Year of 2020	Year of 2021	Year of 2020
Legal reserve	\$ 122,941	\$ 51,290		
Cash dividends – common shares	841,952	388,593	\$1.30	\$ 0.60
Total	<u>\$ 964,893</u>	<u>\$ 439,883</u>		

(6) On March 14, 2023, the Company's board of directors proposed the following plan for 2022 earnings distribution :

	Appropriation of Earnings	Dividends Per Share (NT\$)
	Legal reserve	\$ 61,626
Cash dividends – common shares	388,593	\$ 0.60
Total	<u>\$ 450,219</u>	

The proposed 2022 earnings distribution plan is pending to be approved by the shareholders in its meetings in June 2023.

Financial Status

(7) Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

20. Other equity

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2022.01.01 balance	(\$ 276, 124)	(\$ 99, 694)	(\$ 375, 818)
Exchange differences generated from translation of foreign operations - parent company	50, 761	-	50, 761
Unrealized valuation (loss) gain on FVTOCI financial assets	-	(12, 614)	(12, 614)
Disposal of equity instruments measured at FVTOCI	-	60, 283	60, 283
Share of profits of subsidiaries, associates, and joint ventures under equity method	20	(192)	(172)
2022.12.31 balance	(\$ 225, 343)	(\$ 52, 217)	(\$ 277, 560)

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2021.01.01 balance	(\$ 260, 235)	(\$ 160, 624)	(\$ 420, 859)
Exchange differences generated from translation of foreign operations - parent company	(15, 877)	-	(15, 877)
Unrealized valuation (loss) gain on FVTOCI financial assets	-	60, 737	60, 737
Disposal of equity instruments measured at FVTOCI	-	(5, 361)	(5, 361)
Share of profits of subsidiaries, associates, and joint ventures under equity method	(12)	5, 554	5, 542
2021.12.31 balance	(\$ 276, 124)	(\$ 99, 694)	(\$ 375, 818)

21. Operating revenue

Item	Year of 2022	Year of 2021
Revenue from contracts with customers		
Sales revenue	\$ 11, 762, 081	\$ 13, 300, 477
Revenue from construction contracts	7, 785, 724	6, 505, 918
Total revenue from contracts with customers	\$ 19, 547, 805	\$ 19, 806, 395

(1) Sales revenue

The Company's merchandise sales revenue comes from sale of steel and related products, mainly sold to retailers. According to general commercial practices, the Company accepts returned products and refunds the full amount. Considering past experience, the rate of product return does not have material effect on the Company.

(2) Revenue from construction contracts

Revenue from construction contracts of the Company comes from undertaking of steel structure constructions. By referencing the completion progress of the contract activities on the balance sheet date, the Company records revenue and cost, respectively, and the completion progress is measured based on the ratio of actual input cost over the expected total cost.

(3) Breakdown of revenue from contracts with customers

The Company's revenue may be divided into the following major product lines and geographical area :

Year of 2022 :

Major product lines and geographical area	Steel	Construction	Total
<u>Major market area</u>			
Taiwan	\$11,065,950	\$ 7,785,724	\$18,851,674
Asia	696,131	-	696,131
Total	<u>\$11,762,081</u>	<u>\$ 7,785,724</u>	<u>\$19,547,805</u>
<u>Timing for recording revenue</u>			
Contract obligation fulfilled at a point of time	\$11,762,081	\$ -	\$11,762,081
Contract obligation fulfilled along with time	-	7,785,724	7,785,724
Total	<u>\$11,762,081</u>	<u>\$ 7,785,724</u>	<u>\$19,547,805</u>

Year of 2021 :

Major product lines and geographical area	Steel	Construction	Total
<u>Major market area</u>			
Taiwan	\$12,672,223	\$ 6,505,918	\$19,178,141
Asia	628,254	-	628,254
Total	<u>\$13,300,477</u>	<u>\$ 6,505,918</u>	<u>\$19,806,395</u>

Financial Status

Timing for recording revenue			
Contract obligation fulfilled at a point of time	\$13,300,477	\$ -	\$13,300,477
Contract obligation fulfilled along with time	-	6,505,918	6,505,918
Total	\$13,300,477	\$ 6,505,918	\$19,806,395

(4) Contract balance

The Company records notes and accounts receivable, contract assets and contract liabilities related to revenue from contracts with customers are shown as following :

Item	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (including related parties)	\$ 898,399	\$ 1,403,952	\$ 840,777
Accounts receivable (including related parties)	\$ 2,573,793	\$ 2,901,734	\$ 2,286,490
Contract assets - current			
Construction contracts	\$ 3,388,523	\$ 2,750,072	\$ 2,383,549
Contract liabilities - current			
Construction contracts	\$ 363,632	\$ 584,599	\$ 213,011
Sale of merchandise	\$ 27,320	\$ 20,402	\$ 4,081

(5) Changes in contract assets and contract liabilities

Changes in contract assets and contract liabilities mainly come from different timing for fulfillment of contract obligations and payment by customers.

	Year of 2022	Year of 2021
Contract assets		
Change in measurement of completion degree	\$ 638,451	\$ 366,523
Contract liabilities		
Change in measurement of completion degree	(\$ 220,967)	\$ 371,588

Financial Status

(6) Revenue recorded from beginning contract liabilities

	Year of 2022	Year of 2021
Beginning balance of contract liabilities		
Revenue recorded		
Sale of merchandise	\$ 20,338	\$ 4,081
Construction contract	\$ 584,599	\$ 213,011

(7) Unfulfilled customer contracts

As of December 31, 2022 and 2021, the existing periods for the unfulfilled merchandise-sale customer contracts and construction contracts of the Company do not exceed one year or one operating cycle and are expected to be fulfilled with revenue recorded within future one year or one operating cycle.

22. Other income

Item	Year of 2022	Year of 2021
Rental income	\$ 57,846	\$ 57,154
Royalty income	16,730	16,137
Dividend income	20,143	8,115
Commission income	23,801	16,043
Other	47,869	39,046
Total	\$ 166,389	\$ 136,495

23. Other gains and losses

Item	Year of 2022	Year of 2021
Net gain (loss) from FVTPL financial assets	(\$ 22,288)	\$ 42,015
Net foreign exchange gain (loss)	5,949	9,224
Gain on disposal of property, plant and equipment	2,322	3,109
Gain on disposal of investments	-	3,809
Other losses	(5,867)	(9,258)
Total	(\$ 19,884)	\$ 48,899

Financial Status

24. Finance costs

Item	Year of 2022	Year of 2021
Interest expense :		
Bank loans	\$ 70,864	\$ 37,000
Interests from lease liabilities	211	227
Less : Capitalized assets	(9,432)	(8,149)
Finance costs	\$ 61,643	\$ 29,078

25. Employee benefits, depreciation and amortization expense

By nature	Year of 2022		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary	\$ 667,784	\$ 274,976	\$ 942,760
Labor and health insurance	78,937	29,024	107,961
Pension	25,663	9,585	35,248
Directors' compensation	-	7,928	7,928
Other employee benefits	49,927	36,153	86,080
Depreciation expense	178,636	18,887	197,523
Amortization expense	5,354	3,178	8,532
Total	\$ 1,006,301	\$ 379,731	\$ 1,386,032

By nature	Year of 2021		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary	\$ 666,025	\$ 369,971	\$ 1,035,996
Labor and health insurance	78,531	27,872	106,403
Pension	26,411	10,041	36,452
Directors' compensation	-	15,124	15,124
Other employee benefits	48,601	20,162	68,763
Depreciation expense	173,218	18,989	192,207
Amortization expense	2,162	2,452	4,614
Total	\$ 994,948	\$ 464,611	\$ 1,459,559

Financial Status

- (1) Additional information on 2022 and 2021 number of employees and employees benefits :

	Year of 2022	Year of 2021
Number of employees	1, 483	1, 511
Directors who do not hold posts as employees	10	10
Average employee benefits	790	826
Average salary expense	636	686
Adjustment in average salary	-7.29%	11.73%

- (2) Based on the earning before tax and before subtracting compensation to employees and directors, the Company shall allocate not higher than 2% as employees compensation and shall allocate not higher than 1% of annual profits as directors remuneration. In 2022 and 2021, the accrued employees compensation / directors remuneration were NT\$15,855 thousand / NT\$30,247 thousand and NT\$7,928 thousand / NT\$15,124 thousand, respectively, which were accrued based on the aforementioned 2% and 1% of earning before tax. If subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.
- (3) In 2022 and 2021, the board of directors of the Company passed the 2021 and 2020 employees compensation and directors remuneration, and the related amounts recorded in the financial statements :

	Year of 2022		Year of 2021	
	Employees compensation	Directors remuneration	Employees compensation	Directors remuneration
Resolved distribution amount	\$ 15, 855	\$ 7, 928	\$ 30, 247	\$ 15, 124
Recorded in annual financial statements	15, 855	7, 928	30, 247	15, 124
Difference amount	\$ -	\$ -	\$ -	\$ -

- (4) Information on employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors is available from the Market Observation Post System at the website of the TWSE.
- (5) The Company's payroll compensation policies (including directors, supervisors, managers and employees)

Financial Status

A. Principle for payments to general directors and independent directors

The policies for compensation to the payments to ordinary directors and independent directors paid by the Company are stated in the Company's corporate charter and were passed by the Board of Directors. When the directors of the Company carry out their duties, except for traveling expenses according to Article 19 of the corporate charter, their compensation are determined by referencing to the domestic and overseas business standards by the Board of Directors. If the Company has annual profit, then distribute compensation according Article 22 of the Company's corporate charter.

B. Principle for payments to general manager and deputy general manager(s)

The payroll compensation payable to the Company's general manager and deputy general manager(s) include salary, bonus and employees compensation. The Company's policies for proper payroll compensation payments are determined according to their major responsibilities of the duties assumed in the Company, by referencing to peer standards in the industry, by evaluation on the degrees of achieving the goals and contribution, and the annual performance of the Company. The compensation should be sufficient to reflect the responsibilities and risks assumed.

C. Relationship between operating performance and future risks

In the payroll compensation structure, since the bonus and earnings distribution items would vary with the Company's annual operating performance, referencing to the payment standards in the industry, and consideration on changes in the overall economic environment. Therefore, for the compensation paid to the directors, general manager and deputy general managers, the Company had taken into account the positive relationship between the operating performance and future risks to seek for balance between sustainable operation and risk control.

D. Employees payroll policy

The payroll compensation payable to the Company's employees include salary, bonus and employees compensation. The Company's policies for salary and bonus payments are determined according to education degree, work experience, assumed posts in the Company, personal performance and contribution, the Company's annual operating performance, etc. Market payroll standards are also referenced regularly to provide payroll policies that are competitive in the market, while also maintaining equality and motivating payroll policy within the Company.

Financial Status

26. Income tax

(1) Income tax expense :

Item	Year of 2022	Year of 2021
<u>Current-period income tax</u>		
Income tax generated from current-period income	\$ 145,019	\$ 235,650
Deferred income tax related to income tax credits	-	-
Deduction of income tax in Mainland China	(12,834)	
Applicable under the Repatriated Offshore Funds Act	-	8,856
Additional income tax on unappropriated earnings (10 %)	8,052	-
Adjustments in respect of prior years	(1,051)	(2,677)
Total current-period income tax	<u>139,186</u>	<u>241,829</u>
<u>Deferred income tax</u>		
Initially generated or reversal of temporary differences	16,569	4,556
Deferred income tax expense	<u>16,569</u>	<u>4,556</u>
Income tax expense (benefit)	<u>\$ 155,755</u>	<u>\$ 246,385</u>

(2) Income tax (expense) benefit related to other comprehensive income : None.

