TWSE：2031

2022 ANNUAL REPORT

HSIN KUANG STEEL CO., LTD

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Hsin Kuang Steel Annual Report is available at ▸ http://www.hkssteel.com.tw/
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A. Letter to Shareholders

Dear Shareholders,

International steel prices have seen abnormally high volatility in 2022 due to the Russo-Ukrainian War, European energy crisis, inflation, and strict epidemic prevention measures suppressing consumption in China. Central banks around the world continued to raise interest rates to control inflation, and resulted in a major correction in asset prices, Taiwan's stock market was no exception and has been bearish. As a result, profits this year were lower than the previous year. However, the rigid internal demand brought by Taiwan's forward-looking infrastructure program continues to drive demand, and Taiwan's economy maintained steady growth, which is why our revenue grew 21% despite the headwinds to a record high NT$17.16 billion.

Financial Performance

The Company's combined revenue for 2022 totaled NT$ 17.16 billion, which was a NT$3.06 billion and 21% increase from the NT$14.1 billion of the previous year. The net operating profit totaled NT$760 million, which was a NT$1.88 billion and 71% decrease from the NT$2.64 billion from the previous year. The Company's EPS of NT$1.23 was NT$7.39 or 86% lower than the NT$8.62 in the previous year, and revenue and profit performance declined compared to the previous year due to the Russo-Ukrainian War, European energy crisis, inflation, and strict epidemic prevention measures suppressing consumption in China.

In products sales, the Company's operating goal in 2022 was the sale of 500,000 metric tons of steel products and the combined sales of the year reached 470,000 metric tons. The achievement rate was 94%.

With regard to income and expenditures, cash inflow from operating activities amounted to NT$1,337,780,000 in 2022, which was mainly from the increase in income from sales. Cash outflow for investment activities amounted to NT$512.68 million mainly due to the purchase of properties, investment in plants and equipment, and acquisition of subsidiaries. Cash outflow for financing activities amounted to NT$694,930,000, mainly due to the distribution of cash dividends to shareholders and long-term and short-term loans necessary for adjustments in operations. The ending cash and cash equivalents of the period was approximately NT$1.9867 billion.

Annual Corporate Development

The 2023 business strategies include the following:

1. Review the inventory structure and adjust product combinations. Advocate flexible adaptation to the growth and decline of various steel industries. Seeking reasonable profits.
2. Support the increased construction demand associated with the return of overseas Taiwanese businesses. Cooperate with upstream and downstream alliances. Introduce total solutions.
3. Underwater infrastructure and equipment manufacturing and technologies for offshore wind power are on the rise, and the Company will continue to invest in top tier equipment, expand production bases, and provide services to wind farm users.

4. Develop high corrosion resistant photovoltaic support bracket for solar panels, and provide services to upstream and downstream manufacturers related to solar power in coordination with the government's energy policy.
5. Launch a new ERP system and implement business management systems.
6. Utilize the group's capabilities to collaborate with peers in the industry and companies in other industries.
7. Create differentiation through value chain integration to develop a new Blue Ocean.
8. Cultivate new customers, new markets, and emerging or developing industries.

Based on the aforementioned strategies, we shall continue to implement the following plans:

1. Develop a new Blue Ocean: Cultivate talent, optimize the inventory structure, integrate value chains, and expand overseas markets.
2. Strengthen business management: Cultivate regional talent, adopt value-oriented strategies for profit centers, develop relationships with direct customers and those with whom we have not conducted transactions in a long time, improve the capabilities of each cutting center, and integrate supply chains.
3. Strengthen manufacturing management system: Improve production efficiency, utilization rates, improve labor safety management, improve production quality, reduce the outflow of mixed materials, improve environmental management, and implement production and management resources of joint ventures to achieve KPI.
4. Simplify corporate procedures: Introduce tags into the production system, analyze the CRM database system, improve procedures, fully update computer systems, and introduce ERP with the aim of increasing efficiency and reducing lead times.

The total annual sales goal of 2023 is set at 580,000 metric tons of steel. In terms of international demand on steel, international inflation has slowed, the negative impact of the Russo-Ukrainian War on the economy is declining, and energy prices have significantly decreased as a result, helping the European and American economy bounce back more quickly. The manufacturing industry of major economies is starting to grow again, China has lifted COVID restrictions and implement an industrial and economic revitalization policy to expand domestic demand, driving rigid demand and demand from restocking inventory. A strong earthquake in the southern part of Turkey caused the production and transportation of major local steel mills to be suspended, and their steel exports may be reduced and diverted to meet demand from reconstruction after the disaster. This is expected to drive an increase in steel demand in Europe. Taiwan's Directorate-General of Budget, Accounting and Statistics expects economic growth to reach 2.75% this year, and increased the budget for public construction projects by nearly NT$600 billion. Worldsteel's estimate that steel demand will grow 1% (approximately 18.15 million tons) this year may be revised upward. We will fully fight for business opportunities. With the combination of our management capabilities and processing technology, we are confident that we will reach our operating goal of 580,000 tons this year.

ESG sustainable development

The Company is dedicated to establishing comprehensive corporate governance, steady operations and profits, as well as maintaining the balance between the interests of the environment, society, and all stakeholders.

The Company upholds ideals of sustainable development, such as environmental protection, clean energy, and space reuse. Over the years, the Company has reduced CO2 emissions by nearly 32,648 metric tons, which is equivalent to roughly 84 times the amount of CO_2 that can be absorbed by Da'an Forest Park.

The Company is focused on promoting green manufacturing, creating an inclusive workplace, cultivating talent, establishing a responsible supply chain, and caring for the disadvantaged. The Company will remain dedicated to doing its part as a corporate citizen and pursue a sustainable future.

Honors and Awards

In 2022, the Company received the Bronze Award, Manufacturing Industry, TCSA Taiwan Corporate Sustainability Awards from the Taiwan Institute for Sustainable Energy for its achievements in corporate governance, sustainable development, and information disclosure, and has received awards for four consecutive years. We will continue to dedicate our efforts to achieving even better performance.

Future Outlook

International steel prices have seen abnormally high volatility in 2022 due to the Russo-Ukrainian War, European energy crisis, inflation, and strict epidemic prevention measures suppressing consumption in China. All employees continued to achieve excellent performance in value chain integration services in a year of crisis and turmoil, and it allowed the Company's revenue to grow 21% despite the headwinds. Looking towards this year, the manufacturing industry of major economies is starting to grow again, and Taiwan's forward-looking infrastructure project has created rigid internal demand with the budget for economic development increasing by nearly NT$600 billion. We expect to reach a new peak in a year of abundant results.

Chairman
Alexander M.T. Su

B. Company Profile

I. Date of Establishment: January 1, 1967

II. Company history

Since Mr. Alexander M.T.Su was elected Chairman in 1985, Hsin Kuang Steel conducted vigorous reforms and established professional management based on ideals of practicality, services, innovation, and sharing. These ideals allowed the Company to grow, prosper, and transform into a steel manufacturing firm listed on the TWSE and received recognition and praise from all sectors. The Chairman's important achievements include:

1. In April 1991, Hsin Kuang Steel was registered by the Industrial Development Bureau, Ministry of Economic Affairs as a central plant in the Hsin Kuang Steel central-satellite system.
2. In November 1992, the Company was awarded the Golden Merchants Award by the Ministry of Economic Affairs. The Chairman Mr. Alexander M.T.Su was summoned by President Mr. Teng-Hui Lee for praise and encouragement.
3. In May 1994, the Chairman Mr. Ming-Te Su was elected Supervisor of Taiwan Steel & Iron Industries Association.
4. In August 1994, the Company was approved for public listing by the Securities and Futures Administration Committee, Ministry of Finance.
5. In September 1994, the Company was awarded the third-term National Award of Outstanding SMEs. The Chairman Mr. Alexander M.T.Su was summoned by President Mr. Teng-Hui Lee for praise and encouragement.
6. In August 1995, the Chairman Mr. Ming-Te Su was elected Chairman of the National Association of Hardware of R.O.C.
7. In September 1995, the Company completed the digitalization of internal corporate procedures.
8. In December 1995, the Chairman Mr. Ming-Te Su was elected the 18th-term Model of Entrepreneurs.
9. In December 1996, the Company was approved for listing on the Taipei Exchange by the Securities and Futures Administration Committee, Ministry of Finance and the Taipei Exchange.
10. In April 1997, the Company's stocks were traded on the Taipei Exchange.
11. In July 1998, the Company's Guanyin Plant and Xinwu Plant received ISO-9002 certification at the same time.

12. In August 1998, the Chairman Mr. Ming-Te Su was elected the 1st-term Model Achievement Award.
13. In August 2000, the Company was approved for listing on the Taiwan Stock Exchange by the Securities and Futures Administration Committee, Ministry of Finance and the Taiwan Stock Exchange. The Company's stocks are listed on the Taiwan Stock Exchange in September of the same year.
14. In February 2001, the Company's Guanyin Plant established the "Stainless Steel Cutting Center".
15. In September 2001, the Company's Guanyin Plant, Xinwu Plant, and Changbin Plant received ISO-9001:2000 certification at the same time.
16. In September 2003, the Company's Kaohsiung Plant established the "Southern Steel Product Logistics Center".
17. In September 2004, the Company's Kaohsiung Plant established the "Steel Structure Components Production Center" and the "Special Steel Cutting Center".
18. In September 2008, the Company's Guanyin Plant established the "Galvanized Steel Cutting Center".
19. In November 2009, the Company invested and established the "Hsin Kuang Alga Engineering Co., Ltd." to achieve vertical integration in product supply.
20. The Company's subsidiary Hsin Kuang Alga Engineering Co., Ltd. collaborated with ALGA s.p.a. on earthquake protection technologies for bridges; and established the "Taiwan Tech Structural Mechanics Laboratory" in an academic-industrial collaboration with National Taiwan University of Science and Technology.
21. In May 2010, the "Galvanized Steel Cutting Center" at the Company's Guanyin Plant began operations.
22. In July 2010, the Company's Guanyin Plant, Xinwu Plant, Changbin Plant, and Kaohsiung Plant received ISO-9001:2008 certification at the same time.
23. In October 2010, the Company established the "Stainless Steel Polishing and Cutting Center".
24. In January 2011, the Company established the "Patterned Worker's Board (road coverage construction and bridge construction platform) Polishing and Cutting Center".
25. In 2016, the construction of the "Steel Product Warehouse and Logistics Center" began at the Company's Guanyin Plant. The center was completed and

inaugurated in 2017.

26. In 2018, the Company began construction of the "Underwater Foundation Pile Straight Steel Tube Production Center" for the offshore wind power industry. The Center was completed and inaugurated in 2019.
27. In April 2019, Company's Guanyin Plant, Changbin Plant, and Kaohsiung Plant received ISO-9001 (2015 version), ISO-14001 (2015 version), and ISO-45001 (2018 version) at the same time.
28. In October 2019, the Company was awarded the Bronze Award in Manufacturing at the TCSA Taiwan Corporate Sustainability Awards.
29. In 2020, the Company created a "Production Center for Water Resource Connecting Foundation Pile" to support water resource-related infrastructures as part of the government's new infrastructure projects. Later in August, the Company contracted task "A3 - Welding and Production of Seamless Pipes" of the Zengwen-Nanhua Connecting Pipeline Turnkey Project from Southern Region Water Resources Office.
30. In October 2020, the Company was awarded the Silver Award in Manufacturing at the TCSA Taiwan Corporate Sustainability Awards.
31. In October 2021, the Company was awarded the Gold Award, Manufacturing Industry and Excellence Award, Sustainability Performance at the TCSA Taiwan Corporate Sustainability Awards.
32. Hsin Kuang Steel Tian-Cheng Charity Foundation and Hui Jung Foundation and organized the joint award ceremony for the Elite Student Scholarship in November 2021, awarding scholarships to 58 young students. The Company has award over NT$16 million in scholarships to young students in the name of the foundations since 2019, encouraging them to be persistent in pursuing their dreams.
33. The Company's chairman was selected as one of Taiwan's top 100 corporate leaders in 2022 by Harvard Business Review (HBR) in August 2022.
34. The Company's building in Hsin Cheng Logistics Park, Guanyin District, Taoyuan City and solar panels were completed in October 2022. Hsin Cheng Logistics Park was built based on the circular economy model, and achieves better energy and resource efficiency through re-design and business models, preventing pollution and waste generation from the source, and using our own corrosion-resistant steel plates to achieve energy conservation and carbon reduction. The top of the building is covered by solar panels with an installed

capacity of 2.74 MW, the highest among all building rooftops in Taiwan.

35. In October 2022, the Company was awarded the Bronze Award in Traditional Manufacturing at the 2022 TCSA Taiwan Corporate Sustainability Awards.
36. Hsin Kuang Steel Tian-Cheng Charity Foundation and Hui Jung Foundation and organized the joint award ceremony for the Elite Student Scholarship in November 2022, awarding scholarships to 59 young students. The Company has award over NT$22.8 million in scholarships to young students in the name of the foundations since 2019, encouraging them to be persistent in pursuing their dreams. The guests that awarded the scholarships encouraged the students and Dr. Jung-Sheng Liu, Honorary Chair Professor at National Tsing Hua University, told the students to be grateful. Using the topics of global warming and climate change, the Earth's temperature is projected to further rise by 2.7 C at the end of the century. The impact of US-China trade war, COVID-19 pandemic, and Russo-Ukrainian War will slowly dissipate over time, but climate change will continue to have a profound impact on human activities, encouraging students to exert every effort in responding to global warming. Dr. Po-Young Chu, Honorary Professor of the Department of Management Science, National Yang Ming Chiao Tung University, believes that responding to climate change puts pressure on mankind, but also brings opportunities. Furthermore, he encourages elite students to read more, broaden their horizons, and become geared to international standards to face globalized competition.

C. Corporate Governance Report

I. Overview

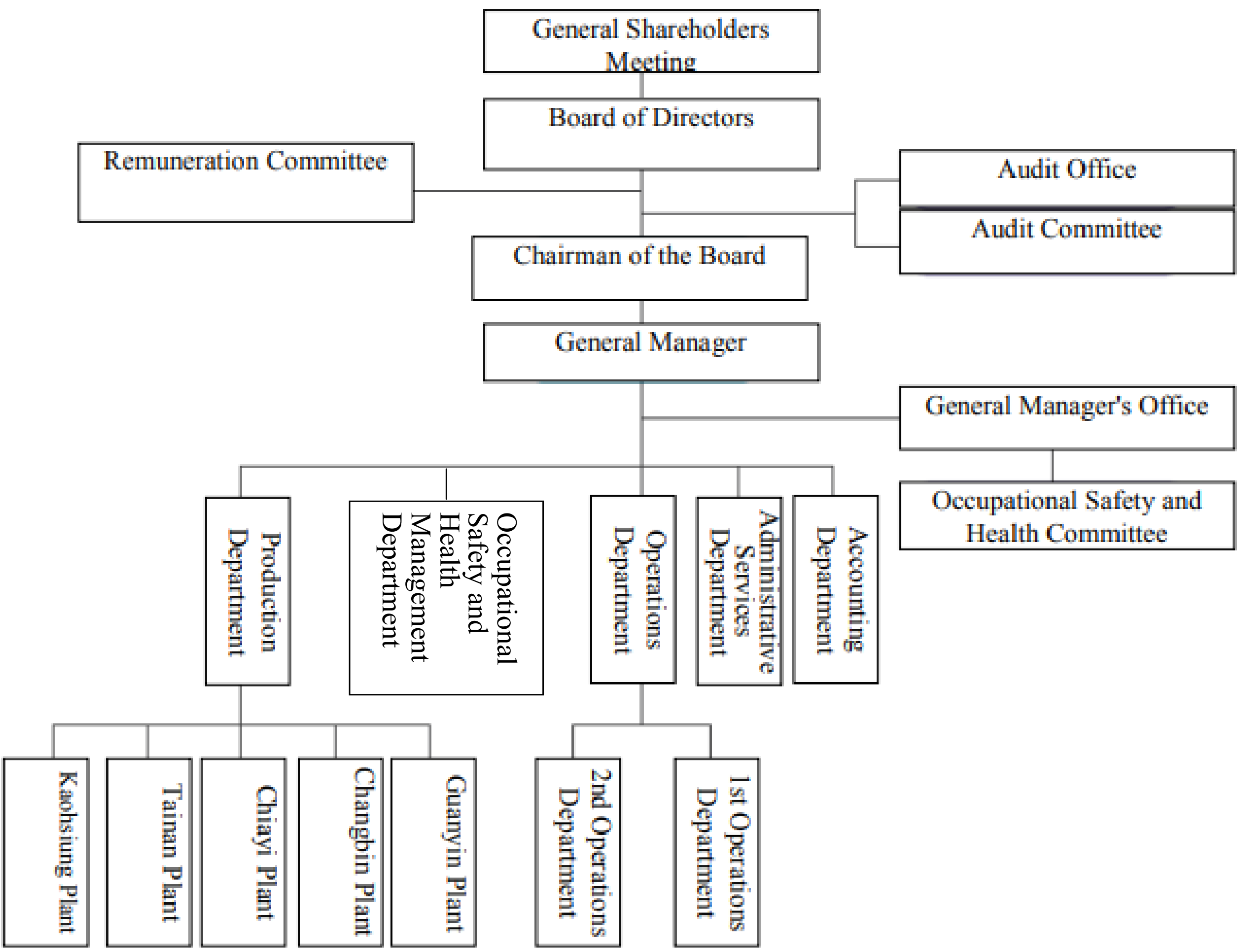
The Company upholds operational transparency and cares about shareholders' interests. We also believe that a sound and efficient Board of Directors is an underlying requirement for optimal corporate governance. Under this principle, the Audit Committee and Remuneration Committee established with the authorization of the Company's Board of Directors assist the Board of Directors in the performance of their supervisory duties. The Charters of the Committees have been approved by the Board of Directors and the Chairman of each Committee periodically reports their activities and resolutions to the Board.

Corporate Governance Awards Received in 2022

Organization	Award
Taiwan Institute for Sustainable Energy (TAISE)	TCSA Taiwan Corporate Sustainability Report Awards - Traditional Manufacturing - Bronze Award

II. Organization

(I) Organization Structure



股東大會	General Shareholders Meeting
董事會	Board of Directors
薪酬委員會	Remuneration Committee
稽核室	Audit Office
審計委員會	Audit Committee
董事長	Chairman
總經理	General Manager
總經理室	General Manager's Office
職業安全衛生委員會	Occupational Safety and Health Committee
生產部	Production Department
高雄廠	Kaohsiung Plant
臺南廠	Tainan Plant
嘉義廠	Chiayi Plant
彰濱廠	Changbin Plant
觀音廠	Guanyin Plant
職業安全衛生管理部	Occupational Safety and Health Management Department
營業部	Operations Department
營業二部	2nd Operations Department
營業一部	1st Operations Department
行政服務部	Administrative Services Department
財會部	Accounting Department

(II) Organization Structure and Businesses of Main Departments

Department	Main Duties
Operations Department	1. Market development and sales for steel plates. 2. Market development and sales for special steel plates. 3. Market development and sales for steel sections. 4. Market development and sales for steel coils. 5. Market development and sales for stainless steel products. 6. Market development and sales for steel structure components. 7. Market development and sales for patterned worker's board (road coverage construction and bridge construction platform). 8. Market development and sales for solar power support. 9. Market development and sales for channel pile steel pipes. 10.Market development, leasing, and sales for industrial plants. 11.Market development and sales for export trades. 12. Source development and procurement of domestic and foreign raw materials. 13. Customer returns, complaints, and other services. 14. Payment collection and processing accounts receivable. 15. Customer credit management. 16. Other related sales and procurement operations.
Production Department	1. Storage, management, cutting, processing, and shipping of steel plates. 2. Storage, management, cutting, processing, and shipping of steel coils (including galvanized steel coils) and special steel plates. 3. Storage, management, cutting, processing, and shipping of stainless steel products. 4. Storage, management, cutting, processing, and shipping of round steel bars. 5. Storage, management, cutting, processing, and shipping of steel sections. 6. Storage, management, cutting, processing, and shipping of steel structure components. 7. Storage, management, cutting, processing, and shipping of patterned worker's board (road coverage construction and bridge construction platform). 8. Storage, management, cutting, processing, and shipping of solar power support modules. 9. Storage, management, cutting, processing, and shipping of channel pile steel pipes. 10.Construction management, leasing, and sale of industrial plants. 11.Transportation management and vehicle dispatch. 12.Production cost information collection and control. 13.Inventory. 14.Industrial safety and health. 15.Equipment maintenance and repairs. 16.Coordination between production and sales. 17.Other related production operations.
Administrative Services Department	1. Integrate the Company's human resources, plan education and training, and manage administrative affairs of human resources. 2. Provide services to the Company's employees, handle general affairs, manage expenses, and manage statistical analysis. 3. Maintain, inventorize, and purchase insurance for the Company's fixed assets. 4. Handle the Company's legal affairs and compile internal management regulations. 5. Handle the construction, maintenance, operations, and lease management of

Department	Main Duties
	the Company's plants. 6. Implement company-wide 6S and TPM and comply with ISO 9001, ISO 14001, ISO 45001, ISO 3834, and EN1090. 7. Handle the Company's public relations, including holding investor conferences, announcing material information, and press releases. 8. Any other tasks assigned by superior officers.
Accounting Department	1. Responsible for the company's financial planning and execution, securing of long-term and short-term funds, capital utilization and management, financial risk management, land use and share management, general accounting, management accounting, tax accounting and revenue checking. 2. Formulation, revision, and implementation of finance-related regulations. 3. Preparation of reports relating to corporate budgets, accounting, taxation, revenues, and business performance; and research on accounting related matters. 4. Responsible for the strategic planning and implementation of corporate governance (including corporate social responsibility and risk management, etc.) and important projects, and integration and follow-up analysis of business performance, project management, and business cost benefits. 5. Build internal and external stakeholders communication channels to communicate accurate corporate messages; plan and implement major ceremonies and charity events. 6. Review company contracts, establish and promote legal compliance system, and provide counseling on matters relating to any business operations. 7. Responsible for the planning, development, operation, and maintenance of the company's overall information system, including formulation of information development strategies, planning of information system architecture, evaluation, adoption, and launching of application systems, maintenance and operation of computer room host equipment, and execution of various information management procedures. 8. Dividend distribution, shareholder services, and other operations. 9. Provide shareholder information and legal declarations, announce the shareholding status of Directors and Supervisors, and other operations. 10. Any other tasks assigned by superior officers.
General Manager's Office	1. Mid to long-term business development plans. 2. Annual Business Plan adjustment and compilation. 3. Corporate business environment analysis and strategy formulation. 4. Formulation of overall operation targets. 5. Related affairs for advancing the management of objectives. 6. Maintain records and keep track of production and sales coordination meetings, personnel evaluation meetings, management meetings, management of objectives, and items assigned by the General Manager. 7. Instruct executive management and strategic committee members. 8. Oversee investments in the development of domestic real estate and related rights (such as architectural design, construction planning, construction contracting, construction supervision, repair and maintenance of existing buildings, and sales services), integrated planning, construction project management, business recruitment, lease, purchase, and securitization of real estate. 9. Other project research and assigned tasks.
Occupational	1. Formulate occupational accident prevention plans, emergency response plans,

Department	Main Duties
Safety and Health Management Department	and supervise the implementation by related departments. 2. Plan and supervise occupational safety and health audits and management by each department. 3. Plan and supervise the inspection of safety and health facilities. 4. Instruct and oversee the implementation of inspections, periodic inspections, key inspections, hazard identification, and operating environment testing. 5. Plan and implement occupational safety and health training. 6. Plan labor health examinations and implement health management. 7. Supervise the investigation, handling, and statistical analysis of labor illness, injury, disability, and death due to occupational accidents. 8. Implement safety and health performance management and evaluation, and provide occupational safety and health consultation services. 9. Provide data and recommendations related to occupational safety and health management. 10. Oversee real estate management and asset maintenance, construction supervision for development projects, and repair and maintenance of existing buildings. 11. Other matters related to safety and health management instructed by the president.
Audit Office	1. Plan and implement annual audit plans and produce audit reports in accordance with the company's "Internal Auditing Standards" and relevant legal regulations. 2. Implement project audits as instructed by the Board of Directors or person authorized by the board. 3.Formulate and execute a written audit system. 4.Other related auditing operations.

III. Information of the Directors, General Manager, Vice General Manager, Assistant Vice Presidents, and the managers of various departments and branch offices

(I) Director Information

Organization of the Board of Directors

The current nine members of the Company's Board of Directors have extensive experience in company operations or expertise in the steel materials industry. The Company relies on their extensive professional knowledge, personal insight and business judgments.