(3) Reconciliation between income tax (expense) and accounting profit :

Item	Year of 2022	Year of 2021
Income before tax	<u>\$ 768,973</u>	<u>\$1,467,003</u>
Income tax expense at the statutory tax rate	\$ 153,795	\$ 293,401
Income tax affected by adjustment items:		
Effects from items not included when computing income tax		
Net investment loss (income) under equity method	(18,519)	(44,435)
Valuation loss (gain) on financial assets	4,457	(8,403)
Loss on expected credit impairment	19	479
Tax-exempt income	(3,881)	(2,385)
Investment loss	(472)	1,072
Other adjustments	9,619	(4,079)
Adjustments in respect of prior years	(1,051)	(2,677)
Deduction of income tax in Mainland China	(12,833)	-
Additional income tax on unappropriated earnings (10 %)	8,052	-
Applicable under the Repatriated Offshore Funds Act	-	8,856
Net changes in deferred income tax	16,569	4,556
Income tax expense recognized in profit or loss	<u>\$ 155,755</u>	<u>\$ 246,385</u>

Financial Status

The income tax rate for the Company entities under the tax laws of Republic of China is 20%, and the applicable tax rate on unappropriated earnings is 5% ; the tax amounts generated in other regions are computed according to the applicable tax rates in respective regions.

Under the revised Statute for Industrial Innovation published by the President Office on July 2019, starting from year of 2018, the unappropriated retained earnings that are used to build or acquire certain assets or technology, when reaching certain amount, may be included as a deduction item in computing unappropriated retained earnings. When the Company computes taxes on unappropriated retained earnings, only the portion of capital expenditures actually used for substantial investments was deducted.

According to the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, which was effective since August 15, 2019, the Company had applied and was granted permission to repatriate offshore (including Mainland China area) funds within statutory deadline. Beginning from the above effective date of the Act, the applicable tax rate (on the repatriated offshore funds) for the 1st year was 8%, then 10% for the 2nd year, and regular income tax regulations does not apply; After the funds are repatriated, within 1 year, they may be used in substantial investments after application with the Ministry of Economic Affairs and enjoy 50% favorable tax refund if the substantial investments are completed within deadline.

- (4) Deferred income tax assets or liabilities generated from temporary differences, operating loss carryover, and investment credits :

Item	Year of 2022				
	Beginning balance	Recorded in profit or loss	Recorded in Other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Estimated engineering cost exceeding amount in the contract	\$ 91,617	(\$ 4,258)	\$ -	\$ -	\$ 87,359
Defined benefit liability, net	14,162	(9,705)	-	-	4,457
Unused paid leaves	7,385	193	-	-	7,578
Other	2,285	-	-	-	2,285
Subtotal	115,449	(13,770)	-	-	101,679
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(373)	(2,799)	-	-	(3,172)
Reserve for unrealized land value increment	(808,969)	-	-	-	(808,969)
Subtotal	(809,342)	(2,799)	-	-	(812,141)
Total	(\$ 693,893)	(\$ 16,569)	\$ -	\$ -	(\$ 710,462)

Financial Status

Item	Year of 2021				Ending balance
	Beginning balance	Recorded in profit or loss	Recorded in Other comprehensive income (loss)	Exchange effects	
Deferred income tax assets:					
Temporary differences					
Estimated engineering cost exceeding amount in the contract	\$ 95,713	(\$ 4,096)	\$ -	\$ -	\$ 91,617
Defined benefit liability, net	14,837	(675)	-	-	14,162
Unused paid leaves	7,312	73	-	-	7,385
Other	2,811	(526)	-	-	2,285
Subtotal	<u>120,673</u>	<u>(5,224)</u>	<u>-</u>	<u>-</u>	<u>115,449</u>
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(515)	142	-	-	(373)
Reserve for unrealized land value increment	(808,969)	-	-	-	(808,969)
Other	(526)	526	-	-	-
Subtotal	<u>(810,010)</u>	<u>668</u>	<u>-</u>	<u>-</u>	<u>(809,342)</u>
Total	<u>(\$ 689,337)</u>	<u>(\$ 4,556)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 693,893)</u>

(5) Items not recognized as deferred income tax assets : None.

(6) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(7) The 2021 corporate income tax had been filed within deadline and is currently under review by the Tax Authority.

Financial Status

27. Other comprehensive income or loss

Item	Year of 2022		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit liability	\$ 61,555	\$ -	\$ 61,555
Unrealized valuation gain (loss) on FVTOCI financial assets	(12,614)	-	(12,614)
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Remeasurements of defined benefit liability	1,763	-	1,763
Unrealized valuation gain (loss) on FVTOCI financial assets	(192)	-	(192)
Subtotal	50,512	-	50,512
Items that may be subsequently reclassified to profit or loss :			
Exchange difference on translation of foreign financial statements	50,761	-	50,761
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Exchange difference on translation of foreign financial statements	20	-	20
Subtotal	50,781	-	50,781
Recorded in other comprehensive income (loss)	\$101,293	\$ -	\$101,293
Item	Year of 2021		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit liability	\$ 3,039	\$ -	\$ 3,039
Unrealized valuation (loss) gain on FVTOCI financial assets	60,737	-	60,737
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Remeasurements of defined benefit liability	396	-	396
Unrealized valuation (loss) gain on FVTOCI financial assets	5,554	-	5,554
Subtotal	69,726	-	69,726
Items that may be subsequently reclassified into profit or loss :			
Exchange differences on translation of foreign financial statements	(15,877)	-	(15,877)
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Exchange differences on translation of foreign financial statements	(12)	-	(12)
Subtotal	(15,889)	-	(15,889)
Recorded in other comprehensive income (loss)	\$ 53,837	\$ -	\$ 53,837

Financial Status

28. Earnings per share

	Year of 2022	Year of 2021
A. Basic earnings per share :		
Net income in the current period (A)	\$ 613,218	\$1,220,618
Weighted-average outstanding number of shares (thousands) in the current period	647,655	647,655
Weighted-average outstanding number of shares (thousands) after retrospective adjustment (B)	647,655	647,655
Basic earnings per share (after tax) (NTD) (A)/(B)	\$ 0.95	\$ 1.88
B. Diluted earnings per share :		
Net income in the current period (C)	\$ 613,218	\$1,220,618
Weighted-average outstanding number of shares (thousands) in the current period	647,655	647,655
Effects from employees compensation	994	1,246
Weighted-average outstanding shares for computing diluted earnings per share (thousand shares) (D)	648,649	648,901
Diluted earnings per share (after tax) (NTD) (C)/(D)	\$ 0.95	\$ 1.88

If the Company may choose to distribute employees compensation either in stocks or in cash, then when computing diluted earnings per share, assuming that employees compensation will be distributed in stocks and the potential common shares have dilution effects, the stocks are included in the weighted-average outstanding number of shares for computing diluted earnings per share. When computing diluted earnings per share before resolution to distribute employees compensation in the next year, such dilution effects from the potential common shares are continuously taken in to consideration.

29. Reconciliation of liabilities from financing activities

Item	January 1, 2022	Cash flow	Non-cash movements	
			Other non-cash movements	December 31, 2022
Short-term borrowings	\$ 4,561,383	(\$ 473,648)	\$ -	\$ 4,087,735
Short-term notes payable	1,428,878	(362,000)	(289)	1,066,589
Long-term borrowings (including borrowings due within 1 year)	137,500	381,250	-	518,750
Guarantee deposits received	13,892	(150)	-	13,742
Lease liabilities	26,620	(15,303)	14,765	26,082
Total liabilities from financing activities	\$ 6,168,273	(\$ 469,851)	\$ 14,476	\$ 5,712,898

Financial Status

Item	January 1, 2021	Cash flow	Non-cash movements	
			Other non-cash movements	December 31, 2021
Short-term borrowings	\$ 2,885,309	\$ 1,676,074	\$ -	\$ 4,561,383
Short-term notes payable	741,855	687,000	23	1,428,878
Long-term borrowings (including borrowings due within 1 year)	-	137,500	-	137,500
Guarantee deposits received	12,187	1,705	-	13,892
Lease liabilities	31,790	(16,602)	11,432	26,620
Total liabilities from financing activities	\$ 3,671,141	\$ 2,485,677	\$ 11,455	\$ 6,168,273

30. Disposal of subsidiary - Xiamen Chun Yuan

On December 8, 2020, the Group's extraordinary board of directors' meeting passed a resolution to transfer its indirectly-invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd., with the transfer registration been completed in November 2022, and the Company lost control over the subsidiary.

(1) Analysis for lost-of-control assets and liabilities on the date of loss of control

Item	Amount
Current assets	
Cash and cash equivalents	\$ 7,402
Other	70
Noncurrent assets	
Property, plant and equipment	113,284
Right-of-use assets	19,990
Other	46,542
Current liabilities	
Accounts payable	(10)
Other payables	(114,416)
Noncurrent liabilities	-
Net assets disposed	\$ 72,862

(2) Gain or loss from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 75,306
Less : Net assets disposed	(72,862)
Less : Exchange differences from translation of foreign operations	(6,976)
Plus : Non-controlling interests	28,416
Gain from disposal of subsidiary	\$ 23,884

Financial Status

(3) Net cash flows from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 75,306
Less : Balance of disposed cash and cash equivalents	(7,402)
Net cash inflow from disposal of subsidiary	\$ 67,904

31. Disposal of subsidiary - Shanghai Chun Yuan Steel Industry Co., Ltd.

On November 5, 2021, the Group's Board of Directors passed a resolution for the early cessation of the operation of Shanghai Chun Yuan Steel Industry Co., Ltd. and adopted the following procedures of dissolution with the dissolution completed at July 25, 2022 and the registration canceled at September 6, 2022.

(1) Analysis for lost-of-control assets and liabilities on the date of loss of control

Item	Amount
Current assets	
Cash and cash equivalents	\$ 218,217
Net assets disposed	\$ 218,217

(2) Gain or loss from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 174,574
Less : Net assets disposed	(218,217)
Less : Exchange differences from translation of foreign operations	(7,584)
Plus : Non-controlling interests	43,643
Gain from disposal of subsidiary	(\$ 7,584)

(3) Net cash flows from disposal of subsidiary

Item	Amount
Gross consideration received	\$ 174,574
Less : Balance of disposed cash and cash equivalents	(218,217)
Net cash outflow from disposal of subsidiary	(\$ 43,643)

Financial Status

VII. Related Party Transactions

1. Parent company and ultimate controller:

The Company is the ultimate controller of the Group.

2. Name of related party and relationship

Name of related party	Relationship with the Company
Chun Shyang Shin Yeh Industry Co., Ltd. (“Chun Shyang Shin Yeh”)	Associate
Chun Yuan Construction Co., Ltd. (“Chun Yuan Construction”)	Associate
Sinkang Industries Co., Ltd. (“Sinkang Industries”)	Other related party
Yung Kuang Hwa Metal Industrial Co., Ltd. (“Yung Kuang Hwa”)	Other related party
Taiwan Steel Tower Co., Ltd. (“Taiwan Steel Tower”)	Other related party
Chun Yuan Investment (BVI) Co, Ltd. (“BVI Chun Yuan”)	Subsidiary
Chun Yuan Investment (Singapore) Pte Ltd. (“Chun Yuan Singapore”)	Subsidiary
Shanghai Huateng Metal Processing Co., Ltd. (“Shanghai Huateng”)	Subsidiary
Xiamen Chun Yuan Precision Mechatronic Co., Ltd. (“Xiamen Chun Yuan”) Note 1	Subsidiary
Shenzhen Hong Yuan Metal Industry Co., Ltd. (“Shenzhen Hong Yuan”)	Subsidiary
Qingdao Chun Yuan Precision Mechatronic Co., Ltd. (“Qingdao Chun Yuan”)	Subsidiary
Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Subsidiary

Note 1 : The subsidiary of the Company, Chun Yuan Investment (Singapore) Pte Ltd., had disposed all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. on November 26, 2021. Therefore, Xiamen Chun Yuan is no longer the Company’s subsidiary since that date.

3. Significant transactions with related parties

(1) Purchases

Item	Related party category / Name	Year of 2022	Year of 2021
Purchases	Associate	\$ 1,467	\$ 1,520
	Subsidiary	-	953
	Other related party		
	Sinkang Industries	9,834	8,054
	Yung Kuang Hwa	66,450	107,434
	Taiwan Steel Tower	2,706	43
	Total		\$ 80,457

Note : The transaction terms (price, payment) for the above purchases are the same as those of general non-related parties.

Financial Status

(2) Operating revenue

Item	Related party category / Name	Year of 2022	Year of 2021
Sales revenue	Associate	\$ 3,905	\$ 1,850
	Subsidiary	15,727	13,191
	Total	\$ 19,632	\$ 15,041

Note : The transaction terms (price, receipt) for the above sales are the same as those of general non-related parties, with around 3 months of collection period.