1. Director

April 30, 2023

Title(Note 1)	Nationality or Place of Registration	Name	Gender Age(Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Representative of Han De Investment Co., Ltd.: Alexander M.T. Su	Male Representative: 66-70	2020.6.11	3 years	2008.6.13	21,055,276	6.85%	27,200,276	8.47%	17,321,487	5.39%	-	-	Executive Management Course, Center for Public and Business Administration Education, National Chengchi University Chairman and General Manager of HsinKuang Steel Co., Ltd. Executive Director of Taiwan Steel & Iron Industries Association Recipient of the 2021 Representative of a Benevolent Person - Eight Virtues Award	Chairman of: Hsin Yuan Investment Co., Ltd. Hsin Ho Fa Metal Co., Ltd. APEX Wind Power Equipment Manufacturing Co. Ltd. B.V.I. Sinpao Investment Co., Ltd. Han De Investment Co., Ltd. Hui Jung Investment Co., Ltd. Hsin Ching International Co., Ltd. Hsin Cheng Logistics Development Co., Ltd. Mason MetalIndustry Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Director of: Cheng Yu Investment Co., Ltd. Hsin Wei Solar Co.,	Director	Johnathon Y.J. Su	Father-son	Refer to description in Note 5

Title(Note 1)	Nationality or Place of Registration	Name	Gender Age(Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
																Ltd. Century Iron and Steel Industrial Co., Ltd. HsinKuang Steel Tian-Cheng Charity Foundation Century International Construction Ltd. Myanmar Century Steel Structure Ltd. Century Green Energy Vocational Senior High School, Taoyuan City Supervisor of: Ching Shun Hardware Co., Ltd.				
Director	Republic of China	Representative of Trickle Co., Ltd.: Trickle T.C. Chang	Male Representative: 86-90	2020.6.11	3 years	1985.4.28	14,662,469	4.77%	14,662,469	4.57%	5,228,283	1.63%	-	-	Primary Agricultural School (predecessor of Mu Zha Junior High School) Chairman of Trickle Co., Ltd.	Chairman of: Shin Fa Steel Mfg. Co., Ltd. Shin Shin Fa Investment Co., Ltd. Thai Shin Fa Co., Ltd. Chang Investment Ltd. HsinKuang Steel Tian-Cheng Charity Foundation Director of: Taiwan Chinsan Electronics Industrial Co., Ltd. Taiwan Steel Tower Co., Ltd. An Gang Metal Co., Ltd. Taipei City An Ho Social Welfare and Charity Foundation	None	None	None	None
Director	Republic of China	Ming-Shan Jheng	Male 61-65	2020.6.11	3 years	1990.7.8	1,812,999	0.59%	1,812,999	0.57%	1,959	-	-	-	Junior high school Director and Vice General Manager of	Chairman of: Hsin Hua Steel Industry Co., Ltd. Director of: APEX Wind Power	None	None	None	None

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															2nd Operations Department of HsinKuang Steel Co., Ltd.	Equipment Manufacturing Co. Ltd. Han De Investment Co., Ltd. Hsin Ching International Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Envirolink Corporation Yun-Shen Energies Recycling Tech. Co., Ltd.				
Director	Republic of China	Fisher C.H. Yu	Male 56-60	2020.6.11	3 years	1999.4.8	186,242	0.06%	186,242	0.06%	-	-	-	-	EMBA, College of Management, National Chung Hsing University Director and Vice General Manager of Special Steels Department of HsinKuang Steel Co., Ltd.	Director of: Hui Jung Investment Co., Ltd. Hsin Ho Fa Metal Co., Ltd. Hsin Chi Optoelectronics Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation	None	None	None	None
Director	Republic of China	Johnathon Y.J. Su	Male 31-35	2020.6.11	3 years	2017.6.15	7,704,930	2.51%	7,704,930	2.40%	275,000	0.09%	-	-	Birkbeck, University of London (Birbeck,University of Master's degree Director and Vice General Manager of Operations Department of HsinKuang Steel Co., Ltd.	Chairman of: Cheng Yu Investment Co., Ltd. Vice chairman of: Paradise Education Welfare Foundation Taoyuan Director of: Han De Investment Co., Ltd. Hui Jung Investment Co., Ltd. Mason Metal Industry Co., Ltd. SunnyRich Multifunction Solar Power Co., Ltd.	Chairman/General Manager	Alexander M.T. Su	Father-son	Note5

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
																New Taipei City Private Hui Jung Welfare and Charity Foundation Supervisor of: Yingfu Investment Corporation				
Director	Republic of China	Shih-Yang Chen	Male 66-70	2020.6.11	3 years	2017.6.15	10,193	0.00%	10,193	0.00%	10,000	0.00%	-	-	Dept. of Accounting, Soochow University CPA, Chung Sun Certified Public Accountants Taipei Office 17th Vice Chairman, Taipei CPA Association Chairman, Tax Regulations Committee, National Federation of CPA Associations of the R.O.C. Deputy Chief Editor, Angle Review of Finance and Taxation Practices	Director of: Taiwan Chinsan Electronics Industrial Co., Ltd. Trickle Co., Ltd. Smartax Consulting Inc. Independent Director of: Wonderful Hi-Tech Co., Ltd. Supervisor of: Pai Lung Machinery Mill Co., Ltd. Pihsiang Electric Vehicle Mfg. Co., Ltd. Pihsiang Energy Technology Co., Ltd. Pihsiang Machinery Manufacturing Co., Ltd. Pihsiang Homecare Co., Ltd.	None	None	None	None
Independent Directors	Republic of China	Winston Won	Male 71-75	2020.6.11	3 years	2017.6.15	-	-	-	-	-	-	-	-	EMBA, College of Management, National Taiwan University Certified Public Accountant of the Republic of China CPA and	Chairman of: Ofuna Technology Co., Ltd. Shao Rui Development Co., Ltd. Independent Director of: Hold-Key Electric Wire & Cable Co., Ltd. Taiwan Name Plate	None	None	None	None

Title(Note 1)	Nationality or Place of Registration	Name	Gender Age(Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															Director at Deloitte &Touche Chairman of Ofuna Technology Co., Ltd.	Co., Ltd. Cica-Huntek Chemical Technology Taiwan Co., Ltd.				
Independent Directors	Republic of China	Po-Young Chu	Male 66-70	2020.6.11	3 years	2017.6.15	-	-	-	-	-	-	-	-	Ph.D. in Business Administration, Purdue University Professor, Republic of China Professor, Department of Management Science, National Chiao Tung University Dean of Aspire Academy Research Fellow, Chinese Society for Management of Technology Founder, Executive Master of Business Administration, National Chiao Tung University Founder, Venture and Innovation Program (VIP Program), National Chiao Tung	Adjunct Professor, Department of Management Science and EMBA Program, National Yang Ming Chiao Tung University Chairman of: Mid Sun Light Technology Co., Ltd. Director of: Union Winner International Co., Ltd. (Cayman Islands) Independent Director of: Polytronics Technology Corp. E Ink Holdings Inc.	None	None	None	None

Title(Note 1)	Nationality or Place of Registration	Name	Gender Age(Note 2)	Date Elected (Appointed)	Term	Date First Elected (Note 3)	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 4)	Other Current Positions within the Company	Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															University Honorary Top 10 EMBA Teachers in Taiwan in survey conducted by Cheers Magazine					
Independent Directors	Republic of China	Paul T.Y. Huang	Male 71-75	2020.6.11	3 years	2017.6.15	-	-	-	-	-	-	-	-	BA in Business Administration, National Chengchi University Honorary Consultant, Chung Hung Steel Corporation Consultant, WalsinLihwa Corporation Chairman of Chung Hung Steel Corporation Chairman of China Steel Global Trading Corporation Assistant Vice President of Commercial Division, China Steel Corporation Director, Taiwan Steel & Iron Industries Association	-	None	None	None	None

Note 1: The names and representatives of corporate shareholders shall be listed separately (those who represent corporate shareholders should indicate corporate names) and filled out in Table 1 below.

Note 2: Actual age shall be indicated in intervals, such as 41-50 years, 51-60 years.

Note 3: Any and all hiatuses should be indicated when filling in the time when individuals first served as the Company's Director or Supervisor.

Note 4: Experience related to the current position. If the individual had served in the certifying CPA firm or an affiliated enterprise in the aforementioned period, the position and job functions shall be described.

Note 5: Where the Chairman, General Manager, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

Description: The Company appoints the same person as Chairman and General Manager to ensure that the decisions of the Board of Directors can be directly implemented. The Board of Directors currently includes 5 directors (3 Independent Directors and 2 other Directors) who do not serve concurrently as employees or managing directors. They account for more than half of all Directors.

2. Major Shareholders of Corporate Shareholders

(1). Major Shareholders of Corporate Shareholders

April 30, 2023

Name of Corporate Shareholders (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Han De Investment Co., Ltd.	Alexander M.T. Su holds 25% Johnathon Y.J. Su holds 74%
Trickle Co., Ltd.	Trickle T.C. Chang holds 61.16% Ya-Chi Wei holds 15.00% Tai-Tou Chang holds 11.49%

Note 1: If Directors and Supervisors are the representatives of corporate shareholders, the names of the corporate shareholders shall be disclosed.

Note 2: Fill in the names of main shareholders of the corporate shareholder (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio. If the major shareholders are corporate shareholders, fill in Table (2) below.

(2). Major shareholders of major corporate shareholders of corporate shareholders

April 30, 2023

Name of Institution (Note 1)	Major Shareholders of Corporate (Note 2)
None	None

Note 1: If the major shareholders in the above Table (1) are corporate shareholders, the name of the corporate shareholder shall be disclosed.

Note 2: Fill in the names of main shareholders of the institution (the top ten shareholders in terms of shareholding ratio) and their shareholding ratio.

Disclosure of Information Regarding the Professional Qualifications of Directors and Independent Directors and the Independence of Independent Directors:

<u>None of the directors has been in any circumstances stated in Article 30 of the Company Act (Note 1). Other status of independence is detailed below:</u>

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Alexander M.T. Su	Education and Professional Qualification: Executive Management Course, Center for Public and Business	1. Concurrently holds the position of the	0

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
	Administration Education, National Chengchi University Recipient of the 2021 Representative of a Benevolent Person - Eight Virtues Award Experience: Chairman and General Manager of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Executive Director of Taiwan Steel & Iron Industries Association Founder and Board Chairman of New Taipei City Private Hui Jung Welfare and Charity Foundation Director of HsinKuang Steel Tian-Cheng Charity Foundation Director of Century Green Energy Vocational Senior High School, Taoyuan City	Company's president and is a manager. 2. Concurrently holds the position of chairman at an affiliated enterprise (More than 50% of the subsidiaries). 3. A top 10 natural person shareholder of the Company. 4. Chairperson of corporate shareholder Han De Investment Co., Ltd., which holds 5% or more of the Company's shares.	
Trickle T.C. Chang	Education and Professional Qualification: Primary Agricultural School (predecessor of Mu Zha Junior High School) Experience: Chairman of Trickle Co., Ltd. Director of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Founder and Board Chairman of HsinKuang Steel Tian-Cheng Charity Foundation Director of Taipei City An Ho Social Welfare and Charity Foundation	1. A top 10 natural person shareholder of the Company.	0
Ming-Shan Jheng	Education and Professional Qualification: Junior high school Experience: Director and Vice General Manager of 2nd Operations Department of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Director of New Taipei City Private Hui Jung Welfare and Charity Foundation	1. Concurrently holds the position of chairman at an affiliated enterprise (wholly-owned subsidiary). 2. Director of corporate shareholder Han De Investment Co., Ltd., which holds 5% or more of the Company's shares. 3. Concurrently holds the	0

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
		position of director at an affiliated enterprise (More than 50% of the subsidiaries)	
Fisher C.H. Yu	Education and Professional Qualification: EMBA, College of Management, National Chung Hsing University Experience: Director and Vice General Manager of Special Steels Department of HsinKuang Steel Co., Ltd.	1. Concurrently holds the position of director at an affiliated enterprise (More than 50% of the subsidiaries)	0
Johnathon Y.J. Su	Education and Professional Qualification: Master of Science, University of London Birkbeck Experience: Director and Vice General Manager of Operations Department of HsinKuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Vice Chairperson of Paradise Education Welfare Foundation Taoyuan	1. A top 10 natural person shareholder of the Company. 2. Director of corporate shareholder Han De Investment Co., Ltd., which holds 5% or more of the Company’s shares. 3. Concurrently holds the position of director at an affiliated enterprise (More than 50% of the subsidiaries)	0
Shih-Yang Chen	Education and Professional Qualification: BA, Accounting Department, Soochow University Certified Public Accountant of the Republic of China Professional Experience: CPA, Chung Sun Certified Public Accountants Taipei Office 17th Vice Chairman, Taipei CPA Association Chairman, Tax Regulations Committee, National Federation of CPA Associations of the R.O.C. Deputy Chief Editor, Angle Review of Finance and Taxation Practices Positions Currently Held in Non-Profit Organization: Director of HsinKuang Steel Tian-Cheng Charity Foundation	—	0
Winston Won	Education and Professional Qualification:	Meet the	3

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
	Bachelor of Economics, Department of Economics, National Taiwan University EMBA, College of Management, National Taiwan University Certified Public Accountant of the Republic of China Professional Experience: CPA and Director at Deloitte &Touche Experience: Chairman of Ofuna Technology Co., Ltd. Chairman of Shao Rui Development Co., Ltd. Chairman of Ofuna Develop Technology Co., Ltd. Chief Operating Officer of Dar Harng Industry Co., Ltd. Supervisor of Oenix Biomed Co., Ltd. Remuneration Committee Member of HsinKuang Steel Co., Ltd. Remuneration Committee Member of Young Fast Optoelectronics Co., Ltd. Remuneration Committee Member of Max Zipper Co., Ltd. Independent Director and Chair of the Audit Committee and Remuneration Committee of HsinKuang Steel Co., Ltd. Independent Director and Audit Committee Member of Hold-Key Electric Wire & Cable Co., Ltd. Independent Director and Chair of the Audit Committee and Remuneration Committee of Taiwan Name Plate Co., Ltd. Independent Director and Chair of the Audit Committee and Remuneration Committee of Cica-Huntek Chemical Technology Taiwan Co., Ltd.	independence requirements stated in Note 2 below.	
Po-Young Chu	Education and Professional Qualification: Ph.D. in Business Administration, Purdue University Professor, Republic of China Research Fellow, Chinese Society for Management of Technology Founder, Executive Master of Business Administration, National Chiao Tung University Founder, Venture and Innovation Program (VIP Program), National Chiao Tung University Honorary Top 10 EMBA Teachers in Taiwan in survey conducted by Cheers Magazine 2012 Outstanding Teaching Award, National Yang Ming Chiao Tung University 1987 Doctoral Dissertation Award, Western Decision Sciences Institute (WDSI) Havard Business School: Program on the Case Method and Participant-Centered Learning Babson College: Teaching Entrepreneurial Thought and Action Professional Experience: Adjunct Professor, Department of Management Science and EMBA Program, National Yang Ming Chiao Tung University Adjunct Professor, Department of Management Science and EMBA Program, National Chiao Tung University Professor, Department of Management Science, National Chiao Tung University and Dean, Aspire Academy	Meet the independence requirements stated in Note 2 below.	2

Qualifications Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
	Consultant of Chung-Hua Institution for Economic Research Consultant of Information and Communications Technology, Industrial Technology Research Institute Consultant of Optoelectronics, Industrial Technology Research Institute Consultant of Mechanics, Industrial Technology Research Institute — Project Involvement: A Comparative Study of the Competitive and Collaborative Strategies of Taiwan-USA IC Industries A Case Study of Tech Industry Management Co-opetition Strategies of Personal Computer Industry Hsinchu Science Park Development Trends and Strategies Industrial Technology Research Institute (ITRI) Benefit Evaluation Model and Empirical Research Feasibility of DRAM and TFT-LCD Futures in Taiwan Branding Taiwan Does Independent Directors Matter? The Evidence From Taiwan Under the Global Financial Crisis of 2008 Determinants of Intangible Assets Valuation and Its Impact on Risk and Return of Firms: Cross-Countries, Cross-Industries Comparisons Firm Scale, Intangible Assets, and Corporate Performance Open Business Model: Empirical Case Studies of Taiwanese and Foreign Firms Disruptive Innovation and Process: Comparing Taiwanese vs. Foreign Firms — Published Works Green Finance Enterprises: Creating a New Blue Ocean from IT to ET (published by Commonwealth Publishing Group in June 2012) Innovation Success (published by Linking Publishing in December 2006) A New Blue Ocean: The Success of 15 Taiwanese Firms in New Market Development (published by People's Press in April 2006)		
	Blue Ocean Strategy: Taiwan (published by Commonwealth Publishing Group in February 2006) Business Growth Strategies for Asia Pacific (published by CITIC Press in 2005) Business Growth for Asia Pacific (published by CommonWealth Magazine in September 2005) Business Growth Strategies for Asia Pacific(John Wiley&Sons Inc.,2005.4) Experience: Consultant, Philips Taiwan Limited Consultant, Cheng Shin Rubber Industry Co. Consultant, Yulon Motor Co., Ltd. Consultant, WalsinLihwa Corporation Independent Director, Advantech Co., Ltd. Independent Director, Pixart Imaging Inc. Independent director, IC Plus Corp		

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
	Independent Director, Sunplus Technology Co., Ltd. Independent director, Chilisin Electronics Corp. Independent Director and Chair of the Audit Committee and Remuneration Committee of Shin Foong Specialty and Applied Materials Co., Ltd. Independent Director and Member of the Audit Committee and Remuneration Committee of HsinKuang Steel Co., Ltd. Independent Director and Member of Audit Committee and Remuneration Committee of Polytronics Technology Corp. Independent Director and Member of Audit Committee and Remuneration Committee of E Ink Holdings Inc. Board Chairman of Mid Sun Light Technology Co., Ltd. Director, Union Winner International Co., Ltd. (Cayman Islands)		
Paul T.Y. Huang	Education and Professional Qualification: BA in Business Administration, National Chengchi University Experience: Chairman of Chung Hung Steel Corporation Chairman of China Steel Global Trading Corporation Vice President of Commercial Division, China Steel Corporation Assistant Vice President of Commercial Division, China Steel Corporation Director/CEO of CSC Steel Sdn. Bhd. President of China Steel Global Trading Corporation Assistant Vice President of Commercial Division, China Steel Corporation Director, Taiwan Steel & Iron Industries Association Honorary Consultant, Chung Hung Steel Corporation Consultant, WalsinLihwa Corporation	Meet the independence requirements stated in Note 2 below.	0

Note 1: A person who is under any of the following circumstances shall not act in a management capacity for a company, and if so appointed, must be immediately discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-Corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his/her rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. Having no or only limited disposing capacity; or
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.
2.Not serving concurrently as an independent director of more than three other public companies in total.

3. Not have been or be any of the following during the two years before being elected or during the term of office:
   (1). An employee of the company or its affiliates;
   (2). A director or supervisor of the company or any of its affiliates;
   (3). A natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the company, or ranks the person in the top ten shareholders of the company;
   (4). A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);
   (5). A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act;
   (6). If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company;
   (7). If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution;
   (8). A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; and
   (9). A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee of the Company.

Diversity and Independence of the Board of Directors:

(I) Diversity of the board of directors: Describe the company's board diversity policy, objectives, and the status of implementation thereof. The diversity policy refers to matters including diversity in the composition or ratios of the board and its members in terms of the standards for election of directors, the required professional qualifications of directors, and their experience, gender, age, nationality, and culture. Furthermore, describe the company's specific objectives with regard to the above-mentioned policy, and the status of their achievement.

The Company established a director selection system with open and just procedures for selecting and appointing directors, complying with the Company's Articles of Association, Rules Governing the Election of Directors, Corporate Governance Best Practice Principles, and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, as well as Article 14-2 of the Securities and Exchange Act.

The members of the Company's Board of Directors are nominated via rigorous selection processes, taking into consideration not only background diversity, professional competence and experience, but also their personal reputation on ethics and leadership.

Presently, the nine members of the Company's Board of Directors come from diverse backgrounds, including professional backgrounds in industries, academia, and accounting. They are all citizens of Taiwan with experiences in managing industry-leading companies. The current board of directors consists of 3 independent directors (33%) and 6 non-independent directors (67%), in which 4 directors are employees/managerial personnel (44%) and 2 of the directors has a spouse or relative within the second degree of kinship who is also a director, which complies with the provisions of Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

According to the laws of the R.O.C., the members of the Audit Committee shall consist of all Independent Directors. The Company's Audit Committee satisfies this statutory requirement. The Audit Committee also engaged a financial expert consultant in accordance with the rules of the R.O.C. Financial Supervisory Commission. The Audit Committee annually conducts self-evaluation to assess the Committee's performance and discuss issues that require special attention in the future. The Audit Committee is empowered by its Charter to conduct any review or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the company's internal auditors, Certifying CPA, and all employees of the Company. The Committee is authorized to retain and oversee legal, accounting, or other consultants to fulfill its mandate. The Audit Committee Charter is available on the Company's corporate website.

(II) Independence of the board of directors: Specify the number of independent directors on the board and their ratio to the total number of directors. Describe the status of independence of the board of directors and give a statement of reasons as to whether the provisions of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act are complied with, including a description of any spousal relationship or familial relationship within the second degree of kinship that may exist between any directors, between any supervisors, or between any director(s) and supervisor(s).

1. No board members have any of the situations set forth in Article 30 of the Company Act. Except for Chairman Alexander M.T. Su and Director Johnathon Y.J. Su, who are father and son (2 seats), the remaining (7 seats) directors do not have any situations specified in Paragraph 3 (the number of directors who are the spouse or relative within the second degree of kinship with another director is less than half of all seats) and Paragraph 4 (supervisors may not be the spouse or relative within the second degree of kinship with another supervisor or director) of Article 26-3 of the Securities and Exchange Act.
2. All independent directors meet requirements specified by the Financial Supervisory Commission, and their independence is as follows:

Name	Is the individual, his/her spouse, and relatives within the second degree of kinship a director, supervisor, or employee of the Company or its affiliated enterprises?	Number of shares and shareholding percentage of the Company held by the individual, his/her spouse, and relative within the second degree of kinship	Is the individual a director, supervisor, or employee in a company that has a certain relationship with the Company?	Received compensation for providing commercial, legal, financial, accounting services to the Company or to any its affiliates within the preceding two years.
Winston Won	No	None	No	None
Po-Young Chu	No	None	No	None
Paul T.Y. Huang	No	None	No	None

(II) Information of General Manager, Vice General Manager, Assistant Vice Presidents, and Managers of Various Departments and Branch Offices

April 30, 2023

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
General Manager	Republic of China	Alexander M.T. Su	Male	1985	16,205,719	5.05%	1,115,768	0.35%	-	-	Executive Management Course, Center for Public and Business Administration Education, National Chengchi University Chairman and General Manager of HsinKuang Steel Co., Ltd. Executive Director of Taiwan Steel & Iron Industries Association	Chairman of: — HsinKuang Steel Co., Ltd. — Hsin Yuan Investment Co., Ltd. — Hsin Ho Fa Metal Co., Ltd. — APEX Wind Power Equipment Manufacturing Co. Ltd. — B.V.I. Sinpao Investment Co., Ltd. — Han De Investment Co., Ltd. — Hui Jung Investment Co., Ltd. — Hsin Ching International Co., Ltd. — Hsin Cheng Logistics Development Co., Ltd. — Mason Metal Industry Co., Ltd. —New Taipei City Private Hui Jung Welfare and Charity Foundation Director of: — Hsin Wei Solar Co., Ltd. — Century Iron and Steel Industrial Co., Ltd. — Cheng Yu Investment Co., Ltd. — HsinKuang Steel Tian-Cheng Charity Foundation —Century International Construction Ltd. —Myanmar Century Steel Structure Ltd. —Director of Century Green Energy Vocational Senior High School, Taoyuan City Supervisor of: — Ching Shun Hardware Co., Ltd.	Vice General Manager of Operations	Johnathon Y.J. Su	Father-son	Description in Note 3

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Vice General Manager of Operations	Republic of China	Johnathon Y.J. Su	Male	2022	7,704,930	2.40%	275,000	0.09%	-	-	Birkbeck, University of London (Birbeck,University of Master's degree Director and Vice General Manager of Operations Department of HsinKuang Steel Co., Ltd.	Chairman of: Chairman of Cheng Yu Investment Co., Ltd. Vice chairperson of: Paradise Education Welfare Foundation Taoyuan Director of: HsinKuang Steel Co., Ltd. Han De Investment Co., Ltd. Hui Jung Investment Co., Ltd. Mason Metal Industry Co., Ltd. SunnyRich Multifunction Solar Power Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Supervisor of: Yingfu Investment Corporation	General Manager	Alexander M.T. Su	Father-son	None
Vice General Manager of Administration	Republic of China	Daniel Z.L. Xu	Male	1995	572,660	0.18%	-	-	-	-	Bachelor's degree Administrative Vice General Manager and spokesperson of HsinKuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. Hsin Ho Fa Metal Co., Ltd.	None	None	None	None
Vice General Manager of Operations	Republic of China	Ming-Shan Jheng	Male	2006	1,812,999	0.56%	1,959	-	-	-	Junior high school Director and Vice General Manager of 2nd Operations Department of HsinKuang Steel Co., Ltd.	Chairman of: Hsin Hua Steel Industry Co., Ltd. Director of: HsinKuang Steel Co., Ltd. APEX Wind Power Equipment Manufacturing Co. Ltd. Han De Investment Co., Ltd. Hsin Ching International Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Envirolink Corporation Yun-Shen Energies Recycling Tech. Co., Ltd.	None	None	None	None
Vice General Manager of Special Steel Operations	Republic of China	Fisher C.H. Yu	Male	2014	186,242	0.06%	-	-	-	-	EMBA, College of Management, National Chung Hsing University Director and Vice General Manager of Special Steels Department of HsinKuang Steel Co., Ltd.	Director of: HsinKuang Steel Co., Ltd. Hui Jung Investment Co., Ltd. Hsin Chi Optoelectronics Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Vice General Manager, 2nd Operations Department	Republic of China	Teng-Kui Kao	Male	2014	-	-	-	-	-	-	Junior high school Vice General Manager of Project Engineering and acting spokesperson of HsinKuang Steel Co., Ltd.	Chairman of: Hsin Yuan Hsin Industry Co., Ltd. Director of: Hsin Ho Fa Metal Co., Ltd. Supervisor of: Hsin Yuan Investment Co., Ltd.	None	None	None	None
Vice General Manager of Finance and Accounting	Republic of China	Jessica P.H. Liu	Female	2014	629,575	0.20%	-	-	-	-	Bachelor's degree Corporate Governance Officer of HsinKuang Steel Co., Ltd. CFO of HsinKuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. Hsin Ching International Co., Ltd. New Taipei City Private Hui Jung Welfare and Charity Foundation Supervisor of: Mason Metal Industry Co., Ltd. Hsin Chi Optoelectronics Co., Ltd. Envirolink Corporation APEX Wind Power Equipment Manufacturing Co. Ltd. Ta Chang Tsuo Industrials Co., Ltd.	None	None	None	None
Vice President of Finance	Republic of China	Lisa H.C. Chien	Female	2014	191,497	0.06%	-	-	-	-	Bachelor's degree Vice President of Finance of HsinKuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. Supervisor of: Hsin Ching International Co., Ltd. Hsin Wei Solar Co., Ltd.	None	None	None	None
Assistant Vice President of Accounting	Republic of China	Daisy Y.H. Chen	Female	2019	-	-	-	-	-	-	Bachelor's degree Director at Deloitte &Touche Assistant Vice President of Accounting of HsinKuang Steel Co., Ltd.	None	None	None	None	None
Assistant Vice President of International Trade	Republic of China	Frank C.C. Huang	Male	2014	53,038	0.02%	-	-	-	-	Master's degree Assistant Vice President of Auditing of HsinKuang Steel Co., Ltd. General Manager of APEX Wind Power Equipment Manufacturing Co., Ltd.	APEX Wind Power Equipment Manufacturing Co., Ltd. Director and General Manager of the Company Director of Taiwan Sheng Tsai Industrial Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experiences (Note 2)	Positions Currently Held in Other Companies	Other Manager Who is the Spouse or a Relative within Second Degree of Kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President of the Taipei Office	Republic of China	Kuo-San Yang	Male	2014	2,000	-	-	-	-	-	Bachelors degree Assistant Vice President of 1st Operations Department of HsinKuang Steel Co., Ltd.	Director of: Mason Metal Industry Co., Ltd.	None	None	None	None
Assistant Vice President of the Taipei Office	Republic of China	Wen-Chieh Lo	Male	2017	1,298,196	0.40%	-	-	-	-	Senior High School Assistant Vice President of 1st Operations Department of HsinKuang Steel Co., Ltd.	None	None	None	None	None
Assistant Vice President of Special Steel Operations	Republic of China	Sung-Ru Yang	Male	2021	58,344	0.02%					Master's degree Assistant Vice President of Special Steel Operations at HsinKuang Steel Co., Ltd.	None	None	None	None	None
Guanyin Plant Director	Republic of China	Ri-Shi Ye	Male	2019	-	-	-	-	-	-	Bachelor's degree Guanyin Plant Director, HsinKuang Steel Co., Ltd.	None	None	None	None	None
Changbin Plant Director	Republic of China	Ming-Cun Yuan	Male	2020	-	-	-	-	-	-	Senior High School Changbin Plant Director, HsinKuang Steel Co., Ltd.	None	None	None	None	None
Kaohsiung Plant Director	Republic of China	Zhi-Cheng Kao	Male	2010	45,000	-	-	-	-	-	Senior High School Kaohsiung Plant Director, HsinKuang Steel Co., Ltd.	None	None	None	None	None

Note 1: This table should include Information of the General Manager, vice general managers, assistant vice presidents, and managers of various departments and branch offices as well as disclose information of those with equivalent positions of the General Manager, vice general managers, and assistant vice presidents regardless of job title.

Note 2: Experience related to the current position. If the individual had served in the certifying CPA firm or an affiliated enterprise in the aforementioned period, the position and job functions shall be described.

Note 3: Where the Chairman, General Manager, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the

Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

<u>Description: The Company appoints the same person as Chairman and General Manager to ensure that the decisions of the Board of Directors can be directly implemented. The Board of Directors currently includes 5 directors (3 Independent Directors and 2 other Directors) who do not serve concurrently as employees or managing directors. They account for more than half of all Directors.</u>

IV. Remunerations to Directors (including Independent Directors), Supervisors, General Manager, and Vice General Manager in the most recent year

(I) Remuneration Paid to Directors and Independent Directors

December 31, 2022; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

Title	Name	Remuneration of Directors								Ratio of total compensation (A+B+C+D) to net income (Note 10)		Remuneration Paid to Concurrent Employees								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit (Note 10)		Remuneration received from investee companies other than subsidiaries or the parent company (Note 11)
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Director's remuneration (C) (Note 3)		Fees for conducting business (D) (Note 4)				Salary, bonuses and allowances (E) (Note 5)		Severance pay and pension (F)		Employees remuneration (G) (Note 6)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Alexander M.T. Su																					None
Corporate Director	Han De Investment Co., Ltd.																					None
Corporate Director	Trickle Co., Ltd.																					None
	Trickle T.C. Chang																					None
Director	Ming-Shan Jheng																					None
Director	Fisher C.H. Yu	1,100	1,100	-	-	18,388	18,668	3,081	3,261	5.74%	5.85%	11,820	12,300	-	-	1,576	-	1,576	-	9.14%	9.38%	None
Director	Johnathon Y.J. Su																					None
Director	Shih-Yang Chen																					None
Independent Directors	Winston Won																					None
Independent Directors	Po-Young Chu																					None
Independent Directors	Paul T.Y. Huang																					None

1.The policy, system, standards and structure of the compensation of the Independent Directors and the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment:

(1) According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration for the Chairman and Directors, taking into account the extent and value of the contribution to the management of the Company and the standards of the industry within the R.O.C.

(2) The Articles of Incorporation also specifies that the Company shall appropriate no more than 3% of profits as director remuneration. The payment of the remuneration for directors shall be based on the individuals' participation in Company's operations and the value of their contributions and it shall be processed in accordance with the Company's "Directors and Managers Remuneration Policy".

2. Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the company: Total remuneration paid to the directors from the Company and from all companies in the financial report in 2022 (including their employee compensation) was NT$36,906 thousand, which accounted for 9.38% of the 2022 after-tax profit.

*Please list related information on Directors (general Directors who are not Independent Directors) and Independent Directors separately.

Remuneration Range Table

Remuneration Range Paid to Directors of the Company	Name of Director			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the financial report(Note 9) H	The Company (Note 8)	All companies in the financial report (Note 9) I
Less than NT$2,000,000	Alexander M.T. Su, Trickle T.C. Chang, Fisher C.H.Yu, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang	Alexander M.T. Su, Trickle T.C. Chang, Fisher C.H.Yu, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang	Trickle T.C. Chang, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang	Trickle T.C. Chang, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang
NT$2,000,000 (inclusive) to NT$5,000,000	Trickle Co., Ltd., Ming-Shan Jheng, Johnathon Y.J. Su	Trickle Co., Ltd., Ming-Shan Jheng, Johnathon Y.J. Su	Trickle Co., Ltd., Fisher C.H.Yu	Trickle Co., Ltd., Fisher C.H.Yu
NT$5,000,000 (inclusive) to NT$10,000,000	Han De Investment Co., Ltd.	Han De Investment Co., Ltd.	Alexander M.T. Su, Han De Investment Co., Ltd., Ming-Shan Jheng, Johnathon Y.J. Su	Alexander M.T. Su, Han De Investment Co., Ltd., Ming-Shan Jheng, Johnathon Y.J. Su
NT$10,000,000 (inclusive) to NT$15,000,000				
NT$15,000,000 (inclusive) to NT$30,000,000				
NT$30,000,000 (inclusive) to NT$50,000,000				
NT$50,000,000 (inclusive) to NT$100,000,000				
Over NT$100,000,000				
Total	11	11	11	11

Note 1: The names of the Directors must be listed separately (for institutional shareholders, the names of institutional shareholders and representatives should be listed separately) and the various payment amounts using the summary disclosure method for general Directors and Independent Directors. This table and the General Manager and Vice General Manager Remuneration Range Table shall be filled if a Director serves concurrently as General Manager or Vice General Manager.

Note 2: Remuneration of the Director for the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 3: The amount is the proposed remuneration to directors approved by the Board of Directors for the most recent fiscal year.

Note 4: Refers to the business expenses of Directors in the past year (including transportation allowance, special allowance, stipends, dormitories, and cars). If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note.

Note 5: All pays to the director who is also employee of the Company (including the position of General Manager, Vice General Manager, other manager and staff), including salary, additional pay, pension, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 6: For directors concurrently serving as employees (including general manager, vice general managers, other managers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in the General Manager and Vice General Manager Remuneration Range Table.

Note 7: The total pay to the director from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 8: The name of each director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the director by the Company.

Note 9: The total amount of all the remuneration paid to each director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each director shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 10: Net profit after tax refers to the net profit after tax in the parent company's individual financial report in the most recent year.

Note 11: a. The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's Directors shall be stated clearly in this column (please specify "none" if there is no remuneration).

b.If a Director of the Company receives remuneration from investee companies other than subsidiaries or the parent company, the amount of remuneration received by the director from investee companies other than subsidiaries or the parent company shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "Parent Company and All Investee Companies".

c.Remuneration refer to the payment, compensation (including compensation of employees, directors and supervisors) and business expenses received by the Director serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries

*The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(II) Remunerations to President and Vice President

December 31, 2022; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonuses and allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Remuneration received from investee companies other than subsidiaries or the parent company (Note 9)
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report (Note 5)	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
General Manager	Alexander M.T. Su	20,499	21,380	-	-	-	-	2,763	-	2,763	-	5.91%	6.14%	None
Vice General Manager	Daniel Z.L. Xu													
Vice General Manager	Ming-Shan Jheng													
Vice General Manager	Jessica P.H. Liu													
Vice General Manager	Fisher C.H. Yu													
Vice General Manager	Teng-Kui Kao													
Vice General Manager	Lisa H.C. Chien													
Vice General Manager	Johnathon Y.J. Su													

Note 1: Policies, standards, and packages for payment of remuneration for managers, procedures, and its linkage to business performance and future risk exposure:

The remuneration paid to the Company's General Manager and Vice General Managers shall be proposed by the Chairman based on their roles, positions, participation in operations, value of contribution, the Company's performance in the current year, and consideration for the Company's future risks. The proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval. The remuneration paid to other managers shall be proposed by the General Manager and the proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval.

Note 2: Johnathon Y.J. Su was promoted to Vice General Manager, effective February 1, 2022. The amount did not include compensation for the period before their promotion.

Note 3: Total remuneration paid to managers from the Company in 2022 accounted for 5.91% of 2022 net profit after tax. Total remuneration paid to managers from all companies in the financial statements in 2022 accounted for 6.14% of 2022 net profit after tax.

Remuneration Range Table

Range of Remuneration Paid to General Managers and Vice General Managers	Names of General Manager or Vice General Manager	
	The Company (Note 6)	All Companies in Consolidated Statements (Note 7) E
Less than NT$2,000,000	Teng-Kui Kao, Chao-Lang Hsu	Teng-Kui Kao, Chao-Lang Hsu
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Ming-Shan Jheng, Fisher C.H.Yu, Jessica P.H. Liu, Lisa H.C. Chien, Johnathon Y.J.Su	Ming-Shan Jheng, Fisher C.H.Yu, Jessica P.H. Liu, Lisa H.C. Chien, Johnathon Y.J.Su
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Alexander M.T. Su	Alexander M.T. Su
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-
Over NT$100,000,000	-	-
Total	8	8

Note 1: The names of General Managers and Vice General Managers shall be listed separately and the amounts paid shall be disclosed in a summary. This table and the Directors (including Independent Directors) Remuneration Range Table shall be filled if a Director serves concurrently as General Manager or Vice General Manager.

Note 2: Salary, additional pay, and severance pay received by the General Manager and Vice General Managers in the past year.

Note 3: Bonuses, rewards, transportation allowances, special allowances, stipends, dormitories, cars and other payments received by the General Manager and Vice General Managers in the past year. If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 4: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the general manager and vice general manager in the most recent fiscal year. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in the Names of the Managers who were Distributed Employee Remuneration and the Distribution.

Note 5: The total pay to the General Manager and Vice General Managers from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 6: The names and remuneration of General Managers and Vice General Managers paid by the Company shall be disclosed in their respective remuneration range.

Note 7: The names of General Managers and Vice General Managers paid by all companies in the consolidated statements (including the Company) shall be disclosed in their respective remuneration range.

Note 8: Net profit after tax refers to the net profit after tax in the parent company's individual financial report in the most recent year.

Note 9: a. The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's General Managers and Vice General Managers shall be stated clearly in this column (please specify "none" if there is no remuneration).

b. If a General Manager or Vice General Manager of the Company received remuneration from investees other than subsidiaries of the Company or the parent company, the remuneration received by the General Manager or Vice General Manager of the Company from investees other than subsidiaries of the Company or the parent company shall be included in E column of the Remuneration Range Table and the name of the field shall be changed to "Parent Company and All Investment Companies".

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the General Managers Vice General Managers serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries.

*The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(III) Remuneration paid to top five management personnel

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonuses and allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				Total remuneration (A+B+C+D) as a percentage of net income (%) (Note 6)		Remuneration received from investee companies other than subsidiaries or the parent company (Note 7)
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Alexander M.T. Su	15,001	15,642	-	-	-	-	2,185	-	2,185	-	4.37%	4.53%	None
Vice General Manager	Ming-Shan Jheng													
Vice General Manager	Jessica P.H. Liu													
Vice General Manager	Lisa H.C. Chien													
Vice General Manager	Johnathon Y.J. Su													

Note 1: "Top five management personnel with the highest compensation" refer to the company’s managerial officers, which are recognized in accordance with the scope of application of "managerial officers" in Taiwan-Finance-Securities-III-0920001301 issued by the Former Treasury Securities and Exchange Commission on March 27, 2003. "Top five management personnel with the highest compensation" is determined by the top five highest sum of salary, severance pay and pensions, bonus and allowance, and employee's compensation (i.e., sum of A+B+C+D) paid to the company's managerial officers from all consolidated entities. If the aforementioned managerial officer is also a director, it shall be indicated in this table and Table (1-1).

Note 2: The salary, bonuses, and severance pay of top five managerial officers with the highest compensation in the most recent year.

Note 3: The various bonuses, rewards, transportation allowance, special allowance, various types of allowances, accommodation, car rental expenses provided and other compensations paid to the top five managerial officers with the highest compensation in the most recent year. If housing, cars, other transportation vehicles, or exclusive personal expenditures are provided, the nature, cost, actual rent or fair value rent of the assets, fuel expenses, and other payments shall also be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 - "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 4: The amount of employee remuneration (stock and cash) paid to the top five managerial officers with the highest compensation as proposed and resolved by the Board in the most recent year. If amount cannot be estimated, the amount to be distributed this year is calculated according to the percentage actually distributed last year, and Table 1.3 shall be completed.

Note 5: Total remuneration paid by all companies (including the Company) in the consolidated report to the top five managerial officers with the highest compensation shall be disclosed.

Note 6: Net profit after tax refers to the net profit after tax in the parent company’s individual financial report in the most recent year.

Note 7: a. Remuneration amount received by top five managerial officers with the highest compensation from non-subsidiary affiliates or the parent company (If no remuneration is received, please indicate "None").

b. Remuneration refers to compensation, remuneration (including remuneration to employees, directors and supervisors), and rewards related to business execution expenses received by the Company's top five managerial officers with the highest compensation who serve as directors, supervisors, or managerial officers of on-subsidiary affiliates or the parent company.

*The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(IV) Names of the Managers who Distributed Employee Remuneration and the Distribution Status

December 31, 2022; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	Percentage of total bonuses to net profit after tax (%)
Manager	General Manager	Alexander M.T. Su	-	3,063	3,063	0.78%
	Vice General Manager of Administration	Daniel Z.L. Xu				
	Vice General Manager of Operations	Ming-Shan Jheng				
	Vice General Manager of Special Steel Operations	Fisher C.H. Yu				
	Vice General Manager of Operations	Teng-Kui Kao				
	Vice General Manager of Operations	Johnathon Y.J. Su				
	Vice General Manager of Finance and Accounting	Jessica P.H. Liu				
	Vice President of Finance	Lisa H.C. Chien				
	Assistant Vice President of Accounting	Daisy Y.H. Chen				

The amount is the employee bonus (including stock bonus and cash bonus) to the managers according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting. If the proposed profit sharing and bonus cannot be estimated, the proposed distribution amount shall be calculated based on the actual amount distributed in the previous year. The value of stock bonus of a company listed whose stock is listed on the stock exchange or traded over the counter shall be calculated by the fair value in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (the closing price of the company's stock on the balance sheet date); if the company's stocks are not listed on the stock exchange or traded over the counter, it shall be calculated by the net value of profits on the closing date of the fiscal year. Net profit after tax refers to the net profit after tax in the most recent fiscal year.

Note 1: Names and titles of individuals should be disclosed, but the disclosure can be shown in aggregate profit distribution.

Note 2: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the managers in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year. Net profit after tax refers to the net profit after tax in the most recent fiscal year; for companies that have adopted IFRSs, the net profit after tax refers to the net profit after tax in the parent company's individual financial report in the most recent year.

Note 3: The applicability of managers shall following the stipulations of the Financial Supervisory Commission's Tai-Cai-Zheng-3 No. 0920001301 Letter issued on March 27, 2003 specifying the range as follows:

(1)General Manager and those with equivalent powers
(2)Vice General Managers and those with equivalent powers
(3)Assistant Vice Presidents and those with equivalent powers
(4)Supervisor of the Finance Department
(5)Supervisor of Accounting Department
(6)Other individuals with the authority of managing company affairs and signatory rights

Note 4: If the Director, General Manager, and Vice General Managers have collected employee remuneration (including stock remuneration and cash remuneration), in addition to disclosure of the remuneration, this Table shall also be filled out.

(V) Analysis of the total remuneration paid by this Company and by all consolidated entities (including this Company) for the most recent two fiscal years to the Company's Directors, General Managers, and Vice General Managers as a percentage of net profit after tax in the Individual Financial Report:

Title	Ratio of total remuneration to net profit after tax in the Individual Financial Report %			
	2021		2022	
	The Company	All Companies in Consolidated Statements	The Company	All Companies in Consolidated Statements
Remuneration to Directors	3.45%	3.65%	9.14%	9.38%
Remunerations to General Manager and Vice General Managers	1.26%	1.38%	5.91%	6.14%

(VI) Policies, standards, and packages for payment of remuneration, procedures, and their connections to business performance and future risk exposure:

(1). Policies, standards, and packages for payment of remuneration for directors, procedures, and their connections to business performance and future risk exposure:

According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration for the Chairman and Directors, taking into account the extent and value of the contribution to the management of the Company and the standards of the industry within the R.O.C. The Articles of Incorporation also specifies that the Company shall appropriate no more than 3% of profits as director remuneration. The payment of the remuneration for directors shall be based on the individuals' participation in Company's operations and the value of their contributions and it shall be processed in accordance with the Company's "Directors and Managers Remuneration Policy".

(2). Policies, standards, and packages for payment of remuneration for managers, procedures, and its linkage to business performance and future risk exposure:

The remuneration paid to the Company's General Manager and Vice General Managers shall be proposed by the Chairman based on their roles, positions, participation in operations, value of contribution, the Company's performance in the current year, and consideration for the Company's future risks. The proposal shall be submitted to the Remuneration Committee for review and delivered to the Board of Directors for approval. The remuneration paid to other managers shall be proposed by the General Manager and the proposal shall be submitted to the

Remuneration Committee for review and delivered to the Board of Directors for approval.

V. Implementation of corporate governance

(I)Operations of the Board of Directors

The Company established a director selection system with open and just procedures for selecting and appointing directors, complying with the Company's Articles of Association, Rules Governing the Election of Directors, Corporate Governance Best Practice Principles, and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, as well as Article 14-2 of the Securities and Exchange Act.

The Company's Board of Directors consists of nine members from diverse backgrounds in industries, academia, accounting, etc. They have a great breadth of experience as world-class business leaders or professionals. We rely on them for their diverse knowledge, personal perspectives, and solid business judgment. The current board of directors consists of 3 independent directors (33%) and 6 non-independent directors (67%), in which 4 directors are employees/managerial personnel (44%) and 2 of the directors has a spouse or relative within the second degree of kinship who is also a director, which complies with the provisions of Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

The Company advocates and acts upon the principles of operational transparency and respect for shareholder rights. According to the laws of the R.O.C., the members of the Audit Committee shall consist of all Independent Directors. The Company's Audit Committee satisfies this statutory requirement. The Audit Committee also engaged a financial expert consultant in accordance with the rules of the R.O.C. Financial Supervisory Commission. The Audit Committee annually conducts self-evaluation to assess the Committee's performance and discuss issues that require special attention in the future.

The Audit Committee is empowered by its Charter to conduct any review or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the company's internal auditors, Certifying CPA, and all employees of the Company. The Committee is authorized to retain and oversee legal, accounting, or other consultants to fulfill its mandate. The Audit Committee Charter is available on the Company's corporate website.

In 2022, the average attendance rate of Directors in board meetings was 100%. The attendance rates of members of the Audit Committee and Remuneration Committee were 100% and 100%, respectively.

Chairman Alexander M.T. Su convened a total of six (A) meetings of the Board of Directors in 2022 and the attendance was as follows:

Title	Name (Note 1)	Attendance (Voting and Non-Voting) in Person (B)	Attendance by Proxy	Attendance Rate (%) [B/A] (Note 2)	Note
Chairman	Alexander M.T. Su	6	0	100%	
Director	Representative of Han De Investment Co., Ltd.: Alexander M.T. Su	6	0	100%	
Director	Representative of Trickle Co., Ltd.: Trickle T.C. Chang	6	0	100%	
Director	Ming-Shan Jheng	6	0	100%	
Director	Fisher C.H. Yu	6	0	100%	
Director	Johnathon Y.J. Su	6	0	100%	
Director	Shih-Yang Chen	6	0	100%	
Independent Directors	Winston Won	6	0	100%	
Independent Directors	Po-Young Chu	6	0	100%	
Independent Directors	Paul T.Y. Huang	6	0	100%	

Other details that need to be recorded in meeting minutes:
Items specified in Article 14-3 of the Securities and Exchange Act and other items that should be recorded:

I. (1).Items specified in Article 14-3 of the Securities and Exchange Act

Date of Meeting (Term and Session)	Agenda	Opinions of all Independent Directors and the Company's handling of said opinions
March 16, 2022 (11th Session of 15th Board of Directors)	Approved the proposal for participating in the cash capital increase of the investee company. Approval of the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". Approval of amendments to the Endorsement and Guarantee Making Procedure.	Approved by all Independent Directors
August 2, 2022 (14th Session of 15th Board of Directors)	Approved the provision of stocks as collateral for financing.	Approved by all Independent Directors
November 8, 2022 (15th Session of 15th Board of Directors)	Approval of the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2023. Approved the Company's plant expansion. Approved the proposal for participating in the cash capital increase of the investee company. Approved the proposal to submit an application to the Industrial Development Bureau, MOEA to purchase land for plant expansion. Approved the proposal to submit a bid to Chiayi County Government to purchase land for plant	Approved by all Independent Directors

	expansion.	
December 20, 2022 (16th Session of 15th Board of Directors)	Approved the replacement of accountants in 2022 Q4 due to internal adjustments by Deloitte Taiwan.	Approved by all Independent Directors
March 16, 2023 (17th Session of 15th Board of Directors)	Approved the proposal for participating in the cash capital increase of the investee company.	Approved by all Independent Directors

(2). Other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting opinion, qualified opinion or major suggestion that is on record or stated in a written statement: None

II. Recusals of Independent Directors due to conflicts of interests: None.

III. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.)

(I) The Company's internal chief internal auditor periodically communicates with the Audit Committee on the results of the audit reports and the chief internal auditor also formulates the Internal Audit Report in the meeting of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2022. The Company's Audit Committee and the chief internal auditor have maintained good communications.

(II) The Company's certifying CPA reports the results of the audit or examination of the financial statements of the current quarter as well as other items that require communication based on regulatory requirements in the meetings of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2022. The Company's Audit Committee and CPAs have maintained good communications.

(III) Communication between Independent Directors and internal auditors and certifying CPA are specified in the Table below:

Date of Audit Committee Meeting (Term and Session)	Communication with the chief internal auditor	Communication with the certifying CPA
March 3, 2022 (10th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2021 "Statement on Internal Control"	— Discussed the 2021 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status report
May 10, 2022 (11th Session of 2nd Audit Committee)	Reviewed internal audit reports	— Internal audit status and opinions report
August 2, 2022 (13th Session of 2nd Audit Committee)	Reviewed internal audit reports	— Internal audit status and opinions report
November 8, 2022 (14th Session of 2nd Audit Committee)	Reviewed internal audit reports	— Internal audit status and opinions report

	March 3, 2023 (16th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2022 "Statement on Internal Control"	─ Discussed the 2022 financial statements audit status including any issues or difficulties in audits and the responses of the management ─ Internal audit status report

IV. The company listed on TWSE/TPEx shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors. Refer to the evaluation status of the Board of Directors for details.

V. An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

─ Three out of the nine Directors of the Company are Independent Directors and the number of Independent Directors is one-third of the entire Board.

─ The Audit Committee and Remuneration Committee established with the authorization of the Company's Board of Directors assist the Board of Directors in the performance of their supervisory duties. The two Committees consist of the three Independent Directors. The Chairman of each Committee periodically reports their activities and resolutions to the Board.

Note 1: If a Director or Supervisor is an institution, the names of institutional shareholder and its representative should be disclosed.

Note 2: (1) If a Director or Supervisor has resigned before the end of the year, the resignation date must be specified in the remarks section. The actual attendance rate (%) shall be calculated by dividing the number of the Board of Directors meetings held during the period by the number of the meetings that the Director has actually attended.

(2)If a Director or Supervisor has been reelected before the end of the year, the names of the new and old Director and Supervisors must be filled in and the resignation, new appointment, second term appointment, or reelection dates shall be specified in the remarks section. The actual attendance rate (%) shall be calculated by dividing the number of the Board meetings held during the period by the number of the meetings that the Director has actually attended.

Board of Directors evaluation status

Evaluation Cycle (Note 1)	Once every year
Evaluation Period (Note 2)	January 1, 2022 to December 31, 2022
Scope of Evaluation (Note 3)	Performance evaluation of the Board of Directors and individual Directors
Evaluation Method (Note 4)	Evaluations are conducted with the "Board of Directors Self-Evaluation Questionnaire" and "Board Member Self-Evaluation Questionnaire".
Evaluation Content (Note 5)	The Company's 2022 board performance evaluation includes five aspects "participation in company operations," "improving the quality of board decisions," "composition and structure of the Board of Directors," "election and continuing education of directors," and "internal control." The Board of Directors actively participates in company operations and is responsible for providing guidance and supervising company strategies, major operations, and risk management. The Company established an appropriate internal control system, in which the Board of Directors received an "Excellent" rating in 47 items with an overall score: Percentile rank of 98%. <u>The chairman's comment: "Independent directors and directors act in their professional capacity and provided instructions for the Company's effective operation during meetings."</u> The Company's 2022 board member performance evaluation includes six aspects "Understanding of company goals and their duties," "Understanding of directors' duties," "Participation in company operations," "Internal relationship and communication," "Expertise and continuing education of directors," and "Internal control." Board members actively participate in company operations, fulfill their responsibilities of providing guidance and supervising company strategies, major operations, and risk management. After reviewing the internal control system, in which board members received an "Excellent" rating in 24 items with an overall score: Percentile rank of 96.4%.

Note 1: Fill out the evaluation cycle for the evaluation of the Board of Directors.
Example: Once every year.zzz

Note 2: Fill out the evaluated period for the evaluation of the Board of Directors.
Example: Evaluation of the performance of the Board of Directors shall be conducted between January 1, 2022 and December 31, 2022.

Note 3: The scope of evaluation covers the evaluation of the performance of the Board of Directors, individual Directors, and functional committees.

Note 4: Methods of evaluations include the self-evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.

Note 5: The contents of the evaluation shall include at least the following items:

(1) Board performance evaluation: The evaluation shall include at least "participation

in the operations of the Company", "improvement of the quality of the Board of Directors' decision making", "composition and structure of the Board of Directors", "election and continuing education of the Directors", "and "internal control".

(2) Performance evaluation of individual Directors: The evaluation shall include at least "familiarity with the goals and missions of the Company", "knowledge of the duties of Directors", "degree of participation in the Company's operations", "management of internal relations and communication", "professional and continuous education of Directors", and "internal control".

(3) Performance evaluation of functional committees: Degree of participation in the Company's operations, knowledge of the duties of the functional committee, improvement in the quality of functional committee decisions, functional committee composition and election of members, and internal control.

(II)Operations of the Audit Committee

The Chair of the Audit Committee Winston Won convened a total of 8 meetings between January 1, 2022 and April 30, 2023. In addition to the aforementioned meeting, the members of the Audit Committee, the certifying accountant, the chief internal auditor, and the management conducted two communication meetings to review the results of the audit (examination) of the financial report and the Internal Control Audit Report compiled by the Company in accordance with the laws and regulations of the Republic of China. They also discussed and communicated on the applicability of certain accounting principles and the impact of newly-amended laws.

1.The attendance of the members of the Audit Committee

The Chair of the Audit Committee Winston Won convened a total of 8 meetings between January 1, 2022 and April 30, 2023, and the attendance was as follows

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate	Note
Convener	Winston Won	8	0	100%	
Committee Member	Po-Young Chu	8	0	100%	
Committee Member	Paul T.Y. Huang	8	0	100%	

2.Operations of the Audit Committee

Date of Meeting	Important agenda content	Resolutions	The Company's handling of members' opinions
March 3, 2022 (10th Session of 2nd Audit Committee)	Approval of the Company's 2021 financial statements. Approval of the 2021 "Statement on Internal Control". Approved the proposal for participating in the cash capital increase of the investee company. Approval of the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". Approval of amendments to the Endorsement and Guarantee Making Procedure.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
May 10, 2022 (11th Session of 2nd Audit Committee)	Approval of the Company's 2022 Quarter 1 financial statements	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
June 15, 2022 (12th Session of 2nd Audit Committee)	Approved the plan to compile and verify the Company and subsidiaries' GHG inventory.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance

August 2, 2022 (13th Session of 2nd Audit Committee)	Approval of the Company's 2022 Quarter 2 financial statements Approved the provision of equity for endorsement and guarantee for SunnyRich Multifunction Solar Power Co., Ltd.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
November 8, 2022 (14th Session of 2nd Audit Committee)	Approval of the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2023. Approved the Company's plant expansion. Approval of the ratification for participating in cash capital increase of the investee company. Approved the proposal to register the purchase of industrial land (I) in phase 1 of Lunwei District, Zhangbin Industrial Park with the Industrial Development Bureau, MOEA. Approved the proposal to register a bid for industrial land (I) in Machouhou Industrial Park, Chiayi County via public tendering with Chiayi County Government.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
December 6, 2022 (15th Session of 2nd Audit Committee)	Approved the Company's replacement of accountants in 2022 Q4.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
March 3, 2023 (16th Session of 2nd Audit Committee)	Approval of the Company's 2022 financial statements. Approval of the 2022 "Statement on Internal Control". Approved the proposal for participating in the cash capital increase of the investee company.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
March 17, 2023 (17th Session of 2nd Audit Committee)	Approved the amendment to the "General Principles for Selecting Accountants and Non-assurance Service Policy (originally the Regulations Governing Reviews for the Selection of Accountants)." Approved the establishment of the Company's "General Principles and Methods for Pre-approval for Non-assurance Services."	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance

Other details that need to be recorded in meeting minutes:

Items specified in Article 14-5 of the Securities and Exchange Act and other items that should be recorded:

I. (1).Items specified in Article 14-5 of the Securities and Exchange Act

Date of Audit Committee Meeting (Term and Session)	Agenda	Opinions of all Independent Directors and the Company's handling of said opinions
March 3, 2022 (10th Session of 2nd Board of Directors)	Approval of the Company's 2021 financial statements. Approval of the 2021 "Statement on Internal	Approved by all Independent Directors

	Control". Approved the proposal for participating in the cash capital increase of the investee company. Approval of the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". Approval of amendments to the Endorsement and Guarantee Making Procedure.	
August 2, 2022 (13th Session of 2nd Board of Directors)	Approval of the Company's 2022 Quarter 2 financial statements Approved the provision of equity for endorsement and guarantee for SunnyRich Multifunction Solar Power Co., Ltd.	Approved by all Independent Directors
November 8, 2022 (14th Session of 2nd Board of Directors)	Approval of the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2023. Approved the Company's plant expansion. Approval of the ratification for participating in cash capital increase of the investee company. Approved the proposal to register the purchase of industrial land (I) in phase 1 of Lunwei District, Zhangbin Industrial Park with the Industrial Development Bureau, MOEA. Approved the proposal to register a bid for industrial land (I) in Machouhou Industrial Park, Chiayi County via public tendering with Chiayi County Government.	Approved by all Independent Directors
December 6, 2022 (15th Session of 2nd Board of Directors)	Approved the Company's replacement of accountants in 2022 Q4.	Approved by all Independent Directors
March 3, 2023 (16th Session of 2nd Board of Directors)	Approval of the Company's 2022 financial statements. Approval of the 2022 "Statement on Internal Control". Approved the proposal for participating in the cash capital increase of the investee company.	Approved by all Independent Directors

(2).In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None

II. Recusals of Independent Directors due to conflicts of interests: None.

III. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.)