Item	Related party category / Name	Year of 2022	Year of 2021
Construction revenue	Associate - Chun Yuan Construction	\$ 693,890	\$ 187,209

The Company signed construction contract with the above related party according to the agreed prices and collection deadline under the contract, However, the collections may be postponed after agreement by both sides.

Item	Related party category / Name	Year of 2022	Year of 2021
Processing revenue	Associate	\$ 7,948	\$ 7,367
	Other related party	314	749
	Total	\$ 8,262	\$ 8,116

(3) Property transactions

Acquisition of property, plant and equipment

Related party category / Name	Consideration received	
	Year of 2022	Year of 2021
Associate - Chun Yuan Construction	\$ 51,841	\$ 161,388
Other related party-Yung Kuang Hwa	1,680	3,395
Total	\$ 53,521	\$ 164,783

- A. On July 3, 2019, the board of directors of the Company reviewed and passed the resolution to engage Chun Yuan Construction Co., Ltd. for construction of the new employees dormitory in the Longtan factory and had signed the construction contract with Chun Yuan Construction Co., Ltd. on September 10, 2019, with total construction price of NT\$72,670 thousand. In March 2021, additional NT\$253 thousand was added to the total construction price ; As of December 31, 2021, the amount of accumulated payments was \$72,923 thousand. The construction is complete at the second half of August, 2021.

Financial Status

- B. On August 7, 2019, the board of directors of the Company reviewed and passed the resolution to build new factory in Sin Ji Industrial Park in Tainan (with total planned expenditure of NT\$181,825 thousand), of which Chun Yuan Construction Co., Ltd. was engaged for part of the construction, and the construction amount attributed to Chun Yuan Construction Co., Ltd. was NT\$144,334 thousand with additional payments of NT\$1,281 attended in April, 2022 ; As of December 31, 2022 and 2021, the amount of accumulated payments was NT\$145,399 thousand and NT\$129,718 thousand, respectively. The construction is complete in September, 2022.
- C. On July 31, 2020, the board of directors of the Company passed the resolution to engage Chun Yuan Construction Co., Ltd. for building main body of the Sanchong office building and had signed the construction contract with Chun Yuan Construction Co., Ltd. on August 21, 2020, with total construction price of NT\$795,000 thousand with additional payments of NT\$6,600 and of NT\$6,600 attended in August, 2021 and April, 2022, separately ; As of December 31, 2022 and 2021, the amount of accumulated payments was NT\$186,105 thousand and NT\$149,945 thousand, respectively.

(4) Various expenses

Related party category / Name	Year of 2022	Year of 2021	Nature of transaction
Associate	\$ 633	\$ 572	Finance costs
Associate	48	303	Other expense
Other related party	187	232	Processing expense
Other related party	19	51	Other expense
Total	\$ 887	\$ 1,158	

Financial Status

(5) Lease agreements (lessee):

Item	Related party category	December 31, 2022	December 31, 2021
Right-of-use assets	Associate	\$ 2,700	\$ 610
	Other related party	1,623	3,245
	Total	<u>\$ 4,323</u>	<u>\$ 3,855</u>

Item	Related party category	December 31, 2022	December 31, 2021
Lease liabilities	Associate	\$ 2,705	\$ 616
	Other related party	1,635	3,258
	Total	<u>\$ 4,340</u>	<u>\$ 3,874</u>

Item	Related party category	Year of 2022	Year of 2021
Interest expense	Associate	\$ 9	\$ 9
	Other related party	19	31
	Total	<u>\$ 28</u>	<u>\$ 40</u>

(6) Other income

Related party category / Name	Year of 2022	Year of 2021	Nature of transaction
Associate	\$ 8,953	\$ 8,611	Other income
Associate - Chun Shyang Shin Yeh	53,617	53,456	Rental income
Associate - Chun Yuan Construction	1,964	1,962	Rental income
Associate	-	2	Interest income
Other related party	94	552	Other income
Subsidiary - Shanghai Huateng	6,142	5,398	Royalty income
Subsidiary - Xiamen Chun Yuan	-	1,251	Royalty income
Subsidiary - Shenzhen Hong Yuan	4,914	4,678	Royalty income
Subsidiary - Qingdao Chun Yuan	5,675	4,811	Royalty income
Total	<u>\$ 81,359</u>	<u>\$ 80,721</u>	

A. The above rental prices are determined by referencing the market prices and after negotiation between the parties, and the rents are collected monthly or quarterly, of which the main contents of the lease contracts with Chun Yuan Construction and with Chun Shyang Shin Yeh are shown as following :

Financial Status

Lease subject	Year of 2022	
	Lease period / Monthly rents	Amount
Chun Yuan Construction :		
No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	2021. 7. 1~2022. 6. 30/74	\$ 1, 964
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2022. 7. 1~2023. 6. 30/74	
	2021. 8. 1~2022. 7. 31/87	
	2022. 8. 1~2023. 7. 31/87	
8F., No. 502, Fuxing N. Rd., Taipei City	2021. 6. 1~2022. 5. 31/3	
	2022. 6. 1~2023. 5. 31/3	
Chun Shyang Shin Yeh :		
Longtan land, factory and equipment	2021. 4. 1~2024. 3. 31/4, 463	53, 617
		\$ 55, 581

Lease subject	Year of 2021	
	Lease period / Monthly rents	Amount
Chun Yuan Construction :		
No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	2020. 7. 1. ~2021. 6. 30. /74	\$ 1, 962
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2021. 7. 1. ~2022. 6. 30. /74	
	2020. 8. 1. ~2021. 7. 31. /87	
	2021. 8. 1. ~2022. 7. 31. /87	
8F., No. 502, Fuxing N. Rd., Taipei City	2020. 6. 1. ~2021. 5. 31. /3	
	2021. 6. 1. ~2022. 5. 31. /3	
Chun Shyang Shin Yeh :		
Longtan land, factory and equipment	2019.4.1.~2021.3.31./3,636	53, 456
	2021.4.1.~2024.3.31./4,463	
	2020.4.1.~2021.3.31./284	
	2019.4.1.~2021.3.31./490	
		\$ 55, 418

(7) Ending balances of receivables (payables)

Item	Related party category / Name	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiary	\$ 814	\$ 1, 932
Accounts receivable	Associate - Chun Shyang Shin Yeh	87	958
Accounts receivable	Other related party	-	79
Construction accounts receivable	Associate - Chun Yuan Construction	44, 675	-
Total		45, 576	2, 969
Less : Allowance for losses		-	-
Net amount		\$ 45, 576	\$ 2, 969

As of December 31, 2022 and 2021, the recorded allowance for losses on the above receivables from related parties were both zero.

Financial Status

Item	Related party category / Name	December 31, 2022	December 31, 2021
Other receivables	Associate	\$ 2,507	\$ 3,001
Other receivables	Other related party - Sinkang Industries	-	1
Other receivables	Other related party - Taiwan Steel Tower	1	1
Other receivables	Subsidiary - Shenzhen Hong Yuan	-	6,836
Other receivables	Subsidiary - Shanghai Huateng	6,163	5,023
Other receivables	Subsidiary - Shenzhen Chun Yuan	6,426	4,138
		<u>\$ 15,097</u>	<u>\$ 19,000</u>

As of December 31, 2022 and 2021, the allowance for losses on the above other receivables were zero for both years.

Item	Related party category / Name	December 31, 2022	December 31, 2021
Accounts payable	Associate	\$ 6,717	\$ 4,241
Accounts payable	Other related party	3,134	4,216
Accounts payable	Subsidiary	-	7
Notes payable	Other related party	2,711	16,897
Total		<u>\$ 12,562</u>	<u>\$ 25,361</u>

Item	Related party category / Name	December 31, 2022	December 31, 2021
Guarantee deposits received	Associate - Chun Shyang Shin Yeh	\$ 8,925	\$ 8,925
Guarantee deposits received	Associate - Chun Yuan Construction	148	148
Total		<u>\$ 9,073</u>	<u>\$ 9,073</u>

(8) Contract assets (receivables for construction contracts) and Contract liabilities (payables for construction contracts)

Item	Related party category / Name	December 31, 2022	December 31, 2021
Contract assets	Associate - Chun Yuan Construction	\$ 275,851	\$ 305,464

Note : Contract assets (price, receipt) for the above purchases are the same as those of general non-related parties.

Financial Status

Item	Related party category / Name	December 31, 2022	December 31, 2021
Contract liabilities	Associate - Chun Yuan Construction	\$ 6,292	\$ 3,198

Note : Contract liabilities (price, payment) for the above purchases are the same as those of general non-related parties.

(9) Financing : Please refer to Note XIII-1(1).

(10) Endorsements and guarantees : Please refer to Note XIII-1(2).

4. Key management compensation

Related party category / Name	Year of 2022	Year of 2021
Salary and other short-term employee benefits	\$ 45,367	\$ 62,246
Post-retirement benefits	191	174
Total	\$ 45,558	\$ 62,420

Financial Status

VIII. Pledged Assets

1. Pledged time deposits

Item	Purpose of pledge	December 31, 2022	December 31, 2021
Time deposit at First Bank - Minquan Branch	Guarantee deposit for construction	\$ 563	\$ 557
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for use of land	-	4,061
Time deposit at Chang Hwa Bank - Peimen Branch	Guarantee deposit for construction	591	586
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for construction	4,099	9,257
Total		<u>\$ 5,253</u>	<u>\$ 14,461</u>

2. Other pledged assets

Name of pledged asset	Purpose of pledge	December 31, 2022	December 31, 2021
Reserved deposit	Deposits for false sequestration or provisional injunction	\$ 970	\$ 970

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

- To secure loan facilities, offering fulfillment or warranty guarantees for construction contracts, as of December 31, 2022 and 2021, the Company issued guarantee notes of NT\$16,640,020 thousand and NT\$14,350,374 thousand, respectively, and are recorded as Guarantee notes deposits and Guarantee notes payable.
- To secure fulfillment guarantees for construction contracts, as of December 31, 2022 and 2021, the Company received guarantee notes of NT\$50,502 thousand and NT\$30,531 thousand, respectively, and are recorded as Guarantee notes deposits received and Guarantee notes receivable.
- As of December 31, 2022 and 2021, the details of the Company's issued yet unused letters of credit are as following :

Item	Unit : thousand dollars			
	December 31, 2022		December 31, 2021	
Balance of letters of credit	NTD	506,568	NTD	1,044,953
	USD	1,877	USD	5,106
	AUD	9,430	AUD	-

X. Significant Disaster Losses : None.

XI. Significant Subsequent Events : None.

Financial Status

XII. Other

1. Capital risk management

Since the Company needs to maintain significant capital to pay for the needs of expansion, improving factories and equipment, the Company manages to ensure sufficient financial resources and operating plans required to satisfy the needs of operating funds, capital expenditures, research expenditures, repayment of debts, dividend payments, etc. in the coming 12 months.

2. Financial instruments

(1) Financial risk of financial instruments

A. Financial risk management policies

The Company's daily activities are exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. In order to reduce the related financial risks, the Company's overall risk management strategy focuses on identifying, assessment and avoiding uncertainties of markets in order to mitigate potential adverse effects on the Company's financial performance from market fluctuations.

The Company's material financial activities are reviewed and approved by the Board of Directors in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

B. Nature and degree of material financial risks

(A) Market Risk

a. Exchange rate risk

The Company is exposed to exchange rate risks from sales, purchases, borrowing transactions in non-functional currencies and from net investments in foreign operations. The Company's functional currency is mainly in NTD. Part of the Company's foreign-currency receivables and payables are in the same currency, where hedge effects would naturally take place. Since the net investments in foreign operations are strategic investments, the Company does not perform hedging for the investments.

The Company assigns the current portion of the foreign exchange forward contracts to avoid exchange rate risks, with the adopted hedge ratio of 1:1, and most of the contract due dates are within 1 year from the reporting date. The future portion of the foreign exchange forward contracts is not assigned as hedge instrument, but is recorded as a standalone hedge cost as a component "Other

Financial Status

equity – gains or losses of hedge instruments” under equity. The Company’s policy is to request that the critical articles of the foreign exchange forward contracts shall match with the hedged items.