(I) The Company's internal chief internal auditor periodically communicates with the Audit Committee on the results of the audit reports and the chief internal auditor also formulates the Internal Audit Report in the meeting of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2022. The Company's Audit Committee and the chief internal auditor have maintained good communications.

(II) The Company's certifying CPA reports the results of the audit or examination of the financial statements of the current quarter as well as other items that require communication based on regulatory requirements in the meetings of the Audit Committee each quarter. The chief internal auditor reports to the Audit Committee promptly in the event of special conditions. There were no such special conditions in 2022. The Company's Audit Committee and CPAs have maintained good communications.

(III) Communication between Independent Directors and internal auditors and certifying CPA are specified in the Table below

Date of Audit Committee Meeting (Term and Session)	Communication with the chief internal auditor	Communication with the certifying CPA
March 3, 2022 (10th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2021 "Statement on Internal Control"	— Discussed the 2021 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status and opinions report
May 10, 2022 (11th Session of 2nd Audit Committee)	Reviewed internal audit reports	— Internal audit status and opinions report
August 2, 2022 (13th Session of 2nd Audit Committee)	Reviewed internal audit reports	— Internal audit status and opinions report
November 8, 2022 (14th Session of 2nd Audit Committee)	Reviewed internal audit reports	— Internal audit status and opinions report
March 3, 2023 (16th Session of 2nd Audit Committee)	Reviewed internal audit reports Reviewed the 2022 "Statement on Internal Control"	— Discussed the 2022 financial statements audit status including any issues or difficulties in audits and the responses of the management — Internal audit status and opinions report

Results: The aforementioned items have been reviewed or approved by the Audit Committee with no objections from the Independent Directors.

(III) Differences and Reasoning for the Status of Corporate Governance and Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies:

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Has the Company established and disclosed its code of practice on corporate governance based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company established Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies established by TWSE and TPEx. The Corporate Governance Best Practice Principles is available on the Company's website for inquiry by shareholders. The Company's corporate governance system complies with related laws and regulations. We have established an effective corporate governance framework, protect the rights and interests of shareholders, strengthen board competencies, respect the rights and interests of stakeholders, and increase information transparency.	None
II. Shareholding structure & shareholders' rights (I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures?	✓		(I) The Company appointed dedicated personnel for investor relations, the spokesperson and acting spokesperson receive suggestions, questions, and handle disputes of shareholders, or refer shareholders to related departments based on the type of question. There have not been any lawsuits with shareholders.	None
(II) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(II) The Company has appointed a corporate governance supervisor and professional stock affairs agency, and monitors the shareholding of directors, managerial officers, and major shareholders with 10% and above shares, which is reported each month on the Market Observation Post System designated by the Securities and Futures Bureau.	None
(III) Did the company establish and enforce risk control and firewall systems with its affiliate enterprises?	✓		(III) The Company has established related regulations on internal control mechanisms in its internal control system and "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group" in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party to prevent non-arm's-length transactions. The Company's finances are independent from affiliated enterprises, and dealings with banks and use of credit limit are also independent. Payables and receivables between affiliated enterprises are all collected and paid on time.	None
(IV) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?	✓		(IV) The Company established the "Regulations for the Prevention of Insider Trading" to set forth guidelines for all employees, managers, directors, and any individuals who become aware of the Company's information due to their occupation or controlling relationship when trading the Company's shares. The regulations explicitly prohibit the Company's directors, managers, or employees from using undisclosed information to profit from trading shares. The Company reminds directors during courses on prohibiting insider trading to not trade their shares during the lock-up period, which is within 30 days before annual financial statements are announced and within 15 days before quarterly financial statements are announced (the meeting notice contained a reminder of the lock-up period during the 4 board meetings that financial statements were discussed in 2022 and up to the date of report).	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			Furthermore, related laws are communicated with current directors, managers, and employees at least once a year, and communication with new directors, managers, and employees is carried out at an appropriate time after they report for duty (please go to the "Important Company Regulations" section on the Company's official website for the "Regulations for the Prevention of Insider Trading").	
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversified policy andspecific management objectives?	✓		The Company established a director selection system with open and just procedures for selecting and appointing directors, complying with the Company's Articles of Association, Rules Governing the Election of Directors, Corporate Governance Best Practice Principles, and the competent authority's Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, as well as Article 14-2 of the Securities and Exchange Act. None of the directors have any conditions specified in Article 30 of the Company Act. The Company attached importance to diversity in the 15th-term Board of Directors, which is formed by elite members of industry and academia with experience in the energy, steel, M&A/investment, IT industries, as well as professional competencies in business administration, international markets, risk management, accounting and financial analysis, and ESG. Board members also have an abundance of industry knowledge: Alexander M.T. Su, Tian-Cheng Chang, Paul T.Y.Huang, Ming-Shan Jheng, Fisher C.H. Yu, Johnathon Y.J. Su Has finance and accounting experience: Directors Winston Won and Shih-Yang Chen. Director Po-Young Chu has an expertise in innovation and risk management. The Company continues to arrange a variety of continuing education courses for board members, in order to improve the quality of their decisions, enhance their supervision ability, and further strengthen board competencies. The Company's directors who serve as employees account for 44% of all directors, independent directors account for 33%, and there are no female directors. One director is between the ages of 31 and 50 and 8 directors are all 51 years old and above. Independence: Directors who have a spousal relationship or relationship within the second degree of kinship with any other director account for 22% of the Company's directors. Specific diversity management goals: 1. The board of directors provides guidance on the Company's strategies, supervises management, is responsible for the Company and its shareholders, and ensures that it exercises its functions according to requirements of applicable laws and regulations and the Articles of Incorporation or decisions made during shareholders' meetings with regard to the respective operations and arrangements of the corporate governance system. Directors listen to reports from the management team during board meetings, and provide guidance and recommendations, maintaining good communication with the management team to maximize benefits for shareholders. 2. All members of the Company's 15th-term Board of Directors are male. Female directors will be given priority during future director elections. 3. The Board of Directors supports and supervises the actions taken by the management to increase the ratio of females in senior management. The Company's female managers was above 20% in 2021 and 2022.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			4. The Company's 15th-term Board of Directors convened 6 meetings in 2022 and attendance was 100%. The current term Board of Directors (from August 6, 2020 to August 5, 2023) convened a total of 19 meetings as of April 30, 2023 with an attendance rate of 99%.	
(II) In addition to the Remuneration Committee and the Audit Committee established according to law, has the Company voluntarily established other functional committees?	✓		The Company has established the Remuneration Committee and the Audit Committee according to law. Evaluation items of Audit Committee and Remuneration Committee performance evaluations cover the following five aspects. The Audit Committee and Remuneration Committee are operating soundly and comply with corporate governance. Each committee fulfills its responsibilities and effectively enhance board competencies, receiving an "Excellent" rating in 23 items. Overall score of the Audit Committee and Remuneration Committee was 98.6% and 98.6%.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	✓		Based on the Company's ideals for corporate governance, the main duties of the Board of Directors are to supervise and evaluate the performance of the management team, appoint and dismiss managers, decide on important matters, and instruct the management team. Members of the Company's Board of Directors have extensive corporate management experience or professional experience in the industry. They maintain the highest ethical standards and adhere to the commitments made to the Company. The Company regularly convenes Board of Directors meetings every quarter. In addition to approval of various proposals, the Board also discusses with the management team on business strategies and future plans in order to create maximum value for shareholders. The Company's long-standing operating performance and recognition with the Bronze Award, Manufacturing Industry, TCSA Taiwan Corporate Sustainability Report Awards are a testament to the excellent performance of the Company's Board of Directors. The Company's 2022 Board of Directors, board member, and functional committee performance evaluations were completed at the end of January 2023, and results were reported during the 18th meeting of the 15th-term Board of Directors on March 17, 2023. The Board of Directors are assessed on the following five aspects in 2022: (1). Participation in the operation of the Company (2). Improvement of the quality of the Board of Directors' decision making (3). Composition and structure of the Board of Directors (4). Election and continuing education of the Directors (5). Internal control The Company's board member (self or peer) evaluations in 2022 cover the following six aspects: (1). Familiarity with the goals and missions of the company (2). Awareness of the duties of a Director (3). Participation in the operation of the Company (4). Management of internal relationship and communication (5). The director's professionalism and continuing education (6). Internal control The Company's 2022 board performance evaluation results are as follows: (1). The average score in the Board of Directors performance self-evaluation was 98%. (2). The average score in the board member performance self-evaluation was 96.4%. 2.The functional committees are assessed on the following five aspects in 2022: (1). Participation in the operation of the Company. (2). Awareness of the functional committees' duties (3). Improvement of the quality of functional committees' decisions (4). Composition and selection of functional committees' members (5). Internal control. The Company has completed functional committee internal performance evaluations and reported results to the Board of Directors on March 17, 2023. Please refer to the Company's official website for details.	None
(IV) Does the Company periodically evaluate CPA independence?	✓		The Company's Accounting Department evaluates the independence and performance of accountants certifying the financial statements according to the General Principles for Selecting Accountants and Non-assurance Service Policy each year. Evaluation results are	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			submitted to the Audit Committee to evaluate the independence of the accountants, and results are reported to the Board of Directors. The Company's Audit Committee evaluates the independence and competence of the accountants each year. Besides requiring the accountants to provide a Declaration of Total Independence and Audit Quality Indicators (AQIs). The AQIs disclosure framework and template announced by the FSC on August 19, 2021 are used as objective indicators referenced by companies and audit committees when selecting accountants. With the exception of expenses for auditing and taxation cases, the accountants and the Company were verified to have no other common financial interests or business relations, and family members of the accountants also do not do not violate independence requirements. Furthermore, after referencing the AQIs, we verified that the audit experience and training hours of the accountants and accounting firm are both better than the industry average, and they continued to adopt digital audit tools in the past 3 years to improve audit quality. The most recent evaluation results were discussed and approved by the Audit Committee on December 6, 2022 and March 17, 2023, and reported to the Board of Directors on December 20, 2022 and March 17, 2023. The standards for evaluating the accountants' independence and competence are as follows: 1. Do the accountants have direct or material indirect financial interests in the Company? 2. Have the accountants engaged in any loans or guarantees with the Company or the Company's directors? 3. Do the accountants have a close business relationship or potential employment relationship with the Company? 4. Did the accountants and their audit team members serve as director, managerial officer, or position with significant influence on audit work at the Company during the audit period, or are they currently holding such a position? 5. Are the accountants providing non-audit services to the Company that may directly affect audit work? 6. Are the accountants holding the stock or other securities issued by the Company? 7. Are the accountants serving as the Company's defense attorney or represent the Company in handling a conflict with a third party? 8. Are the accountants relatives of the Company's directors, managers, or person holding a position with significant influence on audit work? 9. Did the accountants and their audit team members receive valuable gifts from the Company's directors or managers? 10. Has the Company obtained a declaration of independence from the accountants? After evaluation by the Company'sAudit Committee according to the accountant independence evaluation standards described above, the accountants were determined to be independent.	
IV. Does the company establish exclusively an appropriate number of persons in charge of corporate governance who are appropriate for such positions and designated a chief of corporate governance to be responsible for affairs related to corporate governance (including but not limited to furnishing information	✓		The Company's Board of Directors adopted a resolution on June 22, 2021 for the head of the Accounting Department to serve as the highest level corporate governance officer with at least three years of experience in a management position related to legal affairs, finance, stock affairs, or corporate governance in public companies. The main responsibilities of the Company's corporate governance officer include handling matters related to the board of directors and the shareholders' meeting in accordance with the law, preparing board	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?			meeting and shareholders' meeting minutes, assisting directors in their appointment and continuing education, providing directors with the information needed to perform their duties, and assisting directors with compliance. Report to the Board of Directors at least once a year: Annual corporate governance results were reported to the Board of Directors on December 20, 2022, in which the implementation status of affairs by the corporate governance officer in 2022 is as follows: 1. Assist in providing directors with the data and laws they need to perform their duties and arrange continuing education for directors: (1). With regard to corporate governance related laws and important regulations related to company operations, data is provided to board members when they are appointed, and the latest information on amendments to laws are irregularly provided. (2). Appropriate company information is provided to directors at a suitable time to facilitate smooth exchanges between board members and between directors and managers. (3). Arrange closed-door meetings for independent directors to directly communicate with the chief internal auditor and accountants face-to-face, and gain an in-depth understanding of the Company's audit and financial situation. (4). Assist in arranging continuing education courses for directors each year based on the Company's industry characteristics and directors' needs. 2. Assist the compliance of proceedings and resolutions of functional committee meetings, board meetings and shareholders' meetings: (1). Report the status of the Company's corporate governance during board meetings, verify that board meetings and shareholders' meetings are convened in accordance with related laws and the Corporate Governance Code of Conduct. (2). Assist directors with exercising their authority in accordance with the Company Act and Securities and Exchange Act when performing duties or making decisions, and recusing themselves when they have a conflict of interest with agenda items of board meetings. (3). Responsible for reviewing material information or announcements of important resolutions of board meetings or shareholders' meeting, ensuring the compliance and correctness of material information, and ensuring the symmetry of trading information for investors. (4). When preparing the agenda for board meetings, directors are notified seven days before meetings, except for extraordinary meetings, and adequate reference data is provided for board meetings. If issue involves a conflict of interest or is listed as material information, directors are reminded in advance. Meeting minutes are completed within 20 days after board meetings. (5). The Company periodically evaluates the performance of the Board of Directors and individual directors according to the "Board of Directors and Functional	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Committee Performance Evaluation Policy" to implementing corporate governance.
(6). Handle pre-registration of the date of the shareholders' meeting, prepare meeting notices, handbook, and proceedings, and announcements within the time limit required by law, and handle change of registration for revisions to the Articles of Incorporation or election of directors.
3. Evaluate and purchase appropriate liability insurance for directors, supervisors, and key staff members each year, and report it to the Board of Directors.
4. Review the compliance status of corporate governance evaluation indicators on a item-by-item basis every year, and propose improvement plans and response measures for indicators that no score was received.
5. Continuing Education Training of Corporate Governance Officer in 2022 shall include the following:
(1). Participated in the "Supervision by Independent Directors and Board of Directors from an International Perspective" organized by TWSE and QIC; 1 hour.
(2). Participated in "Taishin 30 Sustainability and Net Zero Summit – Transform to Net Zero 2030" organized by Taiwan Institute for Sustainable Energy; 3 hours.
(3). Participated in the "2022 Seminar on Prevention of Insider Trading" held by the Securities & Futures Institute; 3 hours.
(4). Participated in "How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability" organized by Taiwan Corporate Governance Association; 3 hours.
(5). Participated in the "Sustainable development roadmap industry promotion" organized by TWSE and TPEx; 2 hours.
(6). Participated in the "Information Security Governance and Intellectual Property Management" organized by Taiwan Corporate Governance Association; 3 hours.
(7). Participated in the "2022 Seminar on Compliance of Equity Transactions by Insiders" held by the Securities & Futures Institute; 3 hours.
(8). Participated in the "2022 Cathay Sustainable Finance and Climate Change Summit" organized by TWSE and TPEx; 3 hours.</td><td></td></tr>
<tr><td>V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers) and properly respond to corporate social responsibility issues of concern to the stakeholders?</td><td>✓</td><td></td><td>1. The Company values the opinions of stakeholders (including shareholders, employees, customers, upstream/downstream companies, banks, and creditors), actively communicating with and engaging stakeholders to understand material sustainability issues, which are included in the corporate sustainability development blueprint. Based on industry characteristics, the Company referenced the GRI Standards, SASB, DJSI, and international standard AA1000 stakeholder engagement principles to identify and prioritize relationships with stakeholders.
2. The Company not only maintains good communication with stakeholders, but also set up a "Stakeholders" section on the company website, and also provides an e-mail (xuzhal@hksteel.com.tw) for stakeholders to use for contact.
3. The Company website has a "Corporate Governance – Important Company Regulations" section for investors to inquire and</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			download corporate governance related regulations.	
VI. Has the Company hired a professional agency to handle tasks and issues related to holding shareholder's meetings?	✓		The Company has appointed the Department of Stock Affairs at President Securities Corp. to handle affairs related to shareholders meetings.	None
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		The Company has Chinese and English versions of the Investor Section on the company website (http://www.hksteel.com.tw), which discloses the Company's latest situation, financial information, and shareholders' meeting data for investors to reference. The Company readily discloses related information on the Market Observation Post System (http://mops.twse.com.tw).	None
(II) Has the Company adopted other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?	✓		The Company constructed a Chinese version website (http://www.hksteel.com.tw), appointed a spokesperson and acting spokesperson according to regulations, appointed dedicated personnel to report financial and business information on the Market Observation Post System and handle information disclosures on the company website, and provides the process of investor conferences on the company website.	None
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year? Does the Company publish and report its financial reports for the first, second and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?	✓		To improve the timeliness of information disclosure and strengthen corporate governance, the Company publishes and reports its annual financial statements within three months after the end of a fiscal year (the Company's Board of Directors approved announced the 2022 financial statements on March 17, 2023). It also publishes and reports its financial statements for the first, second and third quarters as well as its operating status for each month before the specified deadline in each quarter. Please refer to the Market Observation Post System (http://mops.twse.com.tw) for the disclosure of the aforementioned information.	None
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices(including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		The Company readily discloses related information on its website (http://www.hksteel.com.tw) and the Market Observation Post System (http://mops.twse.com.tw). 1. Employee rights and caring for employees: The Company has always treated employees honorably and provides protection of their legal rights in accordance with the Labor Standards Act and related labor regulations. We have also planned a variety of employee benefits, such as: The Company subsidizes employees' on-the-job training and provides them with cultural entertainment, subsidies for healthcare, and daily necessities for boarding employees. Please refer to the descriptions in the "5. Employees-employer relations" section of the Operational Highlights in the Annual Report.(page 133 to 136). The Company's employees can report any difficulties they encounter in the workplace, such as epidemic prevention, safety and health in the workplace environment, gender equality, work hours, and employee care, through the employee opinion e-mail. The opinions are kept confidential and handled by dedicated personnel to protect employees. The Company also established regulations and complaint channels under the "Anti-discrimination and Anti-harassment Policy." New employees take courses on the prevention of discrimination and harassment and complaint mechanisms when they report for duty, actively protecting the rights and safety of every employee. Furthermore, we planned a variety of employee benefits, including paid leave better than required by law (e.g. paid care	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			leave), flexible work hours, and work from home, so that all employees will be able to balance health and safety, family care, and flexible work. The Company also planned complete and comprehensive benefits, including employee health examinations, health insurance, scholarships for employees' children, marriage and childbirth, cash gifts during holidays, and emergency aid. The Company provides employees with the most thoughtful care for the body, mind, and soul, and continues to fulfill its responsibility to care for employees' physical and mental health. Measures and rules relating to employees with excellent performance or improper conduct are clearly specified in the Work Rules. 2. Investor relations: The Company's material information is announced on the Market Observation Post System in accordance with the law, in order to protect the rights and interests of investors. The Company values the opinions of various stakeholders and uses visits, emails, telephone calls, faxes, mail (written, package, and official documents), instant messaging software, various forms of meetings (coordination meetings, press conferences, conferences, seminars, and creditors' meetings), associations, video conference, regulations, and other means of active communication to appropriately respond to external demands. 3. Supplier relations: The Company plans to hold a supplier conference in 2023 to promote green environment and ESG. ESG training will be provided during the conference to encourage engagement in ESG measures and also assist suppliers with transitioning. Furthermore, we communicate with and manage suppliers, conduct annual audits, irregularly convene tender meetings, provide a supplier opinion mailbox on the official website, and irregularly communicate with suppliers via external mailboxes, phone calls, and e-mail. The Company established robust management mechanisms for supplier management, and established stable long-term partnerships with suppliers, so that suppliers can continue to grow together with the Company. 4. Rights of stakeholders: To further strengthen stakeholder communication channels, the Company set up a "Stakeholder Section" on the company website, which provides stakeholders with transparent and effective communication channels to achieve corporate sustainability. The Company values the opinions of various stakeholders. Please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report. (page 71 to 93). 5. Continuing education of Directors: The Company's directors have taken continuing education courses according to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" in the most recent year, details are as follows. Please refer to "(5). Continuing education of Directors" section of the Corporate Governance Report in the Annual Report(page 68 to 70). 6. Implementation of risk management policies and risk	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			assessment standards: The Company has established various internal regulations and conducted various risk management and assessments in accordance with internal regulations. Please refer to the descriptions in "Review of Financial Conditions, Financial Performance and Risk Management" in the Annual Report(Page 153 to page 170). 7. Implementation status of customer policies: The Company provides customers with complete product quality services, and also provides customized services and solutions for customer complaints, in order to generate higher profits. We conduct customer satisfaction surveys each year and use it as the basis for improvements and supervision. We assess the risk of corruption and bribery and carry out due diligence process when working with a business partner for the first time and on a regular basis. This is used as the basis for evaluating whether or not to continue working with the business partner. 8. Purchasing liability insurance for Directors and managers: 。 The Company's Board of Directors adopted a resolution on November 8, 2022 to purchase liability insurance for directors (including managers), in order to reduce the severity of damages sustained by the Company and shareholders due to illegal conduct of directors.	
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved	✓		The Company's 2022 "Corporate Governance Evaluation" results were acceptable. The Company's 2022 Corporate Governance Evaluation results, improvements already made and improvements yet to be made for indicators in the 9th Corporate Governance Evaluation were reported to the Board of Directors on May 9, 2023 and will be used as the basis for review and improvement. Improvements already made and improvements yet to be made by the Company for indicators in the 9th Corporate Governance Evaluation are described below.	None

Improvements made for indicators of the 9th Corporate Governance Evaluation:

Item No.	Indicator Item	Improvement
1.7	Does the company upload the shareholders' meeting handbook and supplementary data 30 days prior to the annual general meeting?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).
1.10	Does the Company upload the English version of the handbook and supplemental data 30 days before the annual general meeting?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).
2.10	Does the company disclose the professional qualifications and experience of Audit Committee members, key tasks each year, and the operating status?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).
2.21	Has the company appointed a corporate governance officer responsible for corporate governance related affairs, and is the corporate governance officer's scope of authority and	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).

Item No.	Indicator Item	Improvement
	continuing education described on the company website and annual report?	
3.16	Does the company website disclose the list of major shareholders, which includes all shareholders holding 5% or more shares, or the names of the top ten shareholders with the number of shares and percentage held by each shareholder?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).
3.17	Does the company website disclose information on financial position, business performance, and corporate governance?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).
4.6	Does the company reference the International Bill of Human Rights when establishing its human rights protection policy and specific management plans, and disclose them on the company website or annual report?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).
4.13	Has the company obtained ISO 14001, ISO50001, or similar environmental or energy management system certifications?	The Company has provided a detailed explanation in the annual report and official website (Investor Relationship Section).

Priorities among improvements to be made in indicators of the 9th Corporate Governance Evaluation:

Item No.	Indicator Item	Improvement
2.3	Is the company's chairperson and president or equivalent position (highest level managerial officer) held by the same person, spouses, or first-degree relatives?	The Company will conduct an internal evaluation. The Company's Board of Directors adopted the resolution to add one independent director to the 16th-term Board of Directors during the meeting on March 17, 2023.
2.9	Has the company formulated a succession plan for board members and important management positions, and disclosed it on the company website or annual report?	The Company will conduct an internal evaluation.
2.14	Has the company established functional committees other than those required by law, such as a Nomination Committee, Risk Management Committee, or Sustainable Development Committee, in which the number of members may not be less than three, more than half of members are independent directors, and one or more members have professional competencies required by the committee? Also disclose the composition, duties, and operating status of the committees.	The Company will conduct an internal evaluation.
2.22	Has the Company established risk management policies and procedures that were approved by the Board of Directors, disclosed the scope of risk management, organizational structure, and implementation status, and reported results to the Board of Directors at least once a year?	The Company will conduct an internal evaluation.
2.24	Has the company established a cybersecurity risk management framework, cybersecurity policy, and specific management plans, invested resources into cybersecurity management, and disclosed it on the company website or annual report?	The Company will conduct an internal evaluation.
4.1	Has the Company established an exclusively (or concurrently) dedicated unit for promoting sustainable development, performed assessments of risks in environmental, social, and corporate governance issues relevant to its operations, established risk management policies and strategies based on the principle of materiality, and does the Board of Directors supervise the implementation of sustainable development and disclose it on the company website and annual report?	The Company will conduct an internal evaluation.
4.15	Does the company website or annual report disclose the ethical corporate management policy approved by the Board of Directors, specify specific measures and plans to prevent unethical conduct, and describe the implementation status?	The Company will conduct an internal evaluation.

(IV)Operations of the Remuneration Committee

The Company established the Remuneration Committee Charter and a Remuneration Committee during the 2nd meeting of the 12th-term Board of Directors on December 20, 2011. The committee evaluates the remuneration policy and system for directors and managers from a professional and objective perspective, and also establishes and reviews the policy, system, standards, and structure of director and manager performance evaluations and remuneration.

(1) Information on members of the Remuneration Committee

April 30, 2023

Identity \ Qualifications	Name	Professional Qualification and Experience	Independence Status	Number of other public companies where he/she is a member of the remuneration committee
Independent Directors	Winston Won	The Company's Remuneration Committee is composed of all independent directors. For members' professional qualification and experience, please refer to "Disclosure of Information Regarding the Professional Qualifications of Directors and Independent Directors and the Independence of Independent Directors" in this Annual Report. (page 20 to 25)	The Company's Remuneration Committee is composed of all independent directors. For members' professional qualification and experience, please refer to "Disclosure of Information Regarding the Professional Qualifications of Directors and Independent Directors and the Independence of Independent Directors" in this Annual Report. (page 20 to 25)	3
Independent Directors	Po-Young Chu			2
Independent Directors	Paul T.Y. Huang			0

Note: Not have been or be any of the following during the two years before being elected or during the term of office:

(1). An employee of the company or its affiliates;

(2). A director or supervisor of the company or any of its affiliates;

(3). A natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the company, or ranks the person in the top ten shareholders of the company;

(4). A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);

(5). A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act;

(6). If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company;

(7). If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution;

(8). A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; and

(9). A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee of the Company.

(2)Operations of the Remuneration Committee

I.The Company's Remuneration Committee is comprised of 3 individuals.