Using the exchange rates, amounts and timing of the cash flows as basis, the Company determines whether or not the economic relationships between the hedged items and the hedge instruments exists. The Company uses virtual derivative instrument method to assess if the assigned derivative instruments in each hedge relationship are expected or could actually and effectively offset changes in the cash flows of the hedged items.

In the above hedge relationship, the major sources of ineffective hedges are :

Effects of credit risks of the transaction counterparties and the Company on the fair value of the foreign exchange forward contracts. Because changes in fair value of the hedged items are due to changes in exchange rates of the hedges cash flows, and do not reflect the effects from the above-mentioned credit risks and changes in the timing of the cash flows from the hedged transactions.

b. Exposure to exchange rates and sensitivity analysis

	December 31, 2022					
	Book value			Sensitivity analysis		
	Foreign currency	Exchange rate	(NTD)	Change scale	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 7,004	30.71	\$ 215,101	Appreciate 1%	\$ 1,721	\$ -
<u>Long-term investments accounted for using equity method</u>						
USD:NTD	86,908	30.71	2,668,933	Appreciate 1%	-	21,351
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	7,288	30.71	223,811	Appreciate 1%	1,790	-

Financial Status

	December 31, 2021					
	Foreign currency	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Change scale	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 8,768	27.68	\$ 242,703	Appreciate 1%	\$1,942	\$ -
Long-term investments accounted for using equity method						
USD:NTD	97,728	27.68	2,705,115	Appreciate 1%	-	21,641
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	7,914	27.68	219,058	Appreciate 1%	1,752	-

After assessment, there is no material effect on exchange gains or losses from fluctuations in exchange rates of the Company's monetary items.

c. Price risk

The Company is exposed to price risk of equity instruments since the Company holds investments in equity instruments. These equity instrument investments are classified either as FVTPL financial assets or financial assets measured at FVTOCI.

The Company mainly invests in domestic listed equity instruments, and the prices of such equity instruments would be affected by uncertainty of future value of such instruments. If the prices of equity instruments had increased or decreased by 1%, the after-tax income / other comprehensive income for 2022 and 2021, through increase or decrease in fair value of FVTPL financial assets, would have increased (decreased) by NT\$865 thousand / NT\$1,088 thousand and NT\$1,332 thousand / NT\$1,265 thousand, respectively.

Financial Status

d. Interest rate risk

(a) Overview of the Company's interest-bearing financial instruments on the reporting date :

Item	Book value	
	December 31, 2022	December 31, 2021
Interest rate risk on fair value :		
Financial assets	\$ 124,293	\$ 108,723
Financial liabilities	(5,673,074)	(6,127,761)
Net amount	(5,548,781)	(6,019,038)
Interest rate risk on cash flows :		
Financial assets	32,042	36,061
Financial liabilities	-	-
Net amount	\$ 32,042	\$ 36,061

(b) Sensitivity analysis for Interest rate risk on fair value :

The Company does not classify any financial assets and liabilities with fixed interest rates to FVTPL financial assets or FVTOCI financial assets, nor does the Company designate any derivative instrument (interest rate swap) as hedge instrument under the fair-value hedge accounting model. Therefore, the changes in interest rates on the reporting date will not affect profit or loss and other comprehensive income.

(c) Sensitivity analysis for Interest rate risk on cash flows :

The Company's financial instruments with variable interest rates are assets (liabilities) with floating interest rates, and their effective interest rates will change along with fluctuations in market interest rates, which then make the Company's future cash flows fluctuate. If the market interest rate increases by 1%, the Company's 2022 and 2021 net income will increase by NT\$256 thousand and NT\$288 thousand, respectively.

(B) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily bank deposits and various financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business-related credit risk

In order to maintain the credit quality of trade receivables, the Company has established procedures for credit risk management related to business operations. Risk evaluation for individual

customer is performed taking into account various factors that may affect the customer's payment ability, including the customer's financial condition, internal credit ratings of the Company, historical transaction records, current economic conditions, etc. .

b. Financial credit risk

The Company's exposure to financial credit risk pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company's treasury function. The Company only transacts with creditworthy counterparties, banks, financial institutions with investment grade, companies and government agencies; therefore, no material concern on fulfillment of contracts, thus there is no material credit risk. In addition, the Company does not classify any financial instrument as measured at amortized cost or as FVTOCI debt instruments.

(a) Credit concentration risk

As of December 31, 2022 and 2021, the Company's top 10 customers account for 42.67% and 27.20% of the Company's total accounts receivables, respectively, and the credit concentration risk for the rest of accounts receivable is relatively insignificant.

(b) Measurement of expected credit impairment loss

①Accounts receivable : Simplified method is adopted, please refer to Note VI-5.

②Basis for determining whether or not credit risk increases significantly : None. (The Company does not have any financial instrument classified as measured at amortized cost or FVTOCI debt instruments)

(c) The Company does not hold any collateral or other credit-enhancing securities to avoid credit risk related to financial assets.

c. Liquidity risk

(a) Liquidity risk management

The objective of the Company's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Company has sufficient financial flexibility for its operations.

Financial Status

(b) Aging analysis for financial liabilities :

Non-derivative financial liabilities	December 31, 2022					Contract cash flows	Book value
	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years		
Short-term borrowings	\$ 4,095,725	\$ -	\$ -	\$ -	\$ -	\$4,095,725	\$4,087,735
Short-term notes payable	1,067,000	-	-	-	-	1,067,000	1,066,589
Notes payable	4,589	-	-	-	-	4,589	4,589
Notes payable - related parties	2,711	-	-	-	-	2,711	2,711
Accounts payable	817,846	-	-	-	-	817,846	817,846
Accounts payable - related parties	9,851	-	-	-	-	9,851	9,851
Other payables	394,823	-	-	-	-	394,823	394,823
Long-term borrowings (including those due within 1 year)	66,121	65,698	98,797	302,025	-	532,641	518,750
Guarantee deposits received	13,742	-	-	-	-	13,742	13,742
Total	\$ 6,472,408	\$65,698	\$98,797	\$302,025	\$ -	\$6,938,928	\$6,916,636

Additional information for analysis on due dates of lease liabilities :

Lease liabilities	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total undiscounted lease payments	Book value
		\$ 12,744	\$13,591	\$ -	\$ -	\$ -	\$ 26,335

Non-derivative financial liabilities	December 31, 2021					Contract cash flows	Book value
	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years		
Short-term borrowings	\$ 4,563,073	\$ -	\$ -	\$ -	\$ -	\$ 4,563,073	\$ 4,561,383
Short-term notes payable	1,429,000	-	-	-	-	1,429,000	1,428,878
Notes payable	4,661	-	-	-	-	4,661	4,661
Notes payable - related parties	16,897	-	-	-	-	16,897	16,897
Accounts payable	952,932	-	-	-	-	952,932	952,932
Accounts payable - related parties	8,464	-	-	-	-	8,464	8,464
Other payables	431,161	-	-	-	-	431,161	431,161
Other payables – related parties	50,570	87,920	-	-	-	138,490	137,500
Guarantee deposits received	13,891	-	-	-	-	13,891	13,891
Total	\$ 7,470,649	\$ 87,920	\$ -	\$ -	\$ -	\$ 7,558,569	\$ 7,555,767

Additional information for analysis on due dates of lease liabilities :

Lease liabilities	< 1 year	1-5 years	5-10 years	10-15 years	> 15 years	Total undiscounted lease payments	Book value
		\$ 12,333	\$ 14,551	\$ -	\$ -	\$ -	\$ 26,884

The Company does not expect early realization or significant difference in the actual cash flows in the analysis.

Financial Status

(2) Types of financial instruments

As of December 31, 2022 and 2021, the carrying amounts of the Company's financial assets and financial liabilities are listed below :

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 175,083	\$ 104,473
Notes and accounts receivable (including related parties)	3,472,192	4,305,686
Other receivables(including related parties)	36,019	63,721
Other financial assets - current	95,372	109,693
Guarantee deposits paid	10,720	11,676
Financial assets at fair value through other comprehensive income - noncurrent	492,366	507,771
Financial assets at fair value through profit or loss	86,516	108,803
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	4,087,735	4,561,383
Short-term notes payable	1,066,589	1,428,878
Notes and accounts payable (including related parties)	834,997	982,954
Other payables(including related parties)	394,823	431,161
Long-term borrowings (including those due within 1 year)	518,750	137,500
Guarantee deposits received	13,742	13,892

3. Fair value information

(1) For information regarding the fair value of the Company's financial assets and financial liabilities that are not measured at fair value, please refer to Note XII-3(3).

(2) Fair value are grouped into Levels 1 to 3 as follows :

Level 1 :

Inputs for this level are openly quoted prices in active markets for the same instruments. An active market refers to a market that meets all of the following criteria : Has traded merchandises of the same nature ; Buyer and seller with intention to trade may be found anytime in the market, and the price information is available to the public. The fair value of Company's investment in listed stocks,

Financial Status

beneficiary certificates, and derivative instruments with openly quoted prices in active markets, etc. are all of this level.

Level 2 :

Inputs for this level are observable prices other than openly quoted prices in active markets, including observable inputs obtained from active markets.

Level 3 :

Inputs for this level are input parameters (for measuring fair value) that are not based on observable inputs available in the markets.

(3) Financial instruments that are not measured at fair value

The book value of the Company's financial instruments that are not measured at fair value (including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits paid, short-term borrowings, notes and accounts payable, other payables and refundable deposits received) reasonably approximates their fair value.

(4) Fair value information by level :

The Company's financial instruments are measured at fair value on repetitive basis. And assets held for sale are measured at lower of book value or fair value less selling costs on non-repetitive basis. The Company's fair value information by level is shown as following schedule :

Item	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets :				
Repetitive fair value				
FVTPL financial assets - equity securities				
	\$ 86, 516	\$ -	\$ -	\$ 86, 516
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	133, 226	-	-	133, 226
Domestic or overseas non-publicly traded shares	-	-	359, 140	359, 140
Total	<u>\$219, 742</u>	<u>\$ -</u>	<u>\$359, 140</u>	<u>\$578, 882</u>
Item	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets :				
Repetitive fair value				
FVTPL financial assets - equity securities				
	\$108, 803	\$ -	\$ -	\$108, 803
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	126, 512	-	-	126, 512
Domestic or overseas non-publicly traded shares	-	-	381, 259	381, 259
Total	<u>\$235, 315</u>	<u>\$ -</u>	<u>\$381, 259</u>	<u>\$616, 574</u>

Financial Status

(5) The methods and assumptions the Company used to measure fair values :

A. If openly quoted prices in active markets for financial instruments are available, the Group will use the openly quoted prices in active markets as the fair value. The market prices in major exchanges or polished market prices by OTC are all basis for fair value publicly traded equity instruments and debt instruments with quoted prices in the active market.

If the open quotes can be timely and generally obtained from exchange, brokerages, underwriter, industrial union, pricing service agency or competent authority, then the financial instruments are considered having open quotes in active markets. If the above conditions could not be met, then such markets are deemed as inactive. Generally speaking, if the price differences are quite large, significant increase in buying and selling price gap or decrease in transaction volume, then they are all indices of inactive market.

Based on classification and nature of financial instruments (that have active market) held by the Company are listed below :

(A) Listed stocks: Closing price

(B) Close fund : Closing price

B. Except for the above financial instruments with active markets, the fair values of other financial instruments are determined by using valuation techniques or by reference to quotes from counterparty. The fair values of financial instruments determined by using valuation techniques can be referred to current fair values of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including by applying model using market information available on the consolidated balance sheet date (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

The Company's held unlisted stocks without active market, their fair value is estimated by market approach. The determination is assessed based on valuation on companies of the same type, quotes from 3rd party, net book value of the Company and operating condition. In addition, the material unobservable inputs are mainly liquidity discount, but since possible changes due to liquidity discounts would not lead to material potential financial effects, therefore, the quantified information is not disclosed.

C. Valuations for derivative financial instruments are based on valuation model widely accepted by market users, such as Discounted Cash Flow Approach and Option Pricing Model. Forward exchange contracts are generically valued based on the forward exchange rates at present time. Structured interest-rate

Financial Status

derivative financial instruments are valued according to appropriate Option Pricing Model (such as Black-Scholes Model) or other valuation method, such as Monte Carlo simulation.