II. Current term for the members: The current term of office is from August 7, 2020 to August 5, 2023. The Chair of the Remuneration Committee Mr. Winston Won convened a total of 4 meetings between January 1, 2022 and April 30, 2023, the publication date of this Annual Report. The qualifications and attendance of members of the Remuneration Committee are specified below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) [B/A] (Note)	Note
Convener	Winston Won	4	0	100%	None
Committee Member	Po-Young Chu	4	0	100%	None
Committee Member	Paul T.Y. Huang	4	0	100%	None

Operations of the Remuneration Committee

Date of Meeting	Important agenda content	Resolutions	The Company's handling of members' opinions
March 3, 2022 (6th Session of 4th Board of Directors)	Approved the Company's distribution of remuneration to Directors and employees for 2021. Approved the Company's 2021 board performance evaluation report. Approved the report on remuneration to directors and managers in 2021.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
August 2, 2022 (7th Session of 4th Board of Directors)	Proposal to review the Company's allocation of employee bonuses and directors' remuneration in 2021. Proposal to review the Company's performance bonus adjustment for managers in 2022. Proposal to review the Company's manager promotions.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
December 20, 2022 (8th Session of 4th Board of Directors)	Approved the Company's remuneration policy for directors and managers in 2023.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance

March 3, 2023 (9th Session of 4th Board of Directors)	Approved the Company's distribution of remuneration to Directors and employees for 2022. Approved the Company's 2022 board and member performance evaluation report. Approved the report on remuneration to directors and managers in 2022.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance

Other details that need to be recorded in meeting minutes:

1. Opinions of the members of the Remuneration Committee that are not accepted or amended by the Board of Directors: None.
2. Objections or reservations by the members that have been recorded in writing during the Remuneration Committee resolution: None.

(V)Continuing education of Directors

The main methods of training for directors of the Company include:

1. At quarterly Board meetings, the management team conducts briefing on changes in business and regulations and other relevant information;
2. At semi-annual Audit Committee meetings, the finance and accounting unit and certifying CPA provide reports on regulatory updates and the company's compliance status to the committee; and
3. Directors participate in externally-provided training courses as needed.

Continuing education of Directors in 2022 is as follows:

Title	Name	Organizer	Course	Course Date	Course Duration	Does continuing education comply with regulations?
Chairman	Alexander M.T. Su	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.05.10	3	Yes
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Director	Trickle T.C. Chang	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.05.10	3	Yes
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Director	Ming-Shan	Taiwan	How the Board of	2022.05.10	3	Yes

Title	Name	Organizer	Course	Course Date	Course Duration	Does continuing education comply with regulations?
	Jheng	Corporate Governance Association	Directors supervises ESG risk and enhances competitiveness in corporate sustainability			
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Director	Fisher C.H. Yu	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.05.10	3	Yes
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Director	Johnathon Y.J. Su	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.05.10	3	Yes
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Director	Shih-Yang Chen	Taiwan CPA Association	Cash-out Merger, Protection of Shareholders' Interests, and Recusal of Directors Due to Conflict of Interest in the Business Mergers And Acquisitions Act	2022.12.13	3	Yes
		Taiwan CPA Association	Financial Statement Corruption and Forensic Practices Sharing	2022.12.15	4	Yes
Independent Directors	Winston Won	Taiwan Corporate	How the Board of Directors supervises	2022.05.10	3	Yes

Title	Name	Organizer	Course	Course Date	Course Duration	Does continuing education comply with regulations?
		Governance Association	ESG risk and enhances competitiveness in corporate sustainability			
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Independent Directors	Po-Young Chu	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.05.10	3	Yes
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes
Independent Directors	Paul T.Y. Huang	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.05.10	3	Yes
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.08.02	3	Yes

Note: All Directors have met the requirements for the number of hours of continuing education as specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".

(VI)Continuing Education Training of Corporate Governance Officer

Name	Date	Organizer	Course Title	Course Duration
Vice General Manager and Chief Financial Officer Corporate	2022.3.10	QIC and TWSE co-organized	Supervision by Independent Directors and the Board of Directors from an International Perspective	1.0

Name	Date	Organizer	Course Title	Course Duration
Governance Officer Jessica P.H. Liu	2022.4.22	Taiwan Institute for Sustainable Energy (TAISE)	Taishin 30 Sustainability and Net Zero Summit – Transform to Net Zero 2030	3.0
	2022.5.10	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	3.0
	2022.5.20	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3.0
	2022.7.27	TWSE and TPEx	Industry-specific Information Session on the Sustainable Development Roadmap	2.0
	2022.8.2	Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	3.0
	2022.10.12	Securities & Futures Institute	2022 Seminar on Legal Compliance for Stock Transactions by Internal Personnel	3.0
	2022.11.14	TWSE and TPEx	2022 Cathay Sustainable Finance and Climate Change Summit Forum	3.0

(VII)Performance of Corporate Social Responsibility

Steel is an important material for building a circular economy. HsinKuang Steel has established a goal to "create a beautiful new Taiwan" and uphold the five main ideals for "trust, harmony, innovation, sharing, and sustainability". The Company closely follows important international trends for sustainable development such as the UN's Sustainable Development Goals and we fulfill corporate social responsibility ideals by continuously reviewing and improving related systems. HsinKuang Steel established the "HsinKuang Steel Corporate Social Responsibility Policy" and "HsinKuang Steel Corporate Social Responsibility Best Practice Principles" in 2015 to actively implement social responsibilities and sustainable development as a corporate citizen.

In addition to focusing on development of its operations in the industry, the Company maintains an ethical and harmonious corporate culture in its fair treatment of shareholders, employees and the public. The Company has adopted basic ideals for compliance with laws, conducts business in accordance with laws, and shall not take part in illegal activities. The Company values corporate governance and seeks to attain balance in the benefits of shareholders, employees, and all stakeholders. It also provides high-quality work opportunities including good pay, challenging work content, and a comfortable and secure work environment. It is the Company's responsibility to take care of the physical and mental needs of employees. The Company also participates in social welfare activities, donates life-support systems and ambulances to give back to society. In the future, the Company shall continue to fulfill corporate social responsibilities and strive to become a good corporate citizen.

The Company has established the 7 principles and objectives for the execution of corporate social responsibilities as follows in order to achieve the goal of becoming a good corporate citizen.

(1). Adhere to the principles of ethics in business management and fulfill the core value of an "ethical and harmonious" corporate culture to provide shareholders, employees, customers, suppliers, and the public with fair treatment.

(2). The Company shall abide by laws, conduct business in accordance with laws, and shall not take part in illegal activities.

(3). The Company values corporate governance and seeks to attain balance in the benefits of shareholders, employees, and all stakeholders.

(4). The Company provides high-quality work opportunities including good pay, challenging work content, and a comfortable and secure work environment to take care of the physical and mental needs of employees.

(5). The Company dedicates itself to long-term care of the community, participates in social welfare activities, and shall continue to sponsor education and cultural activities.

(6). The Company values and continues to implement environmental protection measures in response to climate change.

(7). The Company opposes corruption, rejects nepotism and strictly adheres to principles of recusal in conflicts of interest. The Company does not partake in bribery nor pursue political connections.

The Company ramps up its efforts to reduce greenhouse gas emissions, firmly believing that both the related domestic regulations and recognized international standards shall be met when advancing environmental protection, safety, and sanitation operations.

The Company also dedicates itself to advancing corporate social responsibilities and safety and sanitation management. The Company has adopted a spirit for continuous improvement to promote safety and health, strengthen resource utilization and pollution prevention, regulate environmental safety and sanitation risks, establish environmental safety and sanitation cultural values, and adopt strategies for constructing green supply chains to fulfill corporate social responsibilities.

The Company continues to dedicate itself to advancing corporate social responsibilities, energy conservation, carbon emissions reduction, resource recycling, and other environmental protection efforts. The Company has always dedicated efforts on reducing greenhouse gas emissions. For a company that has continued to expand productivity and product lines, it is a difficult task to lower carbon dioxide emissions produced in the use of electricity. However, the Company remains dedicated to the planning and execution of these efforts. At the same time, the Company also adopted energy conservation designs in newly-built plants and offices as well as continuous increase in energy efficiency in preparation for the carbon dioxide trade and corporate carbon resources management in future domestic regulations. These measures not only reduce costs but also achieve the objective of lowering CO_2 emissions that cause global warming.

The Company upholds sustainable development ideals for environmental protection, clean energy, and space reuse. In 2022, the installed capacity of rooftop solar power generation systems in HsinKuang Steel's plants reached 11,303kw and the Company installed the largest singular commercial rooftop solar power system in Taiwan in DuPont™ "Safe Rooftop for Secure Power Generation" project. It generated 12.86 million kWh of electricity in 2022 and reduced 6,541 metric tons of CO2 emissions which is equivalent to the CO2 absorption volume of 17 Da'an Forest Parks. Over the years, we have produced 63 million kWh of electricity and reduced CO2 emissions by nearly 32,648 metric tons, which is equivalent to 84 times the amount of CO2 that can be absorbed by Da'an Forest Parks.

The Company's production line does not require vast amounts of water resources but in order to effectively use water resources, the Company has also adopted recycling and reuse measures to reduce water consumption in non-production operations. For instance, the Company reduced water consumption in its air-conditioning systems, installed water-conservation devices in sanitation systems, monitors water consumption in washing external walls and irrigation of plants, and decreased general water consumption.

Community care and participating in social welfare activities

Item	Talent Development and Promotion of Education and Culture	Implement Community Care	Assistance for the Disadvantaged	Healthcare, first aid
Breakdown	30.5%	31.6%	24.7%	13.2%

The Company upholds the philosophy to give back what is taken from society, and starts with community care, showing care and taking action to cultivate talent and support the underprivileged. HsinKuang Steel Co., Ltd., HsinKuang Steel Tian-Cheng Charity Foundation, and New Taipei City Hui Jung Welfare and Charity Foundation spent a total of NT$43.46 million on community care in 2022.

(I) Talent Development and Promotion of Education and Culture: 1. Donated to the Dream Come True Program "New Taipei City Star Athlete Training to Light the Way for Future National Team Players" of the Sports Office, New Taipei City Government. 2. Sponsored travel expenses of the Chinese Taipei Canoe Association to participate in the 2022 World Games – canoe polo. 3. Sponsored the art contest for families in straitened circumstances to cultivate their aesthetic ability and promote balanced development of body and mind. 4. Established after-school care programs in elementary schools in Changhua County, so that elementary school students in underprivileged families, such as single parent families and skipped generation families, can lay a solid foundation for learning. 5. Established scholarships for elite college students to cultivate outstanding talent, in hopes making them leaders in the nation's progress and development. 6. Supported local bands and co-organized the "2022 Mother's Day Appreciation Concert" with

Taiwan's local band – One Song Orchestra to show appreciation for mothers and stakeholders. 7. Collaborated with the Silver Grass Theatre Group for many years, which performs at an elementary school in rural parts of Hualien once a year to keep children company through stories and theater.

(II) Community care, giving back to communities: 1. Cooperated with the local government in reducing CO2 emissions from burning grape vines, and donated grass dissolving solution to Changhua County Government. 2. Assisted the local branch of the fire bureau and neighborhood patrol team where plants are located with promotion and patrol activities. 3. Provided work opportunities to residents of local institutions for persons with disabilities. 4. Assisted the local orphanage with building a new clothes drying yard. 5. Donated operating table and operating equipment to Chia-Yi Christian Hospital to improve the quality of local healthcare services.

(III) Assisting Disadvantaged Individuals and Medical Subsidies: 1. Assisted in delivering meals to elderly people, food boxes to low income households, and dishes for the year-end banquet. 2. Collaborated with the Ministry of Justice in organizing the Chinese New Year Care Program, distributing money to crime victims, rehabilitated persons, people under custody, and obligors for Chinese New Year, helping them through difficulties during the pandemic and allowing underprivileged families to enjoy Chinese New Year. 3. Donated ambulances to the Fire Department, New Taipei City Government for first aid.

The Company fulfills social responsibilities to all stakeholders. Customers would place more trust in the Company due to its ethical and law-abiding principles as well as its sound corporate management. Investors would be more willing to commit to long-term investments due to the Company's clear core values. Employees would also identify with corporate values and form stronger synergy. The implementation of corporate social responsibilities shall create stronger competitive advantages for the Company, create higher values for shareholders, and bring prosperity for all related parties of the Company.

The state of the company's promotion of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such deviation

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Did the company establish a governance framework for the promotion of sustainable development and set up an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development, with a senior management delegated by the Board of Directors to handle and report on the same to the board of directors?	✓		The Company's Board of Directors is the highest level decision-making and supervision unit for affairs related to sustainable development. The implementation status of sustainable development and governance framework are directly supervised by the Board of Directors. The chairman charged the General Manager's Office and senior managers with different fields of expertise to jointly examine the Company's core operating ability, with the chairman as the main decision-making, and set the mid-term and long-term sustainable development policy and short-term implementation plans. They verify the Company's sustainable development and ESG management approach, oversee, track and review the management team's sustainable development implementation and attainment of performance goals, in order to strengthen the Company's financial position. The Company's sustainable development and ESG management approach includes "integrity governance and risk management," "sustainable environment and products," "employee care," and "care for society." We added "financial TCFD," "information security," and "sustainable supply chain" in response to international trends. Task forces are formed by level 1 supervisors and senior employees of related departments, ESG tasks are assigned based on department function, and are expanded to subsidiaries in the group. The Company is dedicated to establishing comprehensive corporate governance, steady operations and profits, as well as maintaining the	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			balance between the interests of the environment, society, and all stakeholders. The Company reports annual sustainability issues, implementation results, and future implementation plans each quarter. In 2022, the Company will continue to cultivate and enhance aspects in relation to its business performance, supply chain management, corporate governance, corporate social responsibilities, social care, and sustainable environment, while creating a stable, harmonious, inclusive, and friendly workplace. HsinKuang Steel has always acted in the interest of society, focusing particularly on support for disadvantaged individuals, talent development, community care, emergency medical assistance, and medical subsidies, among others. Furthermore, with regard to carbon neutrality, we compiled a GHG inventory, collected data, and carried out inventory verification in 2022 to focus on setting goals for carbon reduction. In the mid-term, we will gradually verify, disclose, and communicate information on GHG emissions in the supply chain, making preparations for the impact of carbon fees (taxes) on the Company's operations.	
II. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality? (Note 2)	✓		The Company uses evaluation methods for five aspects based on stakeholder engagement principles in the international standard AA1000, taking into consideration responsibility, influence, tension, diverse perspectives, and dependence, identifying and prioritizing the relationship with stakeholders. We referenced the topics of concern collected in the	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			stakeholder communication process into Company operations and the blueprint for sustainable development, and take necessary measures when appropriate, strengthening risk assessment and information disclosure for various issues. This will allow the Company to better implement sustainable operation. Please refer to the Sustainability Report published each year for the boundaries of the Company's risk assessment. Furthermore, the Company's Board of Directors approved the Corporate Social Responsibility Best Practice Principles, which expressly states that the Company shall perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and formulate risk management policies and strategies based on the principle of materiality. 1.Corporate Governance: The Company updates the risk identification matrix in response to war, geopolitics, energy transition, industrial transformation, and demographic structure changes to improve risk assessment and strengthen management functions, and reports impacts on operations and mitigation strategies to the Board of Directors. The Company strictly abides by related laws and regulations and established the Code of Ethics and Ethical Corporate Management Best Practice Principles, engaging in operating activities based on integrity, fairness, and reasonableness with the management goal of zero violations. We implement complaint and whistleblowing management and encourage employees to report any illegal conduct or	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			violations of the Code of Ethics. The Company's departments periodically track and update laws and regulations and strictly abide by government regulations in routine operations. 2.Environmental issues: The Company established green management concepts based on company operations for the issue of natural resource depletion. Climate change risks are already incorporated in the Company's overall risk management process, and climate risks are identified according to the TCFD framework. Departments plan response strategies based on risk identification results, integrate and manage risks that may impact operations and profits, and submit risk assessment and management reports to the Board of Directors. 3.Social issues: The Company complies with the spirit of human rights protection and fundamental principles set forth in the United Nations Global Compact, Universal Declaration of Human Rights, and International Labor Organization Declaration on Fundamental Principles and Rights at Work, fully respecting and protecting human rights. The Company attaches importance to safety management and employee training, and identifies potential risks of each department in daily operating activities, in order to maintain employee safety. The Company thus implemented management systems to raise the safety awareness of employees and contractors, and further prevent occupational accidents from occurring. With regard to talent retention risk, the Company provides a variety of incentives, such as employee bonuses and	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			performance bonuses, and periodically organizes courses for employees to grow at work, in hopes that employees will grow together with the Company. Furthermore, the Company regularly communicates with stakeholders, such as government agencies and local communities, maintains smooth communication channels, and actively responds to the opinions of stakeholders. The Company shall actively implement corporate social responsibilities while conducting corporate operations in order to match international development trends in balanced environment, social, and corporate governance development. The Company shall increase its contribution to the national economy and improve the quality of life for employees, communities, and society by fulfilling its duties as a corporate citizen and advance its competitive advantages based on corporate social values. Please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report (page 71 to 93).	
III.Environmental issues (I) Has the Company established a proper environmental management system based on the characteristics of the industry?	✓		1. Implementation at the management level: We established ISO-14001 and plan to implement ISO-50001 environmental and energy management systems in 2023. We aim to continue improving the performance of environment and energy use through ISO management systems, and strengthen environmental and energy management through environmental management plans and energy baseline surveys, the proposal of improvement plans and the establishment of management systems.	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			2. We began compiling our GHG inventory in 2022 and obtained an ISO 14064 GHG inventory verification statement issued by the SGS. 3. The Company's ISO certificates are all still valid and disclosed in the ESG section on the official website. 4. For more information, please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report(page 71 to 93).	
(II) Is the company committed to improving energy efficiency and using recycled materials which have a low impact on the environment?	✓		We are actively researching waste and resource reuse methods to replace natural resources and raw materials. This will not only reduce energy consumption per unit steel product, but also reduce GHG emissions. For more information, please refer to the "(7). Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report(page 71 to 93).	None
(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake relevant response measures?	✓		The Company has addressed the identification of potential risks in climate change based on the increase of the cost of purchased electricity, changes in rain models, and impact of extreme weather on infrastructure and assessed the possible negative impact on the cost of business operations and revenue. On the other hand, climate change has also brought forth new business opportunities. The Company has focused on investments in green energy and steel materials necessary for the installation of green energy equipment which increases revenue and improves the Company’s corporate image. The Company's SBTs are as follows: Using 2021 as the baseline year, we are committed to reducing the	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			intensity of Scope 1 (direct emissions) GHG emissions by 10% and Scope 2 (indirect emissions) GHG emissions by 20% by 2030, showing our ambition to adapt to climate change.	
(IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down water consumptions, greenhouse gas emissions, and waste production?	✓		1. We use a system-based management approach to reducing energy consumption per unit product. In the development of product packaging or cutting, we reuse waste and resources to replace raw materials and fuel. Besides improving resource efficiency, this will also achieve carbon reduction and lower the risk of supply shortage due to climate change. 2. The Company's strategic goal is circular economy, creating a cross-industry "circular economy chain" to create value through corporate sustainability. The Company improves energy, water, wastewater, and waste management performance through certifications for the international standards ISO-14001, ISO-50001, ISO-14064, and ISO-45001, and plans energy conservation, environmental protection, and production process improvements with higher standards than required by environmental protection regulations. We reduce our impact on the environment through our business philosophy and energy conservation and environmental protection policy. 3. The Company periodically compiles statistics on GHG emissions, water consumption, and waste recycling each year, and set up a ESG Section on the official website; the statistics are disclosed in the Sustainability Report each year.	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
IV.Social issues (I) Has the company formulated appropriate management policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		HsinKuang Steel deeply believes that respect for human rights and creating a work environment with dignity is of utmost importance to the Company and supply chain partners. The Company creates a people-oriented healthy workplace environment and complies with the Universal Declaration of Human Rights (UDHR), United Nations Global Compact (UNGC), and International Labor Organization Declaration on Fundamental Principles and Rights at Work, as well as local labor related regulations of business locations. The Company announced the human rights policy to protect employees lawful rights, and treats all employees with dignity and respect, including contract-based personnel and interns. The applicable scope includes the Company and domestic and overseas subsidiaries, joint ventures, suppliers, business partners, and other affiliated enterprises with substantial control. After approval by the chairman, it is disclosed on the group's official website, internal electronic bulletin board, and Corporate Social Responsibility Report. The group takes ESG very seriously and exerts every effort to protect employee rights and interests, actively creating a friendly workplace with healthy mutual help. The Company's employees can report any difficulties they encounter in the workplace, such as epidemic prevention, safety and health in the workplace environment, gender equality, work hours, and employee care, through the employee opinion e-mail. The opinions are kept confidential and handled by dedicated personnel to protect employees. The Company also established regulations and complaint channels under the "Anti-discrimination	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			and Anti-harassment Policy." New employees take courses on the prevention of discrimination and harassment and complaint mechanisms when they report for duty, actively protecting the rights and safety of every employee. The group included the human rights policy, Ethical Corporate Management Best Practice Principles, and Anti-discrimination and Anti-harassment Policy into required training courses each year. All employees are require to read policy documents of the Company, so that they fully understand the Company's commitment to protect employees' rights and interests. Furthermore, the Company actively engages in human rights issues and organizes seminars and activities related to labor and ethical corporate management regulations, mental and physical health, employee care, and benefits. Total training hours reached 227.5hours in 2022. The Company's human rights policy is disclosed on the official website. For more information, please refer to the descriptions in "5. Employees-employer relations" section of the Operational Highlights in the Annual Report(page 133 to 136).	
(II) Has the company established and implemented reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		The Company not only provides competitive salaries and bonuses, but also attaches importance to an open work environment with diversity and gender equality, where employees are not treated differently due to their gender, race, religion, political affiliation, and marital status. Female employees accounted for 22.8% of all employees and female managers accounted for 6.57% of all managers at the Company in 2022. The Company strives to create a gender friendly workplace to attract and retain talent.	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			The Company examines employee salary standards and bonus system through salary survey reports based on business goals, individual performance, and corporate social responsibility, and fully links overall profits to employees' individual performance. Everyone in the Company from the top to bottom must be eco-friendly, and the incentives and bonus system are designed with the purpose of focusing on nature and social welfare to reward employees with excellent performance. A structural salary adjustment was made for all employees in 2022 to retain talent and ensure that salaries are competitive in the market. The Company upholds the core value of being people-oriented and planned a variety of employee benefits, including paid leave better than required by law (e.g. paid care leave), flexible work hours, and work from home, so that all employees will be able to balance health and safety, family care, and flexible work. The Company also planned complete and comprehensive benefits, including employee health examinations, health insurance, scholarships for employees' children, marriage and childbirth, cash gifts during holidays, and emergency aid. The Company provides employees with the most thoughtful care for the body, mind, and soul, and continues to fulfill its responsibility to care for employees' physical and mental health. Measures and rules relating to employees with excellent performance or improper conduct are clearly specified in the Work Rules.	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		1. The Company attaches great importance to employee safety in the work environment, and set the long-term goal of "zero occupational injuries." The Company not only established an occupational safety and health management system, but also an Occupational Safety and Health Management Department, which oversees company-wide labor safety and health affairs. The Company attaches importance to and continues to carry out employee safety and health training and simulation drills, and stepped up training and communication related to the work environment, equipment, and hazardous substance management, in order to ensure the safety and health of employees at work. The Company established an occupational safety and health management system, and the Occupational Safety and Health Management Department is responsible for convening quarterly Labor Safety and Health Committee meetings, tracking work results and project progress, and carrying out review and improvement. The Company further introduced the labor safety monthly report mechanism in 2022. With regard to health and safety training, the Company arranges safety and health training for new employees, current employees receive one hour of safety and health training each year, and there are EHS patrols and reporting mechanisms at each location. The Company organizes labor, safety, and disaster prevention training courses according to government regulations each year, and arranges for employees to receive training and re-training for certifications, such as first aid,	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			hypoxia operations, hazardous equipment, and occupational safety and health supervisor, in accordance with the law. We compiled a list of potential safety hazards in the work environment, organized safety promotions and fire drills, and participated in the disaster prevention events and certification training organized by the government, including air pollution prevention, fire safety manager training, and pneumoconiosis diagnosis and case study. A total of 204 participants received EHS training for a total of 3,960 hours; there were no occupational disease cases in 2022. Furthermore, the Company periodically provides employee health examinations to better protect employee health. The Company encourages employees to be vaccinated for the flu at a hospital free of charge and tracks employees' health condition. The nature of their work is adjusted based on their health condition to ensure employee health and safety. The Company began providing on-site health services in 2022, and hired health workers to provide on-site health examination services in accordance with the law, improving and caring for the health of workers in plants, while lowering the risk occupational accidents. The Company also implements health promotion measures, including organizing health seminars and related training. On-site health services have been provided to 153 people since the services were offered in 2022. We implemented four major projects, including ergonomics, overload, workplace violence, and maternity health protection. The health condition of	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			employees is evaluated through health examinations and questionnaires, and employees are divided on this basis, in which health recommendations are provided to employees with medium and high health risk. 2. All plants of the Company and the group's head office have obtained ISO 45001 Occupational Safety and Health Management System certification. The certificate is effective until the end of May 2025. Internal auditor qualifications training is provided for personnel of each unit according to ISO, in order to raise internal occupational safety awareness. 3. A total of 3 occupational accidents occurred in 2022 and 3 employees were injured as a result, accounting for 0.69% of all employees. The injuries were all due to not following safety rules, and safety precautions training was subsequently arranged.	
(IV) Does the Company offer employees effective occupational empowerment training programs?	✓		The Company attaches great importance to the competency training and development needed by employees in each stage of their lives. The Company established the Education and Training Management Regulations to develop employees' foresight, groundbreaking developments, and professional competencies in different fields when facing complex and volatile environmental issues. The Company also integrated internal and external resources to develop and improve employees' abilities, and allow employees to grow together with the Company. The Company emphasizes instilling all employees with sustainability concepts, developing professional competencies, and combining core expertise with	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			circular economy concepts and practices. Therefore, the Company provides comprehensive learning channels and development resources, including on-the-job training, course training, work guidance, internal lecturer system, and job rotation. The Company develops employees' professional competencies in different fields and strengthens their ability to handle and respond to problems through a variety of external training courses, as well as new knowledge in the world. The Company adopted the e-learning platform CommonWealth Leader Campus in 2023. The platform's training module aims to provide diverse professional training, ESG seminars, professional competency improvement courses, English training, and information security and occupational safety education to entry-level employees and middle and senior management. The platform contains a knowledgebase and provides general education on health and aesthetics to maintain a good environment for talent cultivation and channels, allowing employees to grow together with the Company. All employees collectively received 13,033 units of training between January 9 and April 30, 2023, and 34% of employees participated. For more information, please refer to the descriptions in "5. Employees-employer relations" section of the Operational Highlights in the Annual Report(page 133 to 136).	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing and labeling of products and services, and other related issues and does it establish relevant consumer or customer protection policies and grievance procedures?	✓		The Company provides customers with complete product quality services, and also provides customized services and solutions for customer complaints, in order to generate higher profits. We conduct customer satisfaction surveys each year and use it as the basis for improvements and supervision. The place of origin and material is labeled on the surface of packaged steel products, and the material certificate from the original manufacturer is also provided. The quality assurance system of all plants have obtained ISO certification, quality inspections are conducted according to internal control standards and customer requirements before product shipment, so as to ensure that customers' requirements are met.	None
(VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights, and describe the implementation results?	✓		The Company continues to strengthen supply chain management. It requires and encourages suppliers and contractors to constantly improve in quality, costs, delivery period, environmental protection, safety and sanitation. The Company and main suppliers and contractors maintain mutually beneficial cooperation through regular exchanges between management as well as exchanges and sharing of experience in production technologies to enhance partnerships and pursue better performance and greater contributions to the society. As described above, when contractors conduct high-risk operations, they shall be required to clearly define safety protection and preventive measures required of the workers. The contractors that carry out factory construction or work at heights shall also be required to establish Occupational Health and Safety Assessment Series (OHSAS 18001) standards or related control systems. Their employees shall also be required to complete comprehensive	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			work training. The Company carries out the following tasks for its supplier management policy and supplier conduct management: 1. The Company distributes a sustainability questionnaire each year to survey the ESG results of suppliers. Suppliers first conduct a self-evaluation, which is then reviewed by the Company and a third party consultant. If the score does not meet standards, the suppliers is classified as a high risk supplier, and improvement results are periodically tracked. 2. The Company plans to hold an annual supplier conference starting in 2023, and will provide ESG training and commend suppliers for good sustainability performance during the event. 3. Sustainability reviews were conducted for a total of 31 suppliers in 2022.	
V. Does the Company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the Company obtain third-party assurance or qualified opinion for the reports above?	✓		The Company's Sustainability Report is prepared according to the GRI Sustainability Reporting Standards (GRI Standards) Core Options, GRI G4 Sector Disclosures – Mining and Metals, and Sustainability Accounting Standards Board (SASB) building materials industry guidelines. Deloitte provides limited assurance of compliance with the GRI and SASB according to TWSAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information published by the Accounting Research and Development Foundation (established with reference to ISAE 3000 Revised). The matters being assured may change along with the material topics each year. Using the Company's 2021	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			Sustainability Report as an example, the requirements being assured include: GRI 204-1 Proportion of spending on local suppliers; 2. GRI 303-3 Water withdrawal; 3. GRI 305-1 Direct (Scope 1) GHG emissions; 4. GRI 305-2 Energy indirect (Scope 2) GHG emissions; 5. GRI 401-3 Parental leave; 6. GRI 403-9 Work-related injuries; 7. GRI 419-1 Non-compliance with laws and regulations in the social and economic area; 8. GRI indicator installed capacity and electricity generation using renewable energy in 2021, covering all three aspects of ESG. The Company has received awards for consecutive years since 2019.	

VI.If the Company has established sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe any difference between the principles and their implementation:

The Company has established Corporate Social Responsibility Best Practice Principles, which were approved by the Board of Directors in December 2010 and subsequently revised to strengthen the fulfillment of corporate social responsibilities. The revisions were approved by the Board of Directors in January 2017 and January 2019. The Company regularly reviews the implementation status of these Principles, making improvements accordingly. There has been no difference between the principles and their implementation. In addition to focusing on the development of its operations in the industry, the Company maintains an ethical and harmonious corporate culture in its fair treatment of shareholders, employees, and the public. The Company has adopted basic ideals for compliance with laws, conducts business in accordance with laws, and shall not take part in illegal activities. The Company values corporate governance and seeks to attain balance in the benefits of shareholders, employees, and all stakeholders. We also provide high-quality work opportunities including good pay, challenging work content, and a comfortable and secure work environment. It is the Company's responsibility to take care of the physical and mental needs of employees. The Company also participates in social welfare activities, donates life-support systems and ambulances to give back to society. Please refer to descriptions in "(7) Performance of corporate social responsibility" of the Corporate Governance Report in the Annual Report(Page 133 to page 136).

VII.Other critical information conducive to understanding thepromotion of sustainable development:

Completed a GHG inventory, collected data, and carried out inventory verification in 2022 to focus on setting goals for carbon reduction. In the mid-term, we will gradually verify, disclose, and communicate information on GHG emissions in the supply chain, making preparations for the impact of carbon fees (taxes) on the Company's operations.

The Company upholds the philosophy to give back what is taken from society, and starts with community care, showing care and taking action to cultivate talent and support the underprivileged. HsinKuang Steel Co., Ltd., HsinKuang Steel Tian-Cheng Charity Foundation, and New Taipei City Hui Jung Welfare and Charity Foundation spent a total of NT$43.46 million on community care in 2022. A breakdown of donations to charity is as follows: talent cultivation and promotion of education and culture 30.5%, community care 31.6%, aid for the underprivileged 24.7%, and medical Subsidies 13.2%.

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
The Company continues to dedicate itself to advancing corporate social responsibilities, energy conservation, carbon emissions reduction, resource recycling, and other environmental protection efforts. The Company upholds sustainable development ideals for environmental protection, clean energy, and space reuse and uses rooftop of factories to set up PV panels to produce energy in order to reduce energy consumption and carbon emissions and implement environmental protection measures, and has also sets up solar-powered street lights. The Company generated12.98 million kWh of electricity in 2022. We have reduced CO_2 emissions by nearly 6,541 metric tons which is equivalent to the CO_2 absorption volume of 17 Da'an Forest Parks. Over the years, we have produced 63 million kWh of electricity and reduced CO_2 emissions by nearly 32,648 metric tons, which is equivalent to 84 times the amount of CO_2 that can be absorbed by Da'an Forest Parks. Please refer to the "(7). Performance of Company corporate social responsibility" section of the Corporate Governance Report in the Annual Report(Page 133 to page 136).				

1 Implementation status of climate-related information

The board of directors is the highest level decision-making unit for risk management, and is responsible for reviewing the Company's risk management policy and monitoring risk management operations. Climate change risks are already incorporated in the Company's overall risk management process, and climate risks are identified according to the TCFD framework. Departments plan response strategies based on risk identification results, integrate and manage risks that may impact operations and profits, and submit risk management reports to the Board of Directors each year.

The Company published its first TCFD Report (2021) in December 2022, which was the first time the Company fully disclosed its strategic actions and management measures in response to climate change in a system framework.

The Company plans to prepare a TCFD Report for 2022 and will disclose it in the ESG section on the official website.


Statement TW23/00080GG

Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions in year 2021 of

Hsin Kuang Steel Company Limited

25F., No.97, Sec.4, Chongxin Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)

has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of

ISO 14064-1:2018

Direct emissions
2,252.7392 tonnes of CO_2e
Indirect emissions
932,948.1355 tonnes of CO_2e
Direct emissions and indirect emissions
935,200.875 tonnes of CO_2e

Authorized by

Stephen Pao
Knowledge Deputy General Manager
Date: 14 April 2023
Version 1

TGP56A-15-6 2207
SGS Taiwan Ltd.
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District, New Taipei City 24803, Taiwan
t (02) 22993279 f (02)22999453 www.sgs.com

This Statement is not valid without the full verification scope, objectives, criteria and findings available on the Statement.

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Statement TW23/00079GG

Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions in year 2022 of

Hsin Kuang Steel Company Limited

25F., No.97, Sec.4, Chongxin Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)

has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of

ISO 14064-1:2018

Direct emissions
2,252.3898 tonnes of CO_2e
Indirect emissions
759,073.3974 tonnes of CO_2e
Direct emissions and indirect emissions
761,325.868 tonnes of CO_2e

Authorized by

Stephen Pao
Knowledge Deputy General Manager
Date: 14 April 2023
Version 1

TGP56A-15-6 2207
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2 GHG inventory and assurance

The Company completed the 2021 and 2022 GHG inventory and obtained the first ISO 14064 GHG Inventory verification statement issued by the SGS in April 2023. The statement is also disclosed in the ESG Section on the official website.

The Company periodically compiles statistics on GHG emissions, water consumption, and waste recycling each year, and set up a ESG Section on the official website; the statistics are disclosed in the Sustainability Report each year.

(VIII)Ethical corporate management and measures adopted

An ethical and harmonious corporate culture has always been the Company's core value. The Company has always upheld integrity in all business activities and has always maintained a fair, honest, trustworthy, and transparent code of conduct to put our words into practice.

It is the responsibility of all members of the Company to uphold the Company's core values in our corporate culture and the Company's reputation. Therefore, the Company requires each member of the Company in its Ethical Corporate Management Best Practice Principles (hereinafter referred to as the "Principles") to adhere to the following: Avoid sacrificing or conflicting with company interest for personal gains. Avoid any bribery, unfair competition, fraud, waste, and abuse of company resources. Abstain from any actions harmful to the Company, the environment, and society. Abide by all laws and regulations and respect legislative purposes. Avoid any actions that may inappropriately affect anyone's decisions, including government officials, public servants, courts, customers, suppliers, and contractors.

The Principles also require all employees, managers, and Board members to adhere to the core values of the Principles. The Company's management is required to establish a good example for ethical corporate management. The Company's manager, particularly the Chief Executive Officer, Chief Financial Officer, and Chief Information Officer of the product profit center, shall be supervised by the Board of Directors and be responsible for fully, fairly, accurately, promptly, and clearly disclosing the Company's financial and accounting information in financial statements submitted to the competent authority and disclosed to the public.

The Company shall enforce management and punishment to ensure that all employees, managers, and supervisors adhere to the Principles, Ethical Corporate Management Operating Procedures and Code of Conduct. The Company hopes that the Company's customers, suppliers, contractors, consultants, and other partners with contractual relationships understand and respect the Company's corporate culture for ethical, transparent and responsible corporate governance.

In the event that an employee discovers or has reasonable doubts of any violation of the Principles, he/she shall immediately file a report to the following individuals or through the following channels in accordance with the status of the violation: the direct supervisor, the General Manager's Office, internal audit chief, employee complaint channels, or the Supervisors. Upon discovering or receiving a complaint about the involvement of any personnel in unethical conduct, the Company shall ascertain the relevant facts without delay; if it is verified that there is indeed a violation of applicable laws and regulations or the Company's ethical corporate management policies, the Company shall immediately require the violator to cease the conduct and shall punish the individual accordingly. where necessary, the Company shall file for damage claims through legal proceedings to protect the reputation and interests of the Company. For unethical conduct that have occurred, the Company shall instruct related units to review the internal control system and operating procedures and provide improvement measures in order to prevent the same conduct from reoccurring. The Company shall instruct units to report the unethical conduct, the processing methods, and follow up review and improvement measures to the Board of Directors.

If any of the Company's personnel discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct is of an illegal nature, the Company shall immediately notify judicial agencies and prosecutors of related facts. If the unethical conduct involves public offices or public servants, the government's agencies against corruption shall be notified.

Implementation of ethical corporate management, deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", and reasons for deviation:

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and stated its policies and practices in its Memorandum or external correspondence to maintain business integrity? Are the Board of Directors and the managers committed in fulfilling this commitment?	✓		The Company's board meeting on December 20, 2011 adopted the resolution to establish the Ethical Corporate Management Best Practice Principles to fulfill the Company's corporate social responsibility, in order to create a corporate culture and develop sound ethical corporate management. An ethical and harmonious corporate culture has always been the Company's most important core value. We uphold integrity and enthusiasm when providing services, which exceed the expectations of our customers to achieve "customer satisfaction." We have built good relationships with suppliers and customers, and our greatest purpose is to pursue sustainable operation and growth. Our attitude towards operations is disclosed on the company website, and the Board of Directors and management all aim to implement the business philosophy of integrity.	None
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Corporate Social Responsibility Best Practice Principles for	✓		Donations reaching a certain amount require approval from the Board of Directors. The audit unit pays attention to whether any bribes or other improper gains were offered or accepted. The Company's internal procedures are specified in the Ethical Corporate Management Best Practice Principles, please see the "Investors Section" of the official website for details.	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
TWSE/GTSM Listed Companies?				
(III) Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implemented the policies, and reviewed the aforementioned policies on a regular basis?	✓		The Company established the Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Code of Conduct, Code of Ethics for Directors and Supervisors, Code of Ethics for Managers, Anti-corruption and Anti-bribery Policy, Anti-corruption and Anti-bribery Training Procedures, and Regulations for the Prevention of Insider Trading, in order to prevent unethical conduct. The regulations are periodically reviewed and revised or submitted to the Board of Directors for discussion and revision.	None
II.Full Implementation of Ethical Management Principles (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		The Company assesses the risk of corruption and bribery and carries out the due diligence process when working with a business partner for the first time and on a regular basis. This is used as the basis for evaluating whether or not to continue working with the business partner. The Company established the Commitment to Ethical Conduct, which is attached to contracts signed by the Company. Parties to the contract are required to abide by all integrity requirements set by the Company, and verify that they have carefully read the Company's Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Code of Conduct, and Anti-corruption and Anti-bribery Policy. The parties also guarantee that their responsible person, managers, employees, agents, affiliated persons, and users will also strictly abide by the obligations of the Commitment to Ethical Conduct.	None
(II) Does the Company have a unit responsible for business integrity on a full-time basis under the Board of Directors, which	✓		The Company's chairman leads units at all levels in the implementation of corporate sustainability, ethical corporate management, and corporate social responsibility, and periodically reports to the Board of Directors.	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
will report the business integrity policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?			The Company plans to implement ISO 37001 Anti-bribery Management Systems in 2024, and will also establish an Anti-corruption and Anti-bribery Task Force for system planning, consulting, and implementation. Information on the implementation status will be reported on a rolling basis.	
(III) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?	✓		The Corporate Social Responsibility Best Practice Principles expressly state that the Company shall respects ethics and pay attention to stakeholders' rights when fulfilling its CSR, and shall incorporate ESG factors into management and business activities while pursuing sustainable development and profits. New employees hired by the Company are asked to sign the "Commitment to Ethical Conduct" in accordance with requirements. In addition, all employees are required to actively inform the Company of any conflicts of interest or suspected conflicts of interest in accordance with the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct".	None
(IV) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?	✓		Internal audits are an important part of the Company's internal controls, and assist management with inspecting deficiencies in internal controls and measuring the effectiveness and efficiency of operations, so as to ensure that the internal control system can continue to be effectively implemented. Audits aim to prevent unethical conduct. Before conducting an audit, data is downloaded on the computer and abnormal data is quickly analyzed. Warning items are generated by the internal control warning system and listed as annual audit items based on their risk. There were no abnormalities or unethical conduct in 2022.	None
(V) Does the Company periodically provide internal and external training programs on integrity management?	✓		The Company periodically organizes ethical corporate management training and the implementation status in 2022 is as follows: 1. The Company provided 1 hour of training on ethical corporate management issues to a	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
			total of 50 directors, managers, and employees via online learning in 2022. 2. The Company plans to implement ISO 37001 Anti-bribery Management Systems in 2024, and will also establish an Anti-corruption and Anti-bribery Task Force for system planning, consulting, and implementation. Information on the implementation status will be reported on a rolling basis. 3. All new employees of the Company signed the "Commitment to Ethical Conduct." Furthermore, the Company requires medium and high risk managers that interact with suppliers and customers to also sign the Guidelines for Prevention of Insider Trading, in addition to the Commitment to Ethical Conduct, and the signing rate also reached 100%. For more information, please see the Company's official website – "Investors Relationship Section."	
III. Operation of whistle-blowing system in the Company (I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		The Company specifies channels for employees and whistleblowers to report any financial, legal, and integrity-related improper conduct in the Ethical Corporate Management Operating Procedures and Code of Conduct. The Company encourages the reporting of illegal or unethical conduct, and steps up the communication of ethics concepts. Employees are encouraged to report any conduct they suspect or find is illegal or violates the Code of Ethics to their direct supervisor, head of the Administrative Services Department, and Audit Office. If reports from internal or external personnel involve the Company's senior managers, aside from the abovementioned channels, the whistleblower may also report it to the Company's Audit Committee, so that suitable personnel may be assigned based on the individual being reported. The Company shall establish independent internal report mailbox and dedicated line on the Company	None

Evaluation Item	Implementation Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
			website and internal website and assign personnel to take charge of processing reports. The Company shall keep the identity of the whistle-blower and the content confidential.	
(II) Has the Company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		The Company set forth procedures for handling and investigating reports, as well as confidentiality mechanisms, in the Ethical Corporate Management Operating Procedures and Code of Conduct and Code of Ethical Conduct for Managers. Matters are handled by the Audit Office according to the Company's regulations.	None
(III) Did the company adopt measures for protecting the whistleblower against improper treatment or retaliation?	✓		The Company's Ethical Corporate Management Operating Procedures and Code of Conduct and Code of Ethics for Managerial Officers and Supervisors Ranked Level 1 and Above sets forth a whistleblower confidentiality system. Reports are kept confidential and the Company is committed to protecting whistleblowers from improper treatment due to their report. This way employees know that the Company will exert every effort to protect the safety of whistleblowers with good intentions. Meanwhile, the Company strictly prohibits any form of retaliation against whistleblowers who provided reports in good faith or individuals who assist in investigations.	None
IV. Enhancing information disclosure Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and M.O.P.S.?	✓		The Company's official website (http://www.hkssteel.com.tw) has an "Investors RelationshipSection." Disclosure of the Company's ethical corporate management philosophy.	None
V. If the company has established Ethical Corporate Management Best Practice Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", describe the difference between the principles and implementation status: The 2nd meeting of the 12th-term Board of Directors established the Ethical Corporate Management Best Practice Principles, which was amended the second time during the 3rd meeting of 13th-term Board of Directors. The General Manager's Office and Audit Office are responsible for supervising the implementation of the ethical corporate management policy. Along with the Company's Ethical Corporate Management Best Practice Principles, both are implemented according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies. The 2nd meeting				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">of the 12th-term Board of Directors subsequently adopted the resolution to align the whistleblowing system specified in the Ethical Corporate Management Best Practice Principles with the whistleblowing mechanism in the "Ethical Corporate Management Operating Procedures and Code of Conduct" and "Ethical Corporate Management Operating Procedures and Code of Conduct," in order to strengthen control over access right to whistleblowing information. Different units handle whistleblowing cases based on the level of the accused. In addition to the Audit Office, the Audit Committee was also listed as a channel for reporting the Company's senior managers, thereby strengthening whistleblowing communication channels. Regarding the implementation of the Company's ethical corporate management policies, please refer to the descriptions in "(8) Ethical Corporate Management and Measures Adopted" of the Corporate Governance Report in the Annual Report (page 94).</td></tr>
<tr><td colspan="5">VI. Other critical information conducive to understanding the operation of the company's integrity management: (e.g., review/revision of the company's integrity corporate management principles)
1. The banks that the Company and affiliated enterprises do business with are all financial institutions with a certain credit rating and scale of assets. The Company also established Customer Credit Extension Management Regulations and periodically evaluates suppliers. We evaluate and manage risk items. The ethical corporate management policy is disclosed in the Regulations Section on the official website, and specific methods, plans for preventing unethical conduct, and implementation status and measures are described in detail.
2. When carrying out business activities, the Company shall explain its ethical management policies and related regulations to counterparties and clearly refuse to directly or indirectly offer, promise to offer, request or accept any improper benefits, including kickbacks, commissions, facilitation payments, or offer or accept improper benefits in any other form.
3. When the Company signs contracts with other entities, it shall fully understand the status of the counterparty's ethical management and include provisions requiring compliance to its ethical management policies and unconditional termination or cancellation of the contract at any time in the event of unethical conduct by the other party.
4. The Company shall periodically organize training and awareness programs for Directors, managers, employees, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.
5. The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.
6. The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage Directors, managers, and employees to make suggestions, based on which the adopted Ethical Corporate Management Best Practice Principles will be reviewed and improved with a view to achieving better effectiveness of ethical management.
Please refer to the descriptions in "(8) Ethical corporate management and measures adopted" in the Corporate Governance Report in the Annual Report(Page 94).</td></tr>
</table>

(VIII) Corporate governance principles, related guidelines, and the means of accessing this information:

The Company has established the "Corporate Governance Code of Conduct", "Rules of Procedure for Shareholders' Meetings", "Rules of Procedure for the Board of Directors' Meetings", "Regulations Governing the Election of Directors", "Code of Ethics for Directors or Supervisors", "Code of Ethics for Managerial Officers and Supervisors Ranked Level 1 and Above", "Ethical Corporate Management Best Practice Principles", and "Corporate Social Responsibility Best Practice Principles" which have been published in the Corporate Governance section on the Company's website (http://www.hksteel.com.tw) and the M.O.P.S. (http://mops.twse.com.tw) for investors.

(IX) Other important information to facilitate better understanding of the company's corporate governance activities:

1. Material information is disclosed in a timely manner and investor conferences are held regularly.
2. The Board of Directors approved the Code of Ethics, Ethical Corporate Management Best Practice Principles, and Corporate Social Responsibility Best Practice Principles.
3. The Company prepares sustainability reports.
   (1). Internal review: The figures and data disclosed in this report were provided by their respective responsible department, verified by the CSR Task Force that prepared the ESG Report, submitted to the department supervisor, and then reviewed and approved by the chairman.
   (2). External review: Deloitte provides limited assurance of compliance with the GRI and SASB according to TWSAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information published by the Accounting Research and Development Foundation (established with reference to ISAE 3000 Revised). Please refer to the appendix of this report for the assurance methods used and results.
   (3). The abovementioned Sustainability Report has been disclosed on the Company website and Market Observation Post System for inquiry by investors.
4. Continuing education and training of the Company's managers and level 1 supervisors related to corporate governance are as follows:

Title	Name	Continuing education institution	Course	Course Date	Course Duration
General Manager	Alexander M.T. Su	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
Director Vice General Manager	Ming-Shan Jheng	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
Director Vice General	Fisher C.H. Yu	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and	2022.5.10	3

Title	Name	Continuing education institution	Course	Course Date	Course Duration
Manager			enhances competitiveness in corporate sustainability		
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
Director Vice General Manager	Johnathon Y.J. Su	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
Vice General Manager and Corporate Governance Officer	Jessica P.H. Liu	QIC and TWSE co-organized	Supervision by Independent Directors and the Board of Directors from an International Perspective	2022.3.10	1
		Taiwan Institute for Sustainable Energy (TAISE) and Taiwan Corporate Governance Association	Taishin 30 Sustainability and Net Zero Summit	2022.4.22	3
		Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Accounting Research and Development Foundation	Webinar on GHG Inventory and Disclosure in 2022	2022.5.12	3
		Securities & Futures Institute	2022 Insider Trading Prevention Seminar	2022.5.20	3
		TWSE and TPEx	Industry-specific Information Session on the Sustainable Development Roadmap	2022.7.27	2
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
		Accounting Research and Development Foundation	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	2022.9.22 2022.9.23	12
		Securities & Futures Institute	2022 Seminar on Legal Compliance for Stock Transactions by Internal Personnel	2022.10.12	3
		TWSE and TPEx	2022 Cathay Sustainable Finance and Climate Change Summit Forum	2022.11.14	3
Vice General Manager and Chief Financial Officer	Lisa H.C. Chien	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
Vice General Manager and Spokesperson	Daniel Z.L. Xu	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
Assistant Vice President and	Daisy Y.H. Chen	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in	2022.5.10	3

Title	Name	Continuing education institution	Course	Course Date	Course Duration
Chief Accounting Officer			corporate sustainability		
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
		Accounting Research and Development Foundation	Continuing education course for accounting officers of issuers, securities firms, and securities exchanges	2022.10.5-2022.10.14	30
Vice General Manager and Acting Spokesperson	Teng-Kui Kao	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
Manager and chief auditor	Hui-Fen Cheng	Taiwan Corporate Governance Association	How the Board of Directors supervises ESG risk and enhances competitiveness in corporate sustainability	2022.5.10	3
		Taiwan Corporate Governance Association	Information Security Governance and Intellectual Property Management	2022.8.2	3
		Institute of Internal Auditors, R.O.C.	How Auditors Detect Financial Statement Fraud	2022.11.16	6
		Institute of Internal Auditors, R.O.C.	"Functions and Tasks of Corporate Governance Personnel Under the Corporate Governance Blueprint" and "Latest Practices Related to Insider Trading in Taiwan"	2022.11.22	6

(IX)**Status of implementation of internal control system**

1.Statement on Internal Control

HsinKuang Steel Co., Ltd.
Statement on Internal Control

Stock Code: 2031
Date: March 17, 2023

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2022.

I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and the managers, and that the Company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.

II. Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has already adopted the aforementioned internal control system judgment items to assess the effectiveness of the internal control system design and implementation.

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of Saturday, December 31, 2022 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This statement shall be an integral part of the Annual Report and prospectus of the Company and will be made public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was approved by the Board on March 17, 2023 in the presence of 9 Directors, who concurred unanimously.

HsinKuang Steel Co., Ltd.

Chairman:	Alexander M.T. Su	Signature and Seal
General Manager:	Alexander M.T. Su	Signature and Seal

2.According to requirements of the Securities and Futures Bureau of the Financial Supervisory Commission, if the company engages an accountant to examine its internal control system, it shall disclose the CPA examination report: None.

(X) Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None.

(XI) Important resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report:

1.Key Resolutions of the Shareholders Meeting and Implementation

The Company's 2022 general shareholders meeting was held at the Company's Guanyin Plant Conference Office in the Guanyin Industrial Park, Guanyin District, Taoyuan City on June 15, 2022. The resolutions passed by attending shareholders and their status of implementation are as follows:

(1).Ratification of the 2021 business report and final financial statements.

Implementation status: Ratification of the 2021 business report and final financial statements. The annual consolidated revenue was approximately NT$14.1 billion and the net profit after tax was approximately NT$2.771 billion. The EPS was NT$8.62.

(2).Approval of 2021 Earnings Distribution Proposal

Implementation status: Approval of the distribution of NT$4 in cash dividends to common shares. July 12, 2022 was established as the ex-dividend date and the cash dividends were issued on August 5, 2022.

2.Important Resolutions of the Board of Directors

The important resolutions adopted in the Board of Directors' meetings in 2022 up to the date of Annual Report are summarized below:

(1). 11th meeting of the 15th Board of Directors held on March 16, 2022:

1. Approved the Company's distribution of remuneration to Directors and employees for 2021.
2. Approved the 2021 business report and financial statements.
3. Approved the 2021 Earnings Distribution Proposal
4. Approved the Company's annual evaluation on the effectiveness of the Company's internal control system and the Statement on Internal Control.
5. Approved the amendments of the Articles of Incorporation.
6. Approved the amendment of "MRM002 Procedures for the Acquisition or Disposal of Assets."
7. Approved the amendment of "MRM001 Endorsement and Guarantee Making Procedure."

8. Approved the amendment of "MRM003 Rules of Procedure for Shareholders' Meetings."
9. Approved the amendments of "MRM016 Corporate Governance Best Practice Principles."
10. Approved the proposal for participating in the cash capital increase of the investee company;
11. Approved the acceptance of proposals from shareholders in the general shareholders meeting and related affairs;
12. Approved the proposed agenda of the 2022 general shareholders' meeting;

Results of resolution: Agenda items of the board meeting were approved in the 10th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(2). 12th meeting of the 15th Board of Directors held on May 10, 2022:

1. Approved Quarter 1 financial statements for 2022.
2. Approved the amendments of the Articles of Incorporation.

Results of resolution: Agenda items of the board meeting were approved in the 11th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(3). 13th meeting of the 15th Board of Directors held on June 15, 2022:

1. Approved the 2021 Earnings Distribution and relevant proposals. Established July 12, 2022 as the ex-dividend date and August 5, 2022 as the date to distribute cash dividends. Each common share received cash dividends of NT$4 (NT$4 in cash dividends per share).
2. Proposal to establish the Company and subsidiaries' GHG inventory and verification planning.

Results of resolution: Agenda items of the board meeting were approved in the 12th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(4). 14th meeting of the 15th Board of Directors held on August 02, 2022:

1. Approved Quarter 2 financial statements for 2022;
2. Approved the provision of stocks as collateral for financing.

Results of resolution: Agenda items of the board meeting were approved in the 13th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(5). 15th meeting of the 15th Board of Directors held on November 08, 2022:

1. Approved Quarter 3 financial statements for 2022.

2. Approved the Company's syndicated loan of NT$8 billion and the provision of collateral.
3. Approved internal audit operations and inspection plans for 2023.
4. Approved the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2023.
5. Approved the Company's plant expansion.
6. Approved the proposal for participating in the cash capital increase of the investee company;
7. Approved the proposal to submit an application to the Industrial Development Bureau, MOEA to purchase land for plant expansion.
8. Approved the proposal to submit a bid to Chiayi County Government to purchase land for plant expansion.
9. Approved the Company's organizational structure adjustment.
10. Approved the amendment of "MRM020 Procedures for Handling Material Inside Information."
11. Approved the establishment of the Company's "MRM036 Regulations for the Prevention of Insider Trading."
12. Approved the establishment of the Company's "MRM037 Operating Procedures for the Preparation and Verification of Sustainability Reports."
13. Approved the amendment to the Company’s "MRM015 Rules of Procedure for the Board of Directors' Meetings."