D. The Company's assets held for sale are valued using market approach (P/E ratio), using the P/E ratios of the latest identical or similar transactions as observable input values, to project the fair value of the companied assets held for sale.

E. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

(6) Transfer between Level 1 and Level 2 of the fair value hierarchy : None.

(7) Changes in level 3 instruments :

Item	Investments in financial instruments without open quotes	
	Year of 2022	Year of 2021
Beginning balance	\$ 381, 259	\$ 265, 527
Addition in this period	-	81, 676
Gains or losses recognized in other comprehensive income or loss	(19, 328)	46, 263
Disposal in this period (returned capital from liquidation or capital reduction)	(2, 791)	(12, 207)
Ending balance	<u>\$ 359, 140</u>	<u>\$ 381, 259</u>

(8) Quantified information for fair value measurement of material unobservable input

(Level 3) :

	December 31, 2022	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets :					
Un-listed stocks	\$ 359, 140	Market Approach	Liquidity discount	10. 00%~19. 37%	The higher liquidity discount, the lower fair value
	December 31, 2021	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets :					
Un-listed stocks	\$ 381, 259	Market Approach	Liquidity discount	9. 00%~22. 97%	The higher liquidity discount, the lower fair value

Financial Status

(9) Evaluation procedures for Level 3 fair value :

According to the Company's valuation procedures for Level 3 fair value classification, the Company's accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The evaluation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

Regarding measurement for Level 3 fair value, the sensitivity analysis on reasonable potential substitute assumption of fair value :

Item	Input value	Change	December 31, 2022			
			Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	\$ -	\$ -	\$ -	(\$ 2,088)
Total		(1%)	\$ -	\$ -	\$ 2,199	\$ -

Item	Input value	Change	December 31, 2021			
			Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	\$ -	\$ -	\$ -	(\$ 2,191)
Total		(1%)	\$ -	\$ -	\$ 2,185	\$ -

4. On December 8, 2020, the special meeting of the board of directors of the Company passed a resolution to transfer equity of its indirectly invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd. ("Xiamen Chun Yuan"). Xiamen Chun Yuan had engaged assets valuation company to perform valuation and look for proper buyer. In the meantime, the chairman and general manager of Xiamen Chun Yuan are authorized to handle the disposal of the related claims, debts and equipment ; On November 11, 2021, the Company's 100% held subsidiary, Chun Yuan Investment (Singapore) Pte Ltd., signed the equity-transfer agreement with Xiamen Can-Am Health & Fitness Co., Ltd., and the two sides completed the share-transfer registration on November 26, 2021.

5. Considering that Shanghai Chun Yuan Steel Industry Co., Ltd. no longer operates, in order to avoid overall shareholder interests, the Company's board of directors passed a resolution on November 5, 2021 to end the operations of the company and to proceed with the subsequent liquidation procedures, which ended at July 25, 2022. The registration is canceled at September 6, 2022.

Financial Status

XIII. Supplementary Disclosures

1. Information on significant transactions

- (1) Loans to others : Schedule 1.
- (2) Endorsements and guarantees provided to others : Schedule 2
- (3) Marketable securities held at the end of the period : Schedule 3
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : None
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital : None
- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital : None
- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital : Schedule 4
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- (9) Information about the derivative financial instruments transaction : Please refer to Note VI-3

2. Information on investees : Schedule 5

3. Information on investment in Mainland China : Schedule 6

4. Information on major shareholders : Schedule 7

Schedule 1

Chun Yuan Steel Industry Co., Ltd.

Loans to Others

December 31, 2022

Unit : Foreign currency thousand ; Thousand NTD

No.	Financing Company	Counter-party	Financial Statement Account	Related Party (Yes/No)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan Metal Industry Co., Ltd. ("Shenzhen Hong Yuan")	Other receivables - related parties	Yes	\$ 176,400	\$ 176,400	\$ 176,400	3.85%	1	\$ 40,427	-	\$ -	None	\$ -	\$ 176,400	\$ 332,452
1	Shenzhen Chun Yuan	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. ("Qingdao Chun Yuan")	Other receivables - related parties	Yes	88,200	88,200	88,200	3.85%	1	-	-	-	None	-	176,400	332,452

Note 1 : Nature of loan :

- (1) Has business transactions, put 1.
- (2) Has necessity for short-term financing, put 2.

Note 2 : Computation for financing limits to any individual entity and total financing limits by Shenzhen Chun Yuan :

- (1) Total lending amount by Shenzhen Chun Yuan to others is limited to 40% of the net worth of Shenzhen Chun Yuan.
- (2) Financing limits by Shenzhen Chun Yuan to each borrower :

A. Subsidiary or parent company : No more than 40% of the net worth of Shenzhen Chun Yuan.

B. Has business transactions : Accumulated lending amount shall not exceed the total business transaction amount in the latest one year. However, if with related party of Shenzhen Chun Yuan, the lending amount shall not exceed RMB40,000 thousand and no more than 40% of the net worth of Shenzhen Chun Yuan.

Financial Status

Schedule 2

Chun Yuan Steel Industry Co., Ltd.
Endorsements and Guarantees Provided to Others
December 31, 2022

Unit : Thousand NTD

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (note2)	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Companies mutually guaranteed by contract between industrial peers based on the needs of business relationship and construction undertaking	\$11,211,758	\$ 707,000	\$ 707,000	\$ 707,000	\$ -	6.31%	\$11,211,758	N	N	N	
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan	1. Has business transactions 2. Directly or indirectly hold over 50% voting shares of the investee company	1,689,050	1,689,050	1,689,050	1,126,080	-	147.21%	2,242,352	N	N	Y	

Note 1 : Illustration for the "No." column :

(1) Security issuer, put 0.

(2) Investee companies, start serial numbers from 1.

Note 2 : (1) The maximum limit of guarantee provided by the Company to any individual entity and maximum limit of the total amount of guarantee provided by the Company : Total amount of guarantee provided by the Company, or total amount of guarantee provided by the Company and subsidiaries, shall not exceed the net worth of the Company.

1. Maximum limit of total guarantee provided by the Company to any individual entity :

A. Has business transactions : Shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year, and shall not exceed 10% of the Company's net worth.

B. Parent or subsidiary of the Company : Shall not exceed 50% of the Company's net worth.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the Company's net worth.

2. Maximum limit of guarantee provided by the Company and subsidiaries to any individual entity :
- A. Has business transactions : Shall not exceed 10% of the Company's net worth and shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year. But if the guaranteed party is an associate of the Company or the Company's subsidiary, then shall not exceed 20% of the Company's net worth.
- B. Parent or subsidiary of the Company : Shall not exceed 50% of the Company's net worth.
- C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the Company's net worth.
3. The computations for the maximum limits in this schedule are based on the net worth amount in the Company's latest (2022 Q4) audited financial statements.
- (2) Computation for maximum limit of guarantee provided by the Shenzhen Chun Yuan to any individual entity and maximum limit of the total amount of guarantee provided by the Shenzhen Chun Yuan :
- Total amount of guarantee provided by the company, or total amount of guarantee provided by the company and subsidiaries, shall not exceed 20% of the net worth of the parent company.
- Maximum limits of guarantee provided by the company or by the company and subsidiaries as a whole, to any individual entity :
- A. Has business transactions : Shall not exceed the total transaction amount between the guaranteed party and the company in the latest one year. But if the guaranteed party is an associate of the company, then shall not exceed USD55,000 thousand and shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.
- B. Parent or subsidiary of the Company : Shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.
- C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the company's net worth.
- The term "net worth" is based on latest audited financial statements.

Financial Status

Schedule 3

Chun Yuan Steel Industry Co., Ltd. Marketable Securities Held December 31, 2022

Unit : Thousand NTD

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Reporting Date			Note
				Shares/Units	Book Value	Percentage of Ownership (%)	
Chun Yuan Steel Industry Co., Ltd.	United Microelectronics Corp.	-	FVTPL financial assets - current	7,994	\$ 325	-	\$ 325
	Fubon Financial Holding Co., Ltd. - Common Shares	-	FVTPL financial assets - current	995,409	56,042	-	56,042
	China Steel Corporation	-	FVTPL financial assets - current	515,613	15,365	-	15,365
	Taiwan Mask Corporation	-	FVTPL financial assets - current	107,663	9,119	-	9,119
	Fubon Financial Holding Co., Ltd.- A Special Shares	-	FVTPL financial assets - current	36,515	2,205	-	2,205
	Fubon Financial Holding Co., Ltd.- B Special Shares	-	FVTPL financial assets - current	40,010	2,301	-	2,301
	Fubon Financial Holding Co., Ltd.- C Special Shares	-	FVTPL financial assets - current	21,029	1,159	-	1,159
	Wabo Global Trading Corporation	-	FVTOCI financial assets - non-current	595,000	6,445	5.00%	6,445
	Pro-Ascetek Investment Corporation	-	FVTOCI financial assets - non-current	8,000,000	53,754	6.67%	53,754
	Clentron Corp.	-	FVTOCI financial assets - non-current	9,645	218	-	218
	Shieh-Tai Biochemical Technology Co., Ltd.	-	FVTOCI financial assets - non-current	120,339	-	-	-
	Tbi Motion Technology Co., Ltd.	-	FVTOCI financial assets - non-current	100,000	3,645	-	3,645
	China Steel And Nippon Steel Vietnam Joint Stock Company	-	FVTOCI financial assets - non-current	18,368,000	296,452	2.00%	296,452
	Chien Tai Cement Co., Ltd.	-	FVTOCI financial assets - non-current	16	-	-	-
	Lion Corp. Berhad	-	FVTOCI financial assets - non-current	890,400	-	-	-
China Ecotek Corporation	-	FVTOCI financial assets - non-current	2,990,772	128,155	-	128,155	
Newmax Technology Co., Ltd.	-	FVTOCI financial assets - non-current	43,384	1,208	-	1,208	
Shenzhen Zongmao International Trading Co., Ltd.	-	FVTOCI financial assets - non-current	-	2,489	7.50%	2,489	
Chun Yuan Investment (Singapore) Pte Ltd.	United Steel International Development Corporation	-	FVTOCI financial assets - non-current	1,500,000	28,752	3.06%	28,752

Schedule 4

Chun Yuan Steel Industry Co., Ltd.