Results of resolution: Agenda items of the board meeting were approved in the 14th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(6). 16th meeting of the 15th Board of Directors held on December 20, 2022:

1. Approved the amendments of the Articles of Incorporation.
2. Approved the business plan for 2023.
3. Approved the replacement of accountants in 2022 Q4 due to internal adjustments by Deloitte.
4. Approved the appointment of the CPAs for 2023 and the resolution of their remuneration.
5. Approval of the Company's 2023 donation of NT$4 million to the HsinKuang Steel Tian-Cheng Charity Foundation.

Results of resolution: Agenda items of the board meeting were approved in the 15th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(7). 17th meeting of the 15th Board of Directors held on March 17, 2023:

1. Approved the Company's distribution of remuneration to Directors and employees for 2022.
2. Approved the 2022 business report and financial statements.
3. Approved the 2022 Earnings Distribution Proposal.
4. Approved the Company's annual evaluation on the effectiveness of the Company's internal control system and the Statement on Internal Control.
5. Approved the reelection of all Directors.
6. Approved the acceptance of candidates for Director nominated by the Company in the general shareholders meeting and related affairs.
7. Nominate candidates for the Company’s 16th Independent Directors.
8. A request will be made to waive the non-compete clause for directors and their representatives.
9. Approved the acceptance of proposals from shareholders in the general shareholders meeting and related affairs;
10. Approved the proposed agenda of the 2023 general shareholders’ meeting;
11. Approved the proposal for participating in the cash capital increase of the investee company.

Results of resolution: Agenda items of the board meeting were approved in the 16th meeting of the 4th-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(XII) Dissenting or qualified opinion of Directors or the Audit Committee against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None

(XIII) Summary of the resignation and dismissal of professional managerial officers related to the financial report including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and Chief R&D Officer, in the past year and up to the date of report: None

VI. Information on fees to CPAs

The Company's CPA audit fees are approved by the Audit Committee and submitted to the Board of Directors for approval

Unit: NT$1,000

Name of Accounting Firm	CPA	Audit period	Audit Fee	Non-Audit Fees	Total	Note
Deloitte & Touche	Sheng-Hsiung Yao	2022.1.1~2022.12.31	5,870	217	6,087	None

Name of Accounting Firm	CPA	Audit period	Audit Fee	Non-Audit Fees	Total	Note
	Shu-Ju Lin					

VII. Information on change of CPAs: The replacement of accountants this year was mainly due to internal adjustments to the organizational structure of Deloitte Taiwan.

VIII. The Company's Chairman, General Manager, or manager in charge of finance or accounting who has served in a certified public accountant firm or its affiliates within the last year: None.

IX. Share transfer and equity pledge changes by Directors, managers and shareholders holding more than 10% equity in the past year and up to the printing of this report

1. Share Equity Change Status for Directors, Managers and Major Shareholders

Title (Note 1)	Name	2022		Current year as of April 30	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Alexander M.T. Su	(230,000)	(320,000)	-	-
Director	Han De Investment Co., Ltd.	2,500,000	200,000	-	-
Director	Trickle Co., Ltd.	-	—	-	-
Director	Ming-Shan Jheng	-	-	-	-
Director	Fisher C.H. Yu	-	-	-	-
Director	Johnathon Y.J. Su	-	-	-	-
Director	Shih-Yang Chen	-	-	-	-
Independent Directors	Winston Won	-	-	-	-
Independent Directors	Po-Young Chu	-	-	-	-
Independent Directors	Paul T.Y. Huang	-	-	-	-

Note 1: Shareholders with over 10% of the Company's total share shall be classified as major shareholders and listed separately.

Note 2: Information regarding the transfer of shares or shares pledged to the counterparty being the related party shall be filled in the following Table.

2. Information on transfer of shares: There has been no transfer of shares with counterparties who are related parties.
3. Information on pledged shares: There have been no shares pledged to counterparties who are related parties.
4. Overview of investee companies: Please refer to the descriptions in the "Special Record Items" in the Annual Report.(Page 171 to page 176).

X. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree): Please refer to the description in "Fundraising Conditions" in the Annual Report.(Page 113)

XI. The shareholding of the Company, Directors, managers and enterprises directly or indirectly controlled by the Company in the invested company and the consolidated shareholding ratio

Unit: Shares; %

Investee Company (Note)	Investment by the Company		Investments of Directors, Supervisors, Managers and Directly or Indirectly Controlled Businesses		Comprehensive Investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Hsin Yuan Investment Co., Ltd.	62,000,000	100.00%	-	-	62,000,000	100.00%
Sinpao Investment	USD 4,173,498	99.82%	-	-	USD 4,173,498	99.82%
Hsin Ho Fa Metal Co., Ltd.	22,927,573	83.37%	-	-	22,927,573	83.37%
APEX Wind Power Equipment Manufacturing Co., Ltd.	44,030,600	66.71%	2,459,440	3.73%	46,490,040	70.44%
Hsin Wei Solar Co., Ltd.	9,800,000	49.00%	-	-	9,800,000	49.00%
Hsin Ching International Co., Ltd.	15,000,000	60.00%	-	-	15,000,000	60.00%
Mason Metal Industry Co., Ltd.	40,000,000	80.00%	500,000	1%	40,500,000	81.00%
Hsin Cheng Logistics	20,000	100.00%	—	—	20,000	100.00%
Hsin Hua Steel	-	-	10,000,000	100%	10,000,000	100.00%

Note: Long-term investment calculated by the equity method.

D. Fundraising Conditions

I. Capital and Shares

(I) Source of Capital

As of April 30, 2023

Year and Month	Issuing Price	Authorized capital		Paid-up capital		Note		
		Number of shares	Amount (NT$)	Number of shares	Amount (NT$)	Source of Capital	Subscriptions paid with property other than cash	Other
April 2023	10	360,000,000	3,600,000,000	321,146,341	3,211,463,410	Corporate bonds turned common shares NT$ 184,526,020	None	Implemented in accordance with the official document Jin-Guan-Zheng-Fa No. 1060038847 dated October 19, 2017.

(II) Capital and shares

As of April 30, 2023

Type of Shares	Authorized capital					Remarks
	Issued shares			Un-issued shares	Total	
	Listed	Unlisted	Total			
Registered common shares	321,146,341	-	321,146,341	38,853,659	360,000,000	-

(III) Shareholders structure

As of April 30, 2023

Shareholders structure / Quantity	Government-run Agencies	Financial Institutions	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
Number of Shareholders	1	-	232	57,065	153	57,451
No. of shares held	2,079	-	99,465,446	185,075,031	36,603,785	321,146,341
Shareholding percentage	0.00%	0.00%	30.97%	57.63%	11.40%	100.00%

(IV) Shareholding Distribution Status

Face value: NT$10 per shareApril 30, 2023

Shareholding Classification	Number of Shareholders	No. of shares held	Shareholding percentage
1 to 999	31,048	1,489,205	0.46%
1,000 to 5,000	21,171	45,543,003	14.18%
5,001 to 10,000	2,823	23,660,406	7.37%
10,001 to 15,000	766	9,741,104	3.03%
15,001 to 20,000	508	9,473,281	2.95%
20,001 to 30,000	417	10,390,545	3.24%
30,001 to 40,000	206	7,474,607	2.33%
40,001 to 50,000	113	6,084,966	1.90%
50,001 to 100,000	209	14,360,105	4.47%
100,001 to 200,000	86	12,186,112	3.80%
200,001 to 400,000	45	13,082,541	4.07%
400,001 to 600,000	19	9,157,026	2.85%
600,001 to 800,000	8	6,508,082	2.03%
800,001 to 1,000,000	6	7,958,481	2.48%
1,000,001 and above	26	144,036,877	44.85%
Total	57,451	321,146,341	100.00%

(V) List of Main Shareholders

1.List of Main Shareholders

April 30, 2023

Shares / Name of major shareholder	No. of shares held	Shareholding percentage
Han De Investment Co., Ltd.	27,200,276	8.47%
Alexander M.T. Su	16,205,719	5.05%
Trickle Co., Ltd.	14,662,469	4.57%
Hui Jung Investment Co., Ltd.	14,000,916	4.36%
Cheng Yu Investment Co., Ltd.	13,200,603	4.11%
Dedicated account for the Allianz Global Investment Taiwan Intelligence Trend Fund	9,000,000	2.80%
Johnathon Y.J. Su	7,704,930	2.40%
BitGinko's investment account under the trust of HSBC	7,500,000	2.34%
Alexander M.T.Su's dedicated trust account in First Commercial Bank	6,000,000	1.87%
Trickle T.C. Chang	5,228,283	1.63%

2.Information Disclosing the Relationship between any of the Top Ten Shareholders

April 30, 2023

Name (Note 1)	Personal shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Titles, names, and relationships applicable to the top 10 shareholders with relationships specified by SFAS No. 6, spouse and kinship within the second degree. (Note 3)		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Han De Investment Co., Ltd. Representative: Alexander M.T. Su	27,200,276	8.47%	17,321,487	5.39%	-	-	Alexander M.T. Su	The Chairman	
Alexander M.T. Su	16,205,719	5.05%	1,115,768	0.35%	-	-	Johnathon Y.J. Su Han De Investment Co., Ltd.	Father-son Representative	
Trickle Co., Ltd. Representative: Trickle T.C. Chang	14,662,469	4.57%	5,228,283	1.63%	-	-	Trickle T.C. Chang	Representative of Corporate Director	
Hui Jung Investment Co., Ltd. Representative: Alexander M.T. Su	14,000,916	4.36%	17,321,487	5.39%	-	-	Alexander M.T. Su	The Chairman	
Cheng Yu Investment Co., Ltd. Representative: Johnathon Y.J. Su	13,200,603	4.11%	7,979,930	2.48%	-	-	Johnathon Y.J. Su	The Chairman	
Dedicated account for the Allianz Global Investment Taiwan Intelligence Trend Fund	9,000,000	2.80%	-	-	-	-			
Johnathon Y.J. Su	7,704,930	2.40%	275,000	0.09%	-	-	Alexander M.T. Su Cheng Yu Investment Co., Ltd.	Father-son Representative	
BitGinko's investment account under the trust of HSBC	7,500,000	2.34%	-	-	-	-			
Alexander M.T.Su's dedicated trust account in First Commercial Bank	6,000,000	1.87%	17,321,487	5.39%	-	-	Alexander M.T. Su	The Chairman	
Trickle T.C. Chang	5,228,283	1.63%	14,662,469	4.57%	-	-	Trickle Co., Ltd.	Corporate Director	

Note 1: The names of the top ten shareholders shall be disclosed and the names and representatives of corporate shareholders shall be listed separately.

Note 2: The calculation of the shareholding ratio refers to the ratio of shares held by the individual, the spouse, underage children, or through nominee arrangements.

Note 3: Relationships between the shareholders described above, including institutions and natural persons, shall be disclosed according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

3.Market price per share, net worth, earnings, dividends, and the related information for the last 2 years

Item	Year	2021 (Distributed in 2022)	2022 (Distributed in 2023)	Current year up to March 31, 2023 (Note 5)
Market price per share (Note 1)	High	94.60	77.70	49.00
	Low	32.80	32.65	44.50
	Average	57.27	40.62	45.47
Net Value Per Share	Before distribution	34.50	29.15	30.99
	After distribution	30.43	28.15	30.99
Earnings per share	Weighted Average Shares	315,673,891	321,146,341	321,146,341
	Diluted Earnings Per Share	8.57	1.22	1.37
Dividend per share	Cash dividends	4.00	1.00	-
	Accumulated Unpaid Dividend	-	-	-
Investment Return Analysis	PE ratio(Note 2)	6.68	33.30	-
	Price-dividend ratio(Note 3)	14.32	40.62	-
	Cash dividend yield(Note 4)	6.98%	2.46%	-

Note 1: Source of information is the TWSE website.
Note 2: Price to earnings ratio = average closing price per share for the year / earnings per share.
Note 3: Price-dividend ratio = average closing price per share for the year/cash dividends per share.
Note 4: Cash dividend yield = cash dividends per share / average closing price per share for the year.
Note 5: The net value per share and earnings per share in 2023 Q1 has not yet been certified by the accountants as of the date of report. The other fields include information from the current year up to the publication date of the Annual Report.

(VI) Dividend Policy and Implementation Status

1.Company Dividend Policy

The Company has adopted a balanced dividend policy to protect shareholder interest and the goal of sustainable development.

The Company shall not distribute dividends or profit-sharing in the absence of retained earnings in the current year. The Company has distributed cash dividends to shareholders every year since 2000. The Company will continue to follow a consistent and sustainable dividend policy. Capital budget planning for the next year will be based on actual profits and financial, sales, and management performance in the current year, and the most appropriate cash dividend distribution proposal will be determined accordingly. On March 17, 2023, the Board of Directors of the Company proposed that the 2022 earnings be distributed as cash dividend at NT$1 per share as shown in the table below. The Company will proceed to carry out the proposal after it is approved at the general shareholders meeting on June 15, 2023.

2.Dividend Distribution to be Proposed to the Shareholders Meeting

	Amount Distributed Per Share (NT$)	Source
Cash dividends	NT$ 1.00	Undistributed earnings
Total	NT$ 1.00	

(VII) The effects of the stock dividends on the Company's business performances, earnings per share, and shareholder ROI: Not applicable

(VIII) Employee Bonus and Director Remuneration

(1) 、According to the Company's Articles of Incorporation, if the Company has profit for the year, 3% or less shall be set aside as remuneration for Directors and no less than 3% shall be set aside as remuneration to employees.

(2) 、Remuneration to directors and employees for 2022:

1. The Company's 2021 Earnings Distribution Statement was approved in the 18th meeting of the Company's 15th Board of Directors on March 17, 2023. After the Statement is passed in the general shareholders meeting on June 15, 2023, and approved by the governing authorities, the Board of Directors shall establish a (cash) dividend distribution date to implement the Statement.
2. Distribution of earnings in the current year as employee remuneration and director remuneration:

Unit: NT$

Item	2021
Director's remuneration	18,388,354
Employees Remuneration (distributed in cash)	18,388,354

Note: 1. The amount of the aforementioned remuneration for Directors and employees is consistent with the resolution by the Board of Directors on March 17, 2023. The aforementioned employee remuneration will be distributed after resolution in the 2023 general shareholders meeting.

2.The amount previously recognized is consistent with the resolution by the Board of Directors.

3. The ratio of proposed employee stock bonus allocation compared to the individual financial report net profit after tax for the quarter and the total

employee bonuses: Not applicable.

(3)、2021 Distribution of earnings as employee remuneration and director remuneration:

Unit: NT$

Item	Amount resolved by Board of Directors	Actual amount distributed (Note)
Director's remuneration	68,261,019	68,261,019
Employees Remuneration (distributed in cash)	102,391,529	102,391,529

Note: The amount of the aforementioned remuneration for Directors and employees is consistent with the resolution by the Board of Directors on March 16, 2022. The aforementioned employee remuneration will be distributed after resolution in the 2022 general shareholders meeting. The amount previously recognized is consistent with the resolution by the Board of Directors.

(IX) Buyback of Treasury Stock: None

II. Corporate bond issuance status: None

III. Issuance of preferred stocks: None

IV. Issuance of global depositary receipts (GDR): None

V. Exercise of employee stock option plan (ESOP): None

VI. Employees' Restricted Stocks: None

VII. Mergers (including mergers, acquisitions, and demergers): None

(I) Mergers, acquisitions or issuance of new shares due to acquisition of shares of other companies that have been completed in the past year and up to the date of report:

1. Evaluative opinions submitted by the lead underwriter for mergers, acquisitions or issuance of new shares for the acquisition of shares of other companies in the most recent quarter: None
2. If the implementation status in the most recent quarter fails to reach expected objectives in terms of progress or performance, the impact to shareholder equities and improvement plans shall be described in detail: None

(II) Resolutions adopted by the Board of Directors in the past year and up to the date of report approving a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies: None

VIII. Capital Utilization Plan and Its Implementation: None

E. Business Overview

I.Business Activities

(I)Scope of Business

The Company’s consolidated business operations include: (1). Leveling of steel coils, cutting and stamping of various steel sections, alloy steel, and special steels. (2). Wholesale and retail of various steel and iron plates, iron tubes, hardware, and machinery equipment. (3). Processing and manufacture of steel frames, steel tubes, and steel hardware. (4). Contracting vendors to build public housing and commercial buildings for sale and lease. (5). Import and export of aforementioned products and agency for quotation and tenders. (6). Investment in various production businesses, securities investment companies, banks, and insurance companies. (7). Wholesale and retail of various metal construction materials. (8). Production, purchasing, and sales of various metal products (vibration isolation systems for buildings and vibration isolation dampers for bridges). (9). Real estate rental and leasing. (10). Business dealings not prohibited or restricted by law, except those subject to special approval.

(II)Revenue breakdown

Of the 2022 business operation of the consolidated company, revenues from main products out of the total sales revenue were 41.81% from steel plates, 1.78% from special steel plates,31.77% from hot-rolled and galvanized steel plates, 10.34% from stainless steel, 10.17% from steel sections, and 4.13% from processing and others. The ratios for domestic sales and exports are 99.75% and 0.25%.

(III)Industry Overview

According to "2022 Taiwan Steel" compiled by Taiwan Steel & Iron Industries Association, offshore wind power, forward-looking infrastructure, domestic production of domestic military vessels, and social housing construction projects currently planned by the government are expected to increase investments in public construction. Due to semiconductor manufacturers actively expanding capacity and Taiwanese businesses returning to Taiwan, increase in electricity consumption and the manufacturing industry's demand on renewable energy has driven growth in demand on steel materials. In terms of supply, annual output value of the domestic steel industry continues to grow and was 42.22% in 2021. Looking towards the future, production momentum will grow following the increase in emerging technology applications, international raw material price hikes, investment momentum gradually cools off, and the automobile market bounces back. However, countries around the world have begun to implement environmental protection policies in recent years. Combined with the Russo-Ukrainian War and technology disputes in 2022, the international economic situation remains highly uncertain and needs to be closely monitored so that we can cautiously respond.

Current products and services:

A.Current products and materials for sales and purchase: Steel plates, special steels, patterned and hot-rolled steel plates, stainless steel, steel sections, galvanized steel plates, weather resistant, anti-oxidation, and anti-corrosion building materials, and steel structure components (including vibration isolation systems for buildings and vibration isolation dampers for bridges).

B.Cutting, processing, and product manufacturing of completed products:

(A) Cutting steel plates, special steels, galvanized steel plates, and patterned and hot-rolled steel plates to designated lengths.

(B) Processing steel plates, special steel plates, galvanized steel plates, and patterned and hot-rolled steel plates into special shapes and sizes.
(C) Cutting, processing, polishing, and precision processing of stainless steel materials into special shapes and sizes.
(D) Production and processing of patterned worker's boards.
(E) Production and processing of steel structure components, box-columns, steel section columns, and span columns (including vibration isolation systems for buildings and shock-absorbent dampers for bridges).
(F) Cropping, cutting, stamping, and other processing procedures and molding modules of weather resistant, anti-oxidation, and anti-corrosion building materials.
(G) Manufacturing and processing of underwater steel pipe piles and steel pipe piles for water resource channels.
(H) Agency service for importing steel materials of special specifications and material.

(IV)Overview of Technology and R&D

(1)New products under development

A. Joint subcontracting in one-stop material supply and cutting services.
B. Collaborations with solar energy plant EPC enterprises to provide one-stop weather resistant bracket molding modules.
C. Steel pipe piles for wind power-related industries, submarine network deployment channels, and submarine boardwalks (in compliance with international standards).
D. Steel piles for water resource channels and distribution channels of science and technology plants.

(2)Production management

A. Management consulting courses: Improve onsite management standards and assist in the establishment of management concepts.
B. Implement and execute ISO9001, 45001, 14001, 3834, EN1090, 5S, and the TPM management system.
C. Increase opportunities for training and internships to shorten the amount of time required for new recruits to operate on the production line.
D. Strengthen manufacturing management system: Improve production efficiency, utilization rates, improve labor safety management, improve production quality, reduce the outflow of mixed materials, improve environmental management, production management, and resource utilization.

(V)Long- and Short-Term Business Development Plans

(1) Short-Term Business Plan

A. Adopt a collaborative strategy and supply chain cooperation strategy while expanding production capabilities, expanding the market, and maintaining the market share in steel cutting and logistics through more investments.
B. With existing cutting technologies, develop new customers and new markets or growing industries to maintain HsinKuang Steel's market share in the global steel materials industry.
C. Establish a brand image and create differentiation through value chain integration.

(2) Long-Term Business Development Plans

A. Provide satisfactory pre-sales and after-sales services with the Company’s exceedingly stable foundations that include over 2,000 long-term domestic and foreign customers, intensive partnerships with upstream domestic and foreign steel mills, integrated domestic logistics networks, availability of storage space and land in the plants, sophisticated cutting equipment, automated transportation equipment and fleets, and young talents that are full of potential.

B. In response to the demands for underwater foundation piles for offshore wind power and the solar photovoltaic green energy supply chain, the Company has been improving its cutting and manufacturing technologies, strengthening its services for the photovoltaic green energy industry value chain, and developing offshore wind farm maintenance projects to satisfy the needs of world-class wind farm developers while extending the scope of services and length of service periods.

C. Further develop innovative business models to increase the contribution of business applications related to reasonably profitable business transformation models uncovered from customer-satisfactory value chains. Provide more integrated services that include integrated strategies for steel products, further enhancement of cutting technologies, and optimal strategic plans to provide customers with better value.

II.Market, Production, and Sales

(I) Production & Marketing Profile

The Company's consolidated revenue was NT$17,155,532 thousand and net operating profit was NT$764,779 thousand in 2022, up 21.64% and down 71% compared to 2021, respectively. International steel prices have seen abnormally high volatility due to the Russo-Ukrainian War, European energy crisis, inflation, and strict epidemic prevention measures suppressing consumption in China. Central banks around the world continued to raise interest rates to control inflation, and resulted in a major correction in asset prices, Taiwan's stock market was no exception and has been bearish. As a result, profits this year were lower than the previous year. However, the rigid internal demand brought by Taiwan's forward-looking infrastructure program continues to drive demand, and Taiwan's economy maintained steady growth, which is why our revenue grew 21% despite the headwinds to a record high NT$17.16 billion. In 2022, the Company was able to produce and sell 500,000 metric tons of steel products out of its annual goal of 470,000 metric tons, resulting in an achievement rate of 94%.

In order to establish long-term advantages, the Company has implemented the following business strategy guidelines in 2022 to achieve the optimal results: Procurement: strengthen supplier relationships and management and make acquisitions when prices are low; Business operation: Adopt complex management styles and sell multiple types of steel; Public and private construction: Adopt concerted cooperation and accept new purchase orders. Strategic integration and mid- to long-term plans: Implement supply chain integration, work with joint ventures and world-class steel plants, supply and manufacture steel parts for underwater foundations for offshore wind power projects, develop solar photovoltaic materials, and expand overseas investments; Customer relations management: Focus on the value curve and develop new customers. The Company has always relied on its expertise in steel material services as it continues to integrate corporate resources, enhance the overall core capabilities, and implement more efficient digitized corporate operating procedures in order to provide customers with the most comprehensive one-stop services. As a result, the Company ensures its outstanding performance in the intensely competitive industry through the management and operation of corporate resources, diverse and comprehensive customer services, and fast logistics distribution and sales services.

(II) Market Analysis

1. Sales of main products and services and available regions :

The Company's main products and services include the cutting, processing, and sales of various steel plates and steel sections. It mainly supplies the domestic market, with sales channels nationwide and over 2000 customers.

The ratios of the Company's domestic sales in each region in 2022 are 60% for the Northern Region, 18% for the Central Region, and 22% for the Southern Region. Domestic sales accounted for 99.95% of sales while exports accounted for 0.25% of sales.

2. Market share and future supply and demand status:

(1) Market Share:

The Company plays a key role in connecting upstream and downstream industries in the secondary processing and cutting process between the steel refinery products and the terminal industrial products in the steel industry. The Company has established the professional "Steel Materials Logistics Center", "Building Steel Cutting Center", "Steel Structure Components Production Center", and an island-wide distribution network to integrate related upstream and downstream industries, fully exerting the functions of the HsinKuang Steel and its network of affiliate operations for the benefit of the Company's production and marketing plans.

To increase market competitiveness and become the material supply center with the most comprehensive cutting equipment in Taiwan, the Company has over the years purchased fully-automated cutting equipment with high cutting quality and efficiency. The Company shall also increase its market share through the "Steel Materials Logistics Center" marketing strategy and its island-wide distribution network.

Through strategic alliances and vertical industry integration, the Company took part in public construction tenders and major private construction projects to advance the sale of steel materials and cutting services to supply materials for joint subcontracting projects. The Company's way of providing customers with comprehensive services and achieving win-win outcomes through various functions and activities in the value chain has become a competitive advantage difficult for competitors to imitate and surpass.

According to statistics compiled by the CommonWealth Magazine in 2023 of the top 2,000 manufacturers, the Company's consolidated revenue of NT$17.16 billion placed it on the No. 227spot and No. 11 spot in metal resources industries. The Company is the only medium and thick steel plate cutting center qualified and registered by the Industrial

Development Bureau, Ministry of Economic Affairs. The Company is equipped with a full range of equipment and provides excellent quality and fast delivery. It is the top supplier in terms of the scale of cutting operations and provides comprehensive transportation services. These factors have won the Company recognition and trust in the industry.

(2) Future market supply and demand:

As the government implemented the forward-looking infrastructure program and 12 key strategies for Taiwan to achieve net zero emissions by 2050, transitions in energy, industry, life, and society based on the governance of technology R&D and climate legislation involve the development of forward-looking infrastructure for the solar power, offshore wind power, and water resources industries, while implementing major public construction projects and policies to expand the domestic market. As overseas Taiwanese businesses return to the island, private investments and the number of plants and office buildings have increased and contributed to the prosperity of the steel industry by increasing steel demand. The Company plays a key role in connecting the upstream and downstream enterprises in the steel industry as it fulfills the functions of the "Steel Product Logistics Center", "Building Steel Cutting Center", and "Steel Structure Components Production Center", which grows each year with the growth of the industry.

A.Steel Plates

Large-scale domestic public construction projects include: Industrial and commercial integrated complexes, financial-center skyscrapers, military community renewal projects, the Sixth Power Transmission and Construction Project, MRT systems for metropolitan areas, the Danjiang Bridge Project, and the Taoyuan Airport Terminal 3 "Apron, Taxiway and Apron Facility Project." According to the "Demand Forecast of Steel Products in Taiwan from 2022 to 2023" compiled by Taiwan Steel & Iron Industries Association, in the short term, the machinery and equipment industry and the exportation of machine tools are expected to show strong growth momentum, thanks to the booming construction industry in Taiwan, the subsequent lifting of COVID-19 restrictions in major countries, and plant expansion in the global semiconductor industry, which has increased purchase orders for automated equipment. From a long-term perspective, national programs, such as forward-looking infrastructure, offshore wind power, and domestic production of domestic military vessels, has created additional demand, and demand on steel plates from urban renewal projects remains high. Demand from the machinery and shipbuilding industries are stable. Hence, the average growth in demand on steel plates from 2022 to 2023 is 0.50%. The demand in 2023 is estimated at 1,549,000 tonnes with a growth rate of 0.93%. The steel plates that the Company purchased from China Steel account for approximately 15% of China Steel’s thick steel plate sales. The Company is also a cutting center for medium to thick steel plates registered with the Industrial Development Bureau, Ministry of Economic Affairs. The Company's comprehensive cutting capabilities, professional cutting technologies, and the island-wide distribution network of its logistics center can provide customers with convenient one-stop service and sustain the continued growth of this business.