Total Purchases From or Sales to Related Parties of at least NT\$100 Million or 20% of the Paid-in Capital

December 31, 2022

Unit : Thousand NTD

Company Name	Related Party	Nature of Relationships	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Ending Balance	% to Total	
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Investee company valued using equity method	Construction revenue	\$ 693,890	-	Collect along with construction progress	Same			
								Receivables for construction contracts	\$ 275,851	7.97%
								Payables for construction contracts	6,292	0.75%

Financial Status

Schedule 5

Chun Yuan Steel Industry Co., Ltd. Information on equity investments (not including investments in Mainland China) December 31, 2022

Unit : Foreign currency thousand, Thousand NTD
Unit of shares : Share

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at year-end			Net income (losses) of the investee	Share of profit/loss of investee	Note
				Year end	Year end of last year	Number of shares	Ratio (%)	Book value			
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Taiwan	Construction industry; Design and construction for steel structures and bridges	\$ 59,635	\$ 59,635	20,729,909	26.33%	\$ 279,823	\$ 94,681	\$ 25,021	
	Chun Yuan Investment (Singapore) Pte Ltd.	Singapore	General investment activities	1,257,123	1,257,123	61,739,835	100.00%	2,688,933	15,913	15,913	
	Chun Shyang Shin Yeh Industry Co., Ltd.	Taiwan	Manufacturing, sale, lease and repairment of auto sheet metal parts, stamping parts, molds, jigs, inspection/measuring tools.	68,568	68,568	6,856,000	48.97%	284,433	105,491	51,659	
Chun Yuan Investment (Singapore) Pte Ltd.	Chun Yuan Investment (BVI) Co, Ltd.	British Virgin Islands	General investment activities	USD 21,630	USD 21,630	-	100.00%	USD 52,849	USD 610	USD 610	

Schedule 6
(1)Chun Yuan Steel Industry Co., Ltd.
Information on investment in Mainland China

December 31, 2022

Unit : Foreign currency thousand ; Thousand NTD

Investee in Mainland China	Main Business Activities	Total Amount of Paid-in Capital	Investment method (Note 1)	Accumulated Outflow of Investment from Taiwan as of beginning of period	Investment Flows		Accumulated Outflow of Investment from Taiwan by the End of Period	Net Income (Losses) of the Investee	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (note2)	Carrying Amount of Investment by the End of Period	Accumulated Inward Remittance of Earnings by the End of Period
					Outflow	Inflow						
Shenzhen Chun Yuan	1. Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel. 2. Improve operating performance, expand market.	\$ 651,398 (USD 21,245) (Note 6, Note 7)	(B)	\$ 316,773 (USD 10,630)	\$ -	\$ -	\$ 316,773 (USD 10,630)	\$ 24,727 (USD 847)	87.97%	(B)2 \$ 21,668 (USD 742)	\$ 672,946 (USD 21,913)	\$ -
Shanghai Chun Yuan Steel Industry Co., Ltd.	1. Corner fitting for ocean-freight cargo containers. 2. Improve operating performance, expand market.	158,238 (USD 6,000) (Note 11)	(B)	126,565 (USD 4,800)	-	-	126,565 (USD 4,800)	(2,879) (USD -99)	80.00%	(B)2 (2,303) (USD -79)	- (USD 0)	187,239 (USD 6,188)
Shanghai Huateng Metal Processing Co., Ltd.	1. Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates. 2. Improve operating performance, expand market.	799,583 (USD 24,800)	(B)	249,739 (USD 8,000)	-	-	249,739 (USD 8,000)	(12,568) (USD -430)	80.59%	(B)2 (10,129) (USD -347)	872,898 (USD 28,424)	199,711 (USD 6,758)
Shenzhen Hong Yuan Metal Industry Co., Ltd.	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates (cold-roll steel sheets, hot-roll steel sheets, Lead-coating tin plates, not including accessories or merchandises subjected to export permission certificates)	153,036 (USD 4,680) (Note 4, Note 8, Note 9)	(B)	68,477 (USD 2,143)	-	-	68,477 (USD 2,143)	(11,459) (USD -392)	86.21%	(B)2 (10,174) (USD -348)	192,914 (USD 6,282)	42,896 (USD 1,466)

Financial Status

Qingdao Yuan Mechatronic Co., Ltd.	Manufacturing and processing of new types of mechanical and electrical components, fine blanking dies, and other related metal products.	592,009 (USD 18,000) (Note 5)	(B)	216,497 (USD 6,700)	-	216,497 (USD 6,700)	34,286 (USD 1,174)	(B).2 32,571 (USD 1,115)	676,938 (USD 22,043)	-
------------------------------------	--	-------------------------------------	-----	------------------------	---	------------------------	-----------------------	--------------------------------	-------------------------	---

Accumulated Investment in Mainland China by the End of Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 978, 051	\$ 1, 256, 317	\$ 6, 944, 556

Note : The investment income or losses recorded in this period are computed based on average exchange rate of 1 USD = 29.20 NTD. And the carrying value of investments are computed based on exchange rate of 1 USD = 30.71 NTD

Note 1 : Investment methods are classified into the following 3 categories :

- (A) Direct investment in Mainland China.
- (B) Indirect investment in Mainland China through third country.
- (C) Other method.

Note 2 : In the "Share of Profits/Losses" column, the basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly :

- (A) If under preparation and without profit or loss, shall indicate clearly.
- (B) Basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly.
 1. Based on audited financial statements of international accounting firm with cooperating relationships ROC accounting firms.
 2. Audited financial statements of the Taiwan parent company.
 3. Other (self-prepared financial statements).

Note 3 : According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company's equity or consolidated equity, whichever is higher.

Note 4 : Invested 45% of shares in 2002 through the third entity Chun Yuan Investment (Singapore) Pte Ltd., and invested 25% of shares in Shenzhen Hong Yuan Metal Industry Co., Ltd. via 2001 earnings of the indirectly invested Shenzhen Chun Yuan. There was no outflow of funds.

Note 5 : In April 2005, after permission by Investment Commission, MOEA, invested USD17,100 thousand in Qingdao Chun Yuan Precision Mechatronic Co. through Chun Yuan Investment (Singapore) Pte Ltd. in the third region ; The company obtained business certificate on June 30, 2005, with registered paid-in capital of USD18,000 thousand. Based on the conditions of the funds reaching Mainland China, Chun Yuan Investment (Singapore) Pte Ltd., using the above funds and distributed profits from the directly or indirectly invested subsidiaries in Mainland China over the past years, invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co, Ltd. . As of December 31, 2022, the accumulated outflow of funds was USD17, 100 thousand.

Note 6 : In July 2007, after permission by Investment Commission, MOEA, additional USD5,250 thousand of capital increase was directly transferred out to Chun Yuan Investment (Singapore) Pte Ltd., of which USD2,000 thousand was from distributed profits from subsidiaries in Mainland China, invested in Shenzhen Chun Yuan through Chun Yuan Investment (BVI) Co, Ltd. .

Note 7 : In July 2008, after permission by Investment Commission, MOEA, additional USD2,850 thousand of capital increase was invested in Chun Yuan Investment (Singapore) Pte Ltd., along with USD1,000 thousand of earnings distribution from subsidiaries in Mainland China over the past years, purchased 14.12% of equity in Shenzhen Chun Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 8 : In 2008, using its own capital, Shenzhen Chun Yuan purchased 15% of equity in Shenzhen Hong Yuan that was held by China National Nuclear Corporation (Shenzhen)

Limited, Mainland China.

Note 9 : In March 2010, after permission by Investment Commission, MOEA, additional USD2, 500 thousand of capital increase in Chun Yuan Investment (Singapore) Pte Ltd. by the Company. As of December 31, 2022, USD2, 143 thousand had been transferred out, and the fund was directly transferred for acquiring 45.79% of equity in Shenzhen Hong Yuan Metal Industry Co., Ltd. .

Note 10 : In June 2011, Investment Commission, MOEA approved USD16,000 thousand of investment in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. through 3rd region, Chun Yuan Investment (Singapore) Pte Ltd. ; In April 2013, after approval by Investment Commission, MOEA, the investment amount was reduced to USD9,450 thousand. As of December 31, 2022, USD9,450 thousand had been transferred out. On November 26, 2021, Chun Yuan Singapore sold all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. . Therefore, from that date forward, Xiamen Chun Yuan is no longer the Company's subsidiary.

Note 11 : On November 5, 2021, the Group's Board of Directors passed a resolution for the early cessation of the operation of Shanghai Chun Yuan Steel Industry Co., Ltd. and adopted the following procedures of dissolution, with the dissolution completed at July 25, 2022 and the registration canceled at September 6, 2022.

(2) Material indirect transactions with Mainland China investee companies through business entities in the third region :

For material direct or indirect transactions that the Group had with the Mainland China investee companies through business entities in the third region during 2022, please refer to “Information on significant transactions” and “Business relationships between parent and subsidiaries and condition of important transactions” in the consolidated financial statements.

Schedule 7

Chun Yuan Steel Industry Co., Ltd.

Information on major shareholders

December 31, 2022

Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Li, Wen Fa	36,300,321	5.60%

Note : The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.

(XIV) Segment Information

The Company had disclosed the related segment information in the Consolidated Financial Statements per regulations; therefore, the segment information is not disclosed in the Parent Only Financial Statements.

- VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the annual report shall explain the impact of said difficulties on the company's financial situation:**
None

I. Financial position**(I) Comparative analysis of financial position**

Unit: NT\$thousand

Item	Year		Difference	
	2022	2021	Amount	%
Current assets	14,057,843	16,449,439	(2,391,596)	(14.54)
Property, plant and equipment	5,329,676	5,316,278	13,398	0.25
Intangible assets	3,702	3,679	23	0.63
Other assets	1,403,163	1,374,227	28,936	2.11
Total assets	20,794,384	23,143,623	(2,349,239)	(10.15)
Current liabilities	7,964,481	10,235,983	(2,271,502)	(22.19)
Non-current liabilities	1,255,643	1,057,592	198,051	18.73
Total liabilities	9,220,124	11,293,575	(2,073,451)	(18.36)
Share capital	6,476,554	6,476,554	0	0.00
Additional paid-in capital	177,178	162,071	15,107	9.32
Retained earnings	4,835,586	5,061,285	(225,699)	(4.46)
Other equities	(277,560)	(375,818)	98,258	(26.15)
Non-controlling interests	362,502	525,956	(163,454)	(31.08)
Total Equity	11,574,260	11,850,048	(275,788)	(2.33)

(II) Analysis and explanation of increase/decrease:

1. Current liabilities: Due to the substantial decrease in needs of the working capital, current liabilities decreased.
2. Other equity: because the exchange rate changed, the exchange differences arising from the translation of financial statements of foreign operations increased, and the gains from disposal of equity instruments measured at FVOCI resulted in an increase in other equity.
3. Non-controlling interests: during the period, the Company disposed a subsidiary, and Shenzhen Chun Yuan bought back shares of Shenzhen Hong Yuan from other shareholders, reducing the ownership equity of non-controlling interests, resulting in the decrease of non-controlling interests.

II. Financial performance

(I) Comparative analysis of financial performance

Unit: NT\$thousand

Item \ Year	2022	2021	Amount increased (decreased)	% of changes
Net operating revenue	24,497,782	26,320,660	(1,822,878)	(6.93)
Operating cost	22,997,506	23,953,387	(955,881)	(3.99)
Operating gross income	1,500,276	2,367,273	(866,997)	(36.62)
Operating expenses	803,464	1,005,061	(201,597)	(20.06)
Profit from operations	696,812	1,362,212	(665,400)	(48.85)
Non-operating income and expense	97,376	198,953	(101,577)	(51.06)
Profit before tax	794,188	1,561,165	(766,977)	(49.13)
Income tax expense	180,384	315,905	(135,521)	(42.90)
Current period net profit	613,804	1,245,260	(631,456)	(50.71)
Other comprehensive income recognized for the period	56,628	60,891	(4,263)	(7.00)
Total comprehensive income in the current period	670,432	1,306,151	(635,719)	(48.67)

(II) Analysis and explanation of increase/decrease:

1. Operating gross income decreased from 2021 because the operating revenue grew under the operating costs.
2. Operating expenses decreased from 2021 due to the decrease in administrative expenses.
3. Operating net income decreased from 2021, because operating gross income decreased significantly.
4. The decrease in non-operating income and expenses comparing to 2021 was mainly due to the valued losses of financial assets measured at fair value through profit and loss, and the losses from disposing of subsidiaries.
5. Conclusively, the net profit before tax, income tax expense and net profit for the current period, and the comprehensive income of the current period increased from 2021.

III. Cash flow

(I) Analysis and explanation of the changes to cash flows in the most recent year:

Unit: NT\$thousand

Cash balance at the beginning of 2022	Net cash flow from operating activities for the whole year	Net cash inflow for the whole year (Note)	Amount of remaining (shortage of) cash	Remedies for cash insufficiencies	
				Investment plan	Treasury plan
656,017	2,593,341	382,252	1,038,269	-	-

Note: Including the effects of exchange rate changes on the balance of cash held in foreign currencies

1. Net cash inflow from operating activities was NT\$2,593,341 thousand: mainly due to the decrease in receivables and inventories.
2. Net cash inflow from investment activities was NT\$79,139 thousand: mainly due to the decrease in other financial assets of investees in China.
3. Net cash outflow from financing activities was NT\$2,278,643 thousand: mainly because of repayment to short-term borrowings and short-term notes.

(II) Improvement plan for insufficient liquidity: N/A.

(III) Cash flow analysis for the next year

Unit: NT\$thousand

Cash balance at the beginning of 2023	Net cash flow from operating activities for the whole year	Net cash inflow for the whole year	Amount of remaining (shortage of) cash	Remedies for cash insufficiencies	
				Investment plan	Treasury plan
1,038,269	810,000	(455,000)	648,269	-	-

1. Analysis of cash flow:
 - (1) Net cash inflow expected from operating activities is NT\$810,000 thousand: mainly due to the assessment of future changes to operations, purchasing inventories, and withheld income tax.
 - (2) Net cash outflow expected from investing activities is NT\$941,000 thousand: mainly due to funds for construction of the Sanchong office building, and expenditures of production equipment procurement.
 - (3) Net cash outflow expected from financing activities is NT\$324,000 thousand: mainly due to the distribution of cash dividends.

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year

(I) Allocation of major capital expenditures and sources of funds

Unit: NT\$thousand

Project	Actual or expected sources of funds	Actual or expected completion date	Total amount required	Actual or expected fund allocation				
				2023	2024	2025	2026	2027
Replacement or addition of equipment that maintains current operations	Self-owned funds	Completed during each year	1,733,000	329,000	329,000	351,000	351,000	373,000

(II) Expected potential effects

1. Production and sales volume, value, and gross profit expected to grow

Unit: NT\$thousand

Year	Item	Production (ton)	Sales volume (ton)	Sales value	Gross profit
112	Replacement or addition of equipment that maintains current operations	6,885	6,167	282,000	19,740
113	Replacement or addition of equipment that maintains current operations	6,885	6,167	282,000	19,740
114	Replacement or addition of equipment that maintains current operations	7,362	6,585	300,857	21,060
115	Replacement or addition of equipment that maintains current operations	7,362	6,585	300,857	21,060
116	Replacement or addition of equipment that maintains current operations	7,840	7,003	319,714	22,380

2. Description of other effects (e.g., product quality, pollution prevention, cost reduction): None.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

The reinvestment policy is mainly centered on a vision of “professional provider of metal material solutions,” seeking to improve investment profit to increase the shareholders’ equity.

Looking back at the global economic environment in the 2022, while the economies of various countries have slowly recovered from the pandemic, the Russia-Ukraine War broke out without signs of peace talks, which impacted the fragile energy supply and affected the strength of global recovery. China began to face the virus threat in Q2 2022, and adopted the strict lockdowns, leading to the suspension of economic activities. The annual GDP growth rate in each quarter was 4.8%, 0.4%, 3.9%, and 2.9%, and the annual GDP growth rate was 3.0%, far lower than the official goal of 5.5% set at the beginning of the year. For the operation of each reinvestee, the supply chain issues have been eased, but inflation caused by bailouts in various countries has led to sluggish consumption. The downstream manufacturers are facing high inventory levels. Although the steel market has experienced a short-term recovery stimulated by the Russia-Ukraine war, the demand is actually weak. The movement throughout the year was with shrunken volume and fallen price, resulting in plummeted profit margin. The total profits of the reinvestees have declined year-on-year, but they still managed to maintain operating profits.

Looking to 2023, major economies have raised interest rates to fight against high inflation. Europe and the United States are therefore facing the risk of economic recession. The Russia-Ukraine War has no possibility of peace talks in the short term. The trade war and technology war triggered by the Sino-US conflict will continue to affect global geopolitics risk. China's official economic growth target is 5%, and IMF has raised it to 5.2% because the early reopening may revive consumption. However, internally, there are threat of pandemic, housing market difficulties, and local debt risks; externally, there are the siege imposed by the US and a slowdown in the global trading environment; the confidence in private investment is insufficient. Facing the difficult business environment, CYS will take every step cautiously to avoid or mitigate the impact of the economic downturn, while observing the market trends and opportunities, providing necessary assistance, to ensure the continued profitability of the reinvestees.

VI. Risk analysis and assessment

(I) The effect upon the Company's profits and losses of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate risks:

The net interest expense of 2021 was NT\$57,522 thousand, or 0.219% of net revenue or 4.22% of net operating income. The net interest expense of 2022 was NT\$98,775 thousand, or 0.403% of the net revenue or 14.18% of net operating income. The main reason of increased interest expense of 2022 is the rising borrowing interest rate.

In 2022, as the Russia-Ukraine War continued, the global inflationary pressures were pushed up, and central banks of various countries started an unprecedented tightening cycle, changing the accommodative monetary policy in the past. Rising interest rates suppress private consumption and corporate spending, and global economic demands cooled down significantly in the second half of the year. Due to the high inflation, the US Federal Reserve raised interest rates sharply in 2022, and emerging countries also follow suit to avoid currency depreciation derived from capital outflows resulting in imported inflation. The Central Bank of Taiwan also began to raise interest rates in March 2022, for four times throughout the year, with total of 62.5 basis points. However, according to the decision-making report released by the Central Bank of Taiwan at the end of 2022, the inflation has not improved significantly.

Looking to 2023, the Russia-Ukraine War still has no end in sight. Russia President Putin has made it clear that he will not stop actions, and Ukraine President Zelensky has also declared that he will never surrender, demonstrating that the war will not only continue and may even escalate. In addition, the global climate has faced the anti-El Nino phenomenon for three consecutive years. The risk of drought and floods around the world and the uncertain supply of bulk commodities including food have intensified. The global inflationary pressures are still high, reducing the disposable income of people. In addition, since 2022, to ease the inflationary pressure, major economies around the world have started a cycle of interest rate hikes. High interest rates have hit the willingness of companies to invest, and manufacturing activities in various countries have slowed down significantly. While the rising prices in the US have slowed down from 2022, the data released at the beginning of 2023 showed that the job market and private consumption were still buoyant. The Federal Reserve stated that it would not rule out accelerating the pace of interest rate hikes. In addition, although the degree of domestic inflation was relatively moderate, the Central Bank will evaluate the extent of raising interest rate based on the US rate hikes to prevent capital outflow due to the large spread between the US and Taiwan.

In the future, due to the increase in working capital and capital expenditure, the Company may increase its financing needs, and its interest burden will increased. However, the Company has maintained a good relationships with banks for many years, and has gradually increased the med- and short-term financing limits in 2022, so the Company is availed to relatively better loan interest rate level, which is flexible to control interest rate risk, and the Company has no significant interest rate risk.

To embrace the future, the Company will still insist on the principles of prudence and rigorousness, not only considering the cost of funds and possible rewards and risks for selecting the most favorable funding source and funding method, but also continuing to collect financial information related to market interest rates, so that contingency measures can be taken timely to mitigate the impact of interest rate changes on the Company's profits, while achieving the goal of maximizing shareholders' equity.

2. Exchange rate risks:

The net exchange gain in 2021 was NT\$10,898 thousand, accounting for 0.04% of net revenue and 0.80% of net operating profit. The net exchange loss in 2022 was NT\$5,527 thousand, accounting for 0.02% of net revenue, or 0.79% of net operating profit. The main reason is that the USD denominated assets of the Mainland reinvestees were affected by the depreciation of the USD at the end of 2022.

Looking at 2022, the global economy was affected by three major factors: the Russia-Ukraine War, the COVID-19 pandemic, and global monetary tightening, while their interrelation has made the results worse. Although the pandemic in Taiwan has been brought under control, the Federal Reserve's policy of raising interest rates to combat inflation caused the TWD depreciation against USD in the first three quarters, and did not improve until the fourth quarter. Looking to 2023, the international situation is affected by the escalation of the Russia-Ukraine War and the intensified the China-US conflict. The inflationary pressure is still elevated. It is expected that USD will continue to rise due to interest rate hikes. However, if the US economy is affected, the appreciation of USD may be hindered. The Company adopts a natural hedging strategy in the management of foreign exchange positions, to avoid the risk of exchange rate fluctuations for assets and liabilities resulting from the volatile exchange rate. In the future, the Company will still keep on tracking exchange rate trends, and by referring to relevant financial information, foreign exchange reports and international economic conditions, appropriate measures to avoid the risk of exchange rate fluctuations will be formulated.

3. Inflation risks:

According to statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual average CPI of the full year of 2022 increased 2.95% year-on-year, the highest in 14 years. Mainly due to the soaring prices of international agricultural and industrial raw materials after the Russia-Ukraine War broke out, the world is facing severe inflationary pressures, causing the CPI to continue to rise. Looking to 2023, the estimated annual average CPI of the full year was revised up to 2.16% year-on-year in February from 1.86% in January, over the inflation alert level of 2% for two years in row.

In the future, the Company will continue to monitor international raw material trends, changes in upstream steel mill wholesale prices, and downstream industry shipments, in order to rapidly respond to cost changes, while effectively managing the production and sales portfolio and inventory status.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company focuses on its major business, and in the most recent year no high-risk investments or highly leveraged investments were made.
2. The counterparties disclosed in the consolidated financial statements for loaning of funds are those in need of short-term financing. The counterparties of loaning of funds are limited to the Company and the subsidiaries, and handled pursuant to each company's "Operation Procedures for Loaning of Funds to Others."
3. The counterparties disclosed in the consolidated financial statements for endorsement/guarantee are those in need of endorsement/guarantee due to business relationships or construction contracted, or the subsidiaries in need for business. Endorsement/guarantee is handled pursuant to each company's "Operation Procedures for Endorsement/Guarantee."
4. The Company conducts derivative transactions for avoiding the market risk resulting from exchange rate fluctuations of those net positions of assets/liabilities denominated in foreign currencies, rather than arbitrage or speculation. Such transactions are handled in accordance with the Company's "Procedures for Engagement in Derivative Product Transactions."

(III) Research and development projects to be carried out in the future and expenditures expected for research and development:

In response to the development needs of the divisions, in terms of technology R&D input, the Special Steel Strip Division optimizes the 2/4Hi rolling equipment and the production technology in the rolling mills; the Electrical Steel Division continues to develop new specifications of high-efficiency motors. In addition, there are development and research of materials for the markets of the electric vehicle, servers, machine tools, solar energy, and shelves for warehouse. In terms of investments for process improvement and production capacity improvement, for instance, the construction project of new slitting machine in Direct Sale Commercial Steel, improvement and correction project for the precision slitting machine group equipment of the rolling plant in special Steel Strip Business Division; the construction project for heavy-duty frame pillars production process equipment in the Automated Storage System Division, and the development project of welding technology for box partitions in the Construction Business Division.

Key factors affecting the success of future R&D are the training and cultivation of talent and the budget input. R&D budget expected to be invested in 2023 is NT\$28.20 million.

- (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: None.
- (V) Impact of technology (including cyber security risks) and industry evolution on the Company's finance and business, and measures to be taken in response: None.
- (VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response: None.
- (VII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:
By expanding plants, capabilities for accepting orders and processing will increase, and thus profit improves.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:
Other than Toyota Tsusho (Taiwan) Co., Ltd., the Company's top ten clients occupy less than 10% of the revenue for the whole year. However, Toyota Tsusho is a consolidated purchasing client, so many stamping suppliers are engaged to diversify materials, and thus there is no risk associated with any consolidation of sales. For the purchase of goods, the Company will continue to grasp the trends in the steel industry and purchase goods in an adequate and diversified manner.
- (X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding a stake greater than 10 percent in the Company is transferred or otherwise changes hands, and mitigation measures being or to be taken: None.
- (XI) Effect upon and risk to the Company associated with any change in controlling power, and mitigation measures being or to be taken: None.
There had no change in controlling power in 2022.
- (XII) List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the president, any person with actual responsibility, 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: None.
- (XIII) Other important risks, and mitigation measures being or to be taken: None.

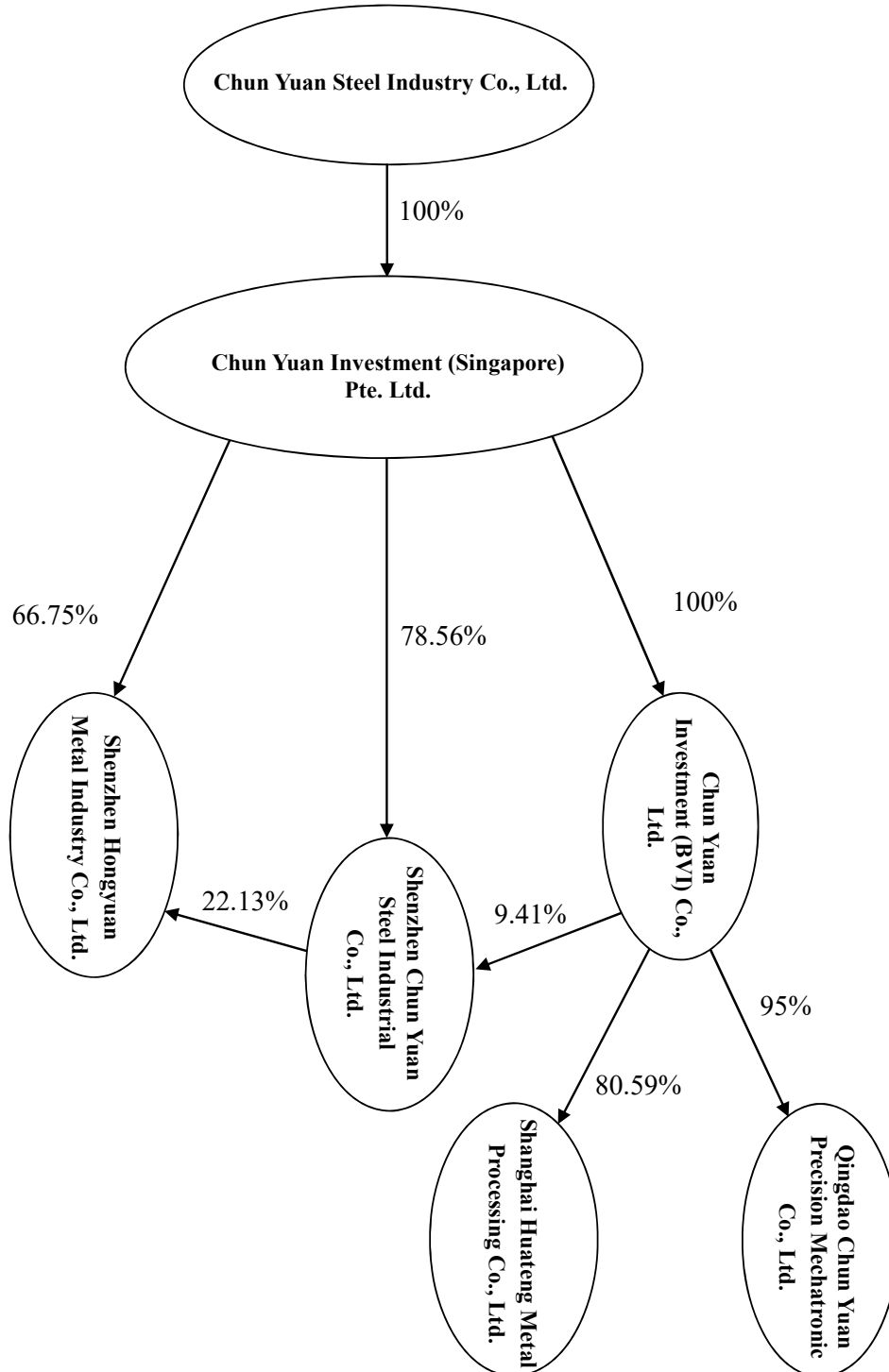
VII. Other important matters: None.

Special Items to Be Included

I. Information related to the affiliates

(I) Consolidated Business Report of Affiliates

1. Organization chart of affiliates (as of December 31, 2022)



Special Items to Be Included

2. Basic Information of Each Affiliate

December 31, 2022

Unit: NT\$

Name of Enterprise	Date of Foundation	Address:	Paid-in capital	Major business or production
Chun Yuan Investment (Singapore) Pte. Ltd.	January 1993	6 Shenton Way #38-01 OUE Downtown Singapore 068809	SGD 61,739,835	General investment.
Shenzhen Chun Yuan Steel Industrial Co., Ltd.	March 1994	No.12, Tongqing Road, Baolong Sub-District, Longgang District, Shenzhen	USD 21,245,000	Production of transformer parts, rotors, stators and other metal products made from the stamping of electrical steel coils
Shanghai Huateng Metal Processing Co., Ltd.	December 1994	No. 1131, Yecheng Road, Jiading District, Shanghai	USD 24,800,000	Production and processing cold rolled electrical steel sheets, various metal materials, rotors, and stators
Chun Yuan Investment (BVI) Co., Ltd.	December 1999	Intershore Chambers, P. O. Box 4342, Road Town, Tortola, British Virgin Islands	USD 21,900,000	General investment.
Shenzhen Hongyuan Metal Industry Co., Ltd.	July 2002	No.12, Tongqing Road, Baolong Sub-District, Longgang District, Shenzhen	USD 4,680,000	Production of galvanized sheets, coated sheets, aluminum sheets, and other metal sheets
Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	May 2005	No. 199, Qianshan South Road, Qingdao Economic & Technical Development Zone	USD 18,000,000	New types of mechatronic components, fine blanking die and other related metal products.

Special Items to Be Included

3. Common shareholders for the companies with presumed relationship of control and subordination:
None.
4. The industries covered by the business operated by the all affiliates
- (1) The major business of Chun Yuan Investment (Singapore) Pte. Ltd. is described as follows:
General investment.
 - (2) The major businesses of Shenzhen Chun Yuan Steel Industrial Co., Ltd. are as follows:
Production and processing of cold rolled electrical steel products, galvanized sheets, coated sheets, and other metal products
(excluding the merchandise governed by export permits).
 - (3) The major businesses of Chun Yuan Investment (BVI) Co., Ltd. are as follows:
General investment.
 - (4) The major businesses of Shanghai Huateng Metal Processing Co., Ltd. are as follows:
Production and processing of cold rolled electrical steel sheets, various metal materials, parts and accessories, punched products, and technical development of related products (excluding products governed by export permits).
 - (5) The major businesses of Shenzhen Hong Yuan Metal Industry Co., Ltd. are as follows:
Production of galvanized sheets, coated sheets, aluminum sheets, and other metal sheets (hot/cold rolled steel sheets and lead/tin-plated sheets), excluding goods for packaging and governed by export permits.
 - (6) The major businesses of Qingdao Chun Yuan Precision Mechatronic Co., Ltd. are as follows:
New types of mechatronic components, fine blanking die and other related metal products.

Special Items to Be Included

5. Information of directors, supervisors, and president of each affiliate

(Base date: December 31, 2023; some foreign companies are shown in the invested amounts) Unit: shares, %

Name of Enterprise	Title	Name or Representative	Shares Held	
			Shares	Shareholding Ratio
Chun Yuan Investment (Singapore) Pte. Ltd.	Director	CHENG, YE-MING (representative of Chun Yuan Steel Industry Co., Ltd)	49,443,418	100%
	Director	TSAI, HSI-CHI (representative of Chun Yuan Steel Industry Co., Ltd)		
	Director	YEO CHEE HUAN	0	0%
Chun Yuan Investment (BVI) Co., Ltd.	Director	CHENG, YE-MING (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	21,900,000	100%
Shenzhen Chun Yuan Steel Industrial Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 16,690,000	78.56%
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	CHENG, I-HUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	TSAI, HSI-YU (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	POON, KENNETH KA CHAI (representative of HAK Holdings Limited)	USD 2,555,000	12.03%
	Director Concurrently served as President	WU, MON-FENG (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD 2,000,000	9.41%
	Supervisor	LIN, YI-CHUN (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 16,690,000	78.56%
	Supervisor	HSIEH, YU-HSIA (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Supervisor	ZHAO, SHI-QI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
Shenzhen Hongyuan Metal Industry Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Shenzhen Chun Yuan Steel Industrial Co., Ltd)	USD 1,035,500	22.13%
	Director Concurrently served as President	WU, MON-FENG (representative of Shenzhen Chun Yuan Steel Industrial Co., Ltd)		
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 3,123,800	66.75%
	Director	TSAI, HSI-YU (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	CHENG, I-HUNG (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)		
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (Singapore) Pte. Ltd.)	USD 520,700	11.12%
	Director	POON, KENNETH KA CHAI (representative of HAK Holdings Limited)		
Supervisor	Lin, Yi-chun (representative of Chun Yuan Investment (Singapore) Pte. Ltd.) (representative of Shenzhen Chun Yuan Steel Industrial Co., Ltd)	USD 4,159,300	88.88%	

Special Items to Be Included

Name of Enterprise	Title	Name or Representative	Shares Held		
			Shares	Shareholding Ratio	
Shanghai Huateng Metal Processing Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD	19,986,725	80.59%
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	TSAI, HSI-CHI (Representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director Concurrently served as President	KAO, CHIH-HUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	AO, KUO-YI (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	Cheng, Yao-Ren (Representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	Kotake Takumi (representative of Marubeni-Itochu Steel Inc.)	USD	4,813,275	19.41%
	Director	Sasaki Tadayuki (representative of Marubeni-Itochu Steel Inc.)			
	Supervisor	Lin, Yi-chun (Representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD	19,986,725	80.59%
Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Chairman	WU, SHUI-CHENG (representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD	17,100,000	95%
	Director	TSAI, HSI-CHI (Representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	LEE, WEN-LUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	TSAI, CHARNG-YI (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	CHENG, I-HUNG (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director Concurrently served as President	CHANG, TSU-YUN (representative of Chun Yuan Investment (BVI) Co., Ltd.)			
	Director	Sasaki Tadayuki (representative of Marubeni-Itochu Steel Inc.)	USD	900,000	5%
Supervisor	Lin, Yi-chun (Representative of Chun Yuan Investment (BVI) Co., Ltd.)	USD	17,100,000	95%	

Special Items to Be Included

6. Operation overview of each affiliate

Name of Enterprise	Paid-in Capital	Total assets	Total liabilities	Net value	Data as of December 31, 2022		Unit NT\$thousand	
					Operating income	Operating Income	Income of the Period (after tax)	Earnings per share (after tax)
Chun Yuan Investment (Singapore) Pte. Ltd.	1,257,123	2,669,274	341	2,668,933	0	(580)	15,913	NA
Shanghai Chun Yuan Steel Industry Co., Ltd.	158,238	239,031	0	239,031	0	(4,706)	(2,841)	NA
Shenzhen Chun Yuan Steel Industrial Co., Ltd.	651,398	801,371	36,399	764,972	63,109	(27,543)	24,727	NA
Chun Yuan Investment (BVI) Co., Ltd.	693,135	1,622,997	0	1,622,997	0	(123)	17,800	NA
Shanghai Huateng Metal Processing Co., Ltd.	799,583	1,580,902	497,768	1,083,134	2,283,906	18,348	(12,568)	NA
Shenzhen Hongyuan Metal Industry Co., Ltd.	153,036	807,642	596,196	211,446	1,522,459	34,062	(11,459)	NA
Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	592,009	865,766	153,199	712,567	1,168,700	42,288	34,286	NA

Note 1: Shanghai Chun Yuan Steel Industry Co., Ltd. had been liquidated on July 25, 2022, and the cancellation registration was completed on September 6, 2022.

Note 2: The data date of Shanghai Chun Yuan Steel Industry Co., Ltd. in the table above is July 25, 2022.

©Exchange rates other than for Shanghai Chun Yuan Steel Industry Co., Ltd.

	Exchange rate for the balance sheet	Exchange rate for the statement of income
USD:NT\$	30.71	29.20
RMB:USD	6.9669	6.6667

©Exchange rates for Shanghai Chun Yuan Steel Industry Co., Ltd. (July 25, 2022)

	Exchange rate for the balance sheet	Exchange rate for the statement of income
USD:NT\$	29.94	28.81
RMB:USD	6.7326	6.5477

(II) Consolidated Financial Statements of Affiliates:

Please refer to Pages 79 to 196.

(III) Affiliation reports: None.

Special Items to Be Included

- II. Private placement of securities during the most recent fiscal year and up to the date of publication of the annual report: None**
- III. Holding or disposal of shares in the Company by subsidiaries during the most recent fiscal year and up to the date of publication of the annual report: None**
- IV. Other matters that require additional description: None**
- V. Any of the situations listed in article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which may materially affect shareholders' equity or securities prices, has occurred during the most recent fiscal year and up to the date of publication of the annual report: None.**

Chun Yuan Steel Industry Co., Ltd.

Chairman CHENG, YE-MING

Headquarter

7F., No. 502, Fuxing N. Rd., Jhongshan District, Taipei City 10476, Taiwan, R.O.C

Tel.: 886-2-25018111 Fax: 886-2-25055390

<https://www.cysco.com.tw>