B.Special Steel Plates

Special steel is widely used and the main material for many key components. It has relatively high-quality requirements, and its projected annual growth rate for 2023 domestic sales is approximately 1.87%. The special steel plates cut by the Company are mainly medium-carbon steel plates and alloy steel plates used for molds, as well as large steel round bars for imports. The Company's new equipment ensures accuracy and stable quality, while its extensive island-wide sales channels ensure stable growth each year.

C.Hot-Rolled/Cold-Rolled Steel Plates

The "2022-2023 Taiwan Steel Demand Forecast" published by Taiwan Steel & Iron Industries Association pointed out that international steel demand was relatively short due to the Russo-Ukrainian War in 2022, and led to higher price hikes in hot-rolled steel plates. This will drive customers to replenish their stock and demand in the domestic and export markets is expected to remain stable in 2023. The automobile and hand tools industries will benefit from mild growth in demand in Europe and America, the chip shortage and container shortage can be expected to be alleviated. As the Russo-Ukrainian War has become a war of attrition, it will be come a long-term factor in steel supply/demand and prices. Average growth in demand on hot-rolled steel plates was 2.47% in 2022, and demand is expected to grow 2.90% to 2,924,000 tonnes in 2023.

Cold-rolled steel products benefited from the demand from national infrastructure programs in 2022. Once downstream industries begin to release their demand in 2023, demand is expected to show mild growth due to the high base and overall supply will remain tight, supporting relatively high prices, which will drive downstream industries to replenish their stock. The Association projected that the average growth rate of demand for cold-rolled steel products from 2022 to 2023 will be 2.00%. The demand in 2023 is expected to be 1,840,000 tons with a growth rate of 0.47%.

The Company's Northern Region Steel Coil Cutting Center and the Central Region Steel Coil Cutting Center have steel coil leveling and automated cutting machines. The cut hot-rolled steel plates can be used for computer cases, buildings, auto and motorcycle parts, fuse box components, machinery, hardware components, etc. The Company is able to supply the market with 80,000 to 120,000 metric tons of products each year. The supply can be increased in accordance with growing market demand.

According to the "Demand Forecast of Steel Products in Taiwan from 2022 to 2023" compiled by Taiwan Steel & Iron Industries Association, in the long term, the government is committed to supporting the return of overseas Taiwanese businesses and demand for 3C electronic industry-related plants as innovative infrastructure projects and new domestic construction projects are being implemented, which is conducive to maintaining the vigorous construction of office buildings and manufacturing facilities. Meanwhile, the government is promoting renewable energy policies; thus, the installation of solar panel mounting brackets and government-funded air-conditioners for schools as well as real estate demand in Taiwan are expected to drive the growth of demand for home appliances. Some manufacturers also benefited from order transfers as a result of the trade war between the United States and China trade. Therefore, the demand for hot-rolled galvanized steel products is projected to grow by an average of 0.87% from 2022 to 2023. The Association predicted that the national demand for hot-rolled galvanized steel products in 2023 will be 1,540,000 metric tons with a demand growth rate of 2.07%.

According to the "Demand Forecast for Steel Products in Taiwan from 2022 to 2023" compiled by Taiwan Steel & Iron Industries Association, the demand for galvanized steel products will grow by an average of 5.55% per year from 2022 to 2023 because the pandemic situation in Europe and United States is unlikely to ease completely in the short term, which will continue to drive demands for working from home, remote work, and remote teaching. In addition, domestic servers benefited from order transfer, 5G, cloud, and Industry 4.0, leading to a rise in demand for computers, electronics and optical products, which drove the need of downstream industries to stock up. With the growth of AI technologies and distance applications, average growth of galvanized products is expected to grow 4.34% from 2022 to 2023. The Association predicted that the national demand for galvanized steel products in 2023 will be 103,000 metric tons with a demand growth rate of 0.92%.

The Company is able to supply the market with approximately 50,000 to 60,000 metric tons of hot-rolled galvanized and galvanized steel products each year and the supply can be increased in accordance with growing market demand.

D.Stainless Steel

According to the "Demand Forecast of Steel Products in Taiwan from 2022 to 2023" compiled by Taiwan Steel & Iron Industries Association, the demand for hot-rolled stainless steel products is expected to grow by an average of 4.12% per year from 2022 to 2023, as the base period for comparison is increased due to a slow recovery of demand for petrochemicals and coal products, pipe production, and machinery industry. The Association predicted that the demand for hot-rolled stainless steel products in 2023 will be 1.893 million metric tons with a demand growth rate of 4.26%.

According to the "Demand Forecast of Steel Products in Taiwan from 2022 to 2023" compiled by Taiwan Steel & Iron Industries Association, the growth of cold-rolled stainless steel products is recovering due to the demand of domestic construction industries, petrochemicals and coal processing and metal utensils industries, and stainless steel pipe production. Foreign order transfers also increased the demand for stainless steel cutting. In addition, the gradual easing of the pandemic and abundance of capital drive an increase in new construction projects and stimulate domestic demands. Hence, the demand for cold-rolled stainless steel products is projected to grow by an average of 0.29% from 2022 to 2023. The Association predicted that the demand for cold-rolled stainless steel products in 2023 will be 611,000 metric tons with a demand growth rate of 1.39%.

The Company's Stainless Steel Cutting Center introduced the latest computer statistics-controlled fully-automated plasma cutting equipment available in Taiwan to provide diverse, high quality, and high precision cutting services, creating high value-added profits. The stainless steel leveling and cutting machine will provide downstream customers with stainless steel plates in more sizes and higher precision, which will help develop the Company’s stainless steel profit center.

E.Steel Section

The Company's Steel Department mainly handles the manufacturing of H-beams. According to the "Demand Forecast for Steel Products in Taiwan from 2020 to 2021" compiled by Taiwan Steel & Iron Industries Association, global economic growth momentum gradually increased as major countries opened up. Smart manufacturing and energy conservation and carbon reduction have become inevitable trends. However, due to the trend of lighter machinery, some parts of machinery have been replaced by steel pipes. Hence, average growth of demand on steel sections is estimated at 4.83% in 2022-2023. The Association predicted that domestic demand for steel sections in 2023 will be 1,268,000 metric tons with a demand growth rate of 3.14%.

F.Comprehensive Analysis

As the impact of COVID-19 fades and the global economy is back on track, the government has been promoting solar power, offshore wind power, forward-looking infrastructure, domestic production of domestic military vessels, and expansion of the domestic market while encouraging overseas Taiwanese businesses to return operations to Taiwan. There is also an increase in private investments in new industrial plants, offices, and buildings. As a result, demand for steel materials is on the rise. The steel and iron industry has shifted its focus to developing higher quality products with higher added-value. The surface consumption volume in 2023 is projected to reach 28,849 thousand metric tons, achieving a growth rate of 2.23%. China's rapid economic development led to extensive improvements in all kinds of hardware construction, turning China into one of the world’s biggest consumer for steel and spurred overall demand in the steel industry. As a result, the steel industry will have several years of rapid development in its future. The Company believes that only through equipment innovation, diversified products, increase in product quality, and implementation of corporate resource operations can we survive and prosper in the fiercely competitive market. Therefore, we shall continue to leverage our "Building Steel Cutting Center", "Steel Product Logistics Center", and "Steel Structure Components Production Center" to continue operations and sustain growth in the industry.

(3) Favorable and unfavorable factors in the Company’s operating goals and

development:

The Company's main operating policy for 2023 is to adjust product portfolios by focusing on these operational strategies: advocating flexible adaptation to the growth and decline of various steel industries, seeking reasonable profits, supporting the increased construction demand associated with the return of overseas Taiwanese businesses, cooperating with upstream and downstream alliances, introducing total solutions for the development of high corrosion resistant photovoltaic support bracket for solar panels, and expanding production bases for offshore wind power underwater foundations, among others. The Company's operating target for 2023 is 580,000 metric tons of steel products. Analysis of the favorable and unfavorable factors for the Company's long-term growth and strategy are as follows:

A.Favorable factors:

a. Since the steel industry is the basis of national infrastructure and a key industry for economic development, it is closely tied to other industries, serving as the basis of industries like transportation, machinery, shipbuilding, construction, electrical engineering, etc. The steel industry is therefore known as the mother of all industries. Long-term economic developments, a strong capital foundation, and the Taiwanese government’s recent campaigns to support solar power, offshore wind power, forward-looking infrastructure, and expansion of domestic markets while encouraging overseas Taiwanese businesses to return their operations to Taiwan, facilitating a stable and optimistic future for the domestic steel market. Offshore wind power offers opportunities for transformation and upgrades for domestic end-use industries. As a result, the domestic steel industry and other end-use industries are reporting increased domestic capital expenditures, which is immensely beneficial to the steel cutting industry.

b. The Company's full range of cutting equipment and state-of-the-art steel structure component production line, products, and inventory provide more comprehensive services than other firms in the industry and can satisfy the different needs of different customers. The Company also has comprehensive and high-performance distribution services in the form of its "Building Steel Cutting Center", "Steel Product Logistics Center", "Stainless Steel Polishing and Cutting Center", "Surface Galvanized Steel Product Cutting Center", and "Steel Structure Components Production Center".

   To meet demands from the supply chain of offshore wind power equipment, the Company established the "Elbow Production Center for Foundations and Underwater Foundations".

   To meet demands from the supply chain of solar power infrastructures, the Company established the "Building Steel Cutting Center".

c. The BOT model adopted by public construction projects will increase the demand for steel, particularly for industrial and commercial complexes, financial-center skyscrapers, renewal projects for military communities, the Sixth Power Transmission and Construction Project, MRT systems for metropolitan areas, the Danjiang Bridge Project, and the Taoyuan International Airport

Terminal 3 "Apron, Taxiway, and Apron Facility Project". By establishing a network of affiliates with HsinKuang Steel at the center and strategic partnerships, the Company is able to advance joint subcontracting in large-scale public and private construction projects, provide professional cutting services and production services for steel structure components, and open up more business opportunities.

d. The expansion in the production and export of steel products has been met by strong demands from Southeast Asia, where rapid economic development is translating into higher demand for steel products. Over the long term, these developments will make Taiwan the supply center for steel products in the Asia Pacific.

B. Unfavorable factors:

a. International trade conflicts regarding iron prices and market demand have not ceased, the negative impact of the Russo-Ukrainian War on the economy is declining, but there is still excess supply of steel in the international market. Disputes may arise once again as economic and trade activities around the world gradually start to recover and are expected to continue impacting Taiwan's domestic demand for steel products. A strong earthquake in the southern part of Turkey caused the production and transportation of major local steel mills to be suspended, and their steel exports may be reduced and diverted to meet demand from reconstruction after the disaster. Governments and corporations around the world expect a decline in both steel price and production volume. As a result, the steel industry faces more intense competition in vertical supply, with new challenges to overcome in business operations and strategies.

b. Insufficient entry-level laborers and the vast increase in wages due to reduced work hours and labor laws affected production costs.

c. Market order remains to be established in the wake of liberalized steel import and export and lower entry threshold for secondary processing operators.

d. The domestic private investment environment has performed poorly in recent years, with numerous industries relocating to China or Southeast Asian countries. Recent international economic development fell short of expectations, and as a result, domestic investment, import/export, and industrial output can no longer maintain the same growth as before.

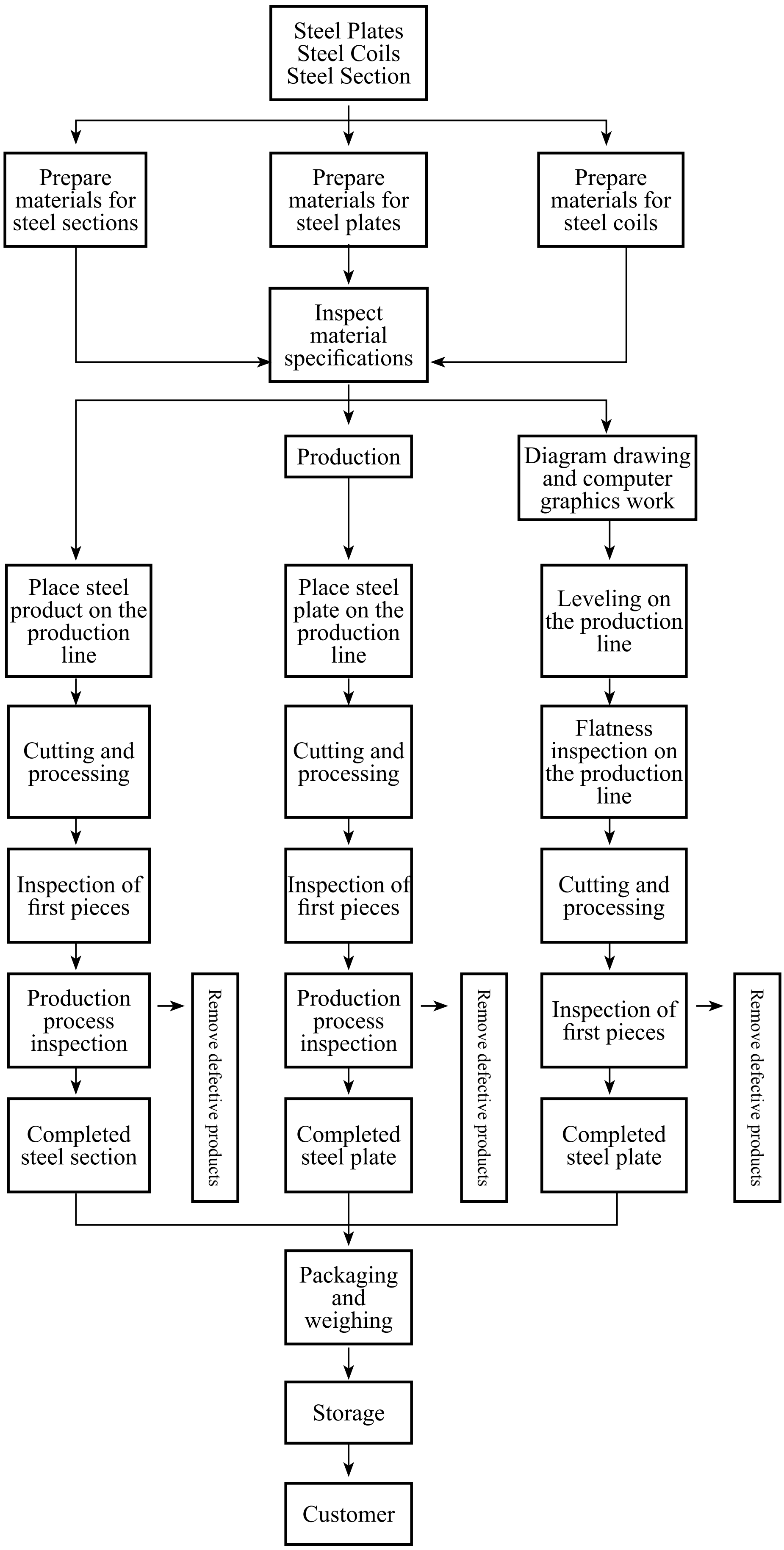
3. Important Applications and Manufacturing Processes of Main Products

(1) Applications of Main Products:

Name of Main Products	Application
Steel Plates	Piles for underwater foundations of offshore wind farms, steel pipe piles for wind power related industries, steel pipe piles for submarine networking and submarine boardwalks, steel pipe piles for water resource channels and distribution channels of science and technology plants, steel frame foundation structures (production and installation of steel frame box-columns and BH steel column components), pot bearing for bridges, vibration isolation bearings for buildings, shipbuilding industry, machinery, steel bridge materials, oil pipes, storage tanks, public construction, Taipower high-voltage steel towers,

Name of Main Products		Application
		telecommunication towers, etc.
Weather resistant, anti-oxidation, and anti-corrosion building materials		Weather resistant bracket molding module products, heavy-duty storage racks, building roof panels, commercial rooftop photovoltaic power plant maintenance boardwalks, construction material, vessels for petrochemicals, automobile and motorcycle parts, hardware parts, aviation structural materials, steel pipes, light steel, accessories for general household electrical appliances, machinery bases, fuse boxes, etc.
Special Steel Plates		Mechanical parts, pressure vessel, wear-resistant steel, hot steel mold, cold steel mold, stamping steel mold, automobile and motorcycle parts, base molds, steel for tools, etc.
Hot-Rolled Steel Plates (Steel Coils)	Patterned Steel Plates (Steel Coils)	Anti-skid plates, plates for stairs, parking lot equipment plates, walkways for chemical plants, pedals for large vehicles and machinery, patterned worker's boards, etc.
	Hot-Rolled Steel Plates (Steel Coils)	Automobile and motorcycle parts, hardware parts, computer cases, steel pipe, light steel, accessories for general household electrical appliances, base for machinery, fuse box, etc.
	Hot-Rolled Galvanized Steel Plates (Steel Coils)	Internal/external plating and components for automobiles, casing and bases for general household electrical appliances, bases for washing machines, computer hard drive casing, sliding rails, ducts, air ducts, vending machine casing and parts, steel doors, weather resistant, anti-oxidation, and anti-corrosion building materials, etc.
Stainless Steel		Construction steel structure, vessels for petrochemicals, automobile and motorcycle parts, hardware parts, aviation structural materials, steel pipes, light steel, accessories for general household electrical appliances, base for machinery, fuse box, etc.
Steel Section		Steel frames for factories, construction steel frame, mechanical parts, automobile and motorcycle parts, axles, crane materials, base and arch steel materials, etc.
Metal products (vibration isolation systems for buildings and shock-absorbent dampers for bridges)		The ASBD shock isolation system provides vertical bearing capacity for columns while also isolating and reducing the destructive force of earthquakes. It also uses high-performance energy dissipators to control the movement of the structure while maintaining a certain comfort level for residents. There are no special restrictions of its use in buildings and it is suitable for structures built with reinforcing steel or other special structures such as buildings integrated with public transport systems. Pot bearings for roads, highways, light rails (MRT), high-speed rails, bridges, and other buildings, vibration isolation bearings for bridges, elevated bearings for various bridges, special anti-corrosion bearings, electrically insulated bearings, water-resistant materials for high-speed rails, dampers, bearings for shear devices, steel shear boxes, anti-uplift devices, vibration resistant/isolation devices, expansion joints, and other steel structures and components.

(2) Production Process of Main Products



1. Primary raw material supply status

Primary Materials	Main Source	Supply Status
Steel Plates	China Steel, Japan, Turkey, Malaysia, Korea	Good
Weather resistant, anti-oxidation, and anti-corrosion building materials	Japan	Good
Special Steels	China Steel, Feng Hsin Steel, Toufen, Japan, Korea, Brazil, China, Turkey, India, Russia	Good
Patterned Steel Plates	Japan, Korea	Good
Hot-Rolled Steel Plates	China Steel, Dragon Steel, Japan, Korea, India	Good
Hot-Rolled Galvanized Steel Plates	China Steel, Japan, India	Good
Stainless Steel Products	Japan, China, Indonesia	Good
Steel Section	China Steel, Dragon Steel, Tung Ho	Good

The above suppliers are good steel smelting plants with excellent reputations in the industry and with which the Company has worked with for many years. These suppliers can guarantee that the Company received steady supplies of raw materials and maintains a competitive edge.

2. supplier(over 10% the Company's total sales in any given year over the last 2 years)

(1)Information on main suppliers in the last two years

Unit: NT$1,000

	2021				2022				2023 up to the end of the first quarter			
Item	Name	Amount	Total annual net purchase ratio [%]	Relationship with the issuer	Name	Amount	Total annual net purchase ratio [%]	Relationship with the issuer	Name	Amount	Net purchase ratio of the current year up to the previous quarter [%]	Relationship with the issuer
1	Supplier A	4,411,954	35.21	None	Supplier A	4,950,832	35.74	None	Note 1			
2	Supplier B	1,285,715	10.26	None	Supplier B	2,108,136	15.22	None				
	Others	6,748,308	54.53	None	Others	6,791,744	49.04	None				
	Net purchase	12,387,958	100.00		Net purchase	13,850,712	100.00					

Note 1: As of the publication date of this annual report, there has yet to be financial statements from the first quarter of 2023 that has been reviewed by CPAs.

(2)Information on main customers and suppliers in the last 2 years

Unit: NT$1,000

	2021				2022				2023 up to the end of the first quarter			
Item	Name	Amount	Proportion of net sales for the year [%]	Relationship with the issuer	Name	Amount	Proportion of net sales for the year [%]	Relationship with the issuer	Name	Amount	Percentage of net sales for the current year up to the previous quarter [%]	Relationship with the issuer
	Others	14,103,042	100	None	Others	17,155,532	100	None	Note 1			
	Net sales	14,103,042	100		Net sales	17,155,532	100					

Note 1: As of the publication date of this annual report, there has yet to be financial statements from the first quarter of 2023 that has been reviewed by CPAs.

3. Product quality and value of the last 2 years

Unit: Volume: Metric ton; Value: 1,000 NTD

Year / Product qualityand value / Main products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Steel Plates	16,000	16,528	310,101	28,000	20,787	541,540
Special Steel Plates	6,600	4,353	88,569	6,600	4,198	117,336
Hot-Rolled (Patterned) Steel Plates	86,400	72,778	1,750,011	161,400	142,473	4,673,611
Stainless Steel Plates	10,000	8,934	582,969	15,000	11,161	887,686
Steel Structure Components and Steel Sections	69,000	53,669	838,862	76,400	58,216	835,274
Total	188,000	156,262	3,570,512	287,400	236,835	7,055,447

Note 1: The production of special steel plates is lower because the speed for cutting alloy steel plates is best kept low.

Note 2: The increase in hot-rolled steel plates this year was due to the merger with Mason Metal Industry Co., Ltd., which increased the production capacity and production volume of hot-rolled and cold-rolled steel plates.

4. Sales value for the last 2 years

Unit: Volume: Metric ton; Value: 1,000 NTD

Year / Sales value / Main products	2021				2022			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Steel Plates	193,354	5,269,821	-	-	225,630	7,143,685	1,380	29,758
Special Steel Plates	24,652	621,665	263	8,988	9,909	291,660	402	13,925
Hot-Rolled (Patterned) Steel Plates	120,259	3,707,835	1,547	26,214	165,666	5,450,857	-	-
Stainless Steel Plates	22,612	1,879,483	-	-	20,561	1,773,680	-	-
Steel Structure Components and Steel Sections	59,358	2,261,241	9	3,000	45,779	1,984,716	-	-
Total	420,235	13,740,045	1,819	38,202	467,545	16,644,598	1,782	43,683

III.Employee information of the last two years and up to the publication date of this report:

By the end of 2022, the Company had a total of 433 employees, including 46 managers, 37 specialists, 91 assistants, and 259 technicians. The workforce demographics as of the end of April 2023 are as follows:

Year		2021	2022	April 30, 2023
Number of Employees	Management	41	46	45

	Specialists	40	37	42
	Assistants	84	91	92
	Technicians	224	259	273
	Total	389	433	452
Education background	PhD	-	-	-
	Master's degree	5.14	5.31	5.09
	Bachelor's degree	54.24	49.42	51.11
	Senior High School	32.65	36.03	34.29
	Senior High School and below	7.97	9.24	9.51
Average age (years)		37.29	38.25	38.21
Average years of service (years)		5.04	5.5	5.43

In 2022, the employee turnover rate was 15.24%. The Company deems 8% and 12% to be a healthy turnover range. Given that the Company is still in a stage of growth, and factory expansion along with the recruitment of new employees caused an increase in turnover rate, the Company hired 109 new recruits this year, with new recruits accounting for 25.17% of the total employees at the end of the year, suggesting that the workforce is effectively invigorated.

IV.Spending on environmental protection

(1) Cases in which the Company was required by laws and regulations to apply for a permit, submit pollution prevention fees, or set up a dedicated unit/personnel for environmental protection issues: None.

(2) Investment in pollution-preventing equipment, its usage, and possible benefits: None.

(3) Improvement of environmental pollution made by the Company in the past 3 years up to the publication date of this Annual Report:

The Company conducted careful evaluation regarding environmental protection and preventing pollutions when it first established its plant and determined that it would produce products that cause the least pollution. The effects on air quality, production of wastewater, and byproducts from the production process are described below:

① The Company's main equipment in various plants consists of cutting machines and the Company does not carry out smelting and painting procedures. The waste material and iron scraps have been sold to contracted iron recycling companies for recycling and smelting and therefore there were no air or water pollutions in the production process.

②The Company's welding process for steel structure components and steel pipe piles does not include smelting and painting. Also, the welding slag and welding medium generated during the welding process are sold to contracted iron recycling companies for recycling and smelting, therefore there were no air or water pollutions in the production process.

③ The inventory of products consists mainly of steel plates, steel coils, and steel sections that do not produce waste.

④ The sound produced in the process of lifting and unloading steel plates have been inspected by agents from the Northern Office of the Occupational Safety and Health Administration and determined to be in line with the Noise Control Act.

⑤ The Company actively implements green landscaping for all plants to provide employees with a good work environment. The Company has carried out rigorous environmental protection and pollution prevention tasks in accordance with government regulations.

(4) Total losses or fines due to environmental pollution in the past two years and up to the publication date of this annual report: None.

(5) Projected major expenditures on environmental protection in the next 2 years: None.

V.Employer/employee relations

The Company treats employees as its most important asset, offering them challenging and meaningful work, a safe workplace, and excellent compensation and benefits. In addition, the Company encourages employees to spend time with families, develop hobbies, get involved in the community, and enjoy their lives.

The Company believes in treating its full-time employees, contract and temporary employees, and interns with respect. In addition to never forcing or threatening employees to do work they are unwilling to do, the Company listens to its employees and maintains an open channel for communication.

The Company values two-way communication and strives to provide open and transparent manager-to-employee and employee-to-employee communication. To give attention to employee opinions and sentiments, the Company conducts employer-employee meetings and provides employees with fair and effective communication mechanisms to state their opinions in order to understand their thoughts and quickly process issues they raise, promoting harmonious employer-employee relations and achieving prosperity for both the Company and its employees.

A range of channels available for internal communication in recent years has contributed to workplace harmony. As a result, while the Company has always respected the right of its employees to organize conventions, no employee has ever made calls to unionize.

The Company has not incurred any loss arising from employer-employee disputes in 2022 and up to the publication date of the 2023 annual report.

(1) Remuneration

The Company is dedicated to providing its employees with above-average benefits and compensation. The Company provides diverse and competitive salary systems that satisfy external competitiveness, internal fairness, and legal requirements. It also upholds the ideal of sharing profits with employees by attracting, retaining, cultivating, and encouraging outstanding talents in all sectors. As the Company's performance has been satisfactory since its establishment some 50 years ago, the remuneration we give our employees has always been higher than that of our competitors.

Compensation for employees includes monthly salaries, quarterly performance bonuses in cash, and annual employee bonuses based on the profit margins of that year.

The quarterly cash bonus and annual employee bonus are given to reward employees for their contributions and to inspire dedication. Employees' interest is aligned with shareholders' interest to create win-win situations for the Company, shareholders, and employees. Employee compensation is based on the Company's performance and the industry average. The Remuneration Committee is in charge of proposing the total amount and allocation to the Board of Directors, and employee compensation is distributed promptly after the proposal is approved by the Board of Directors. The amount of bonus granted to employees is determined by their responsibilities, contributions, and performance.

(2) Employee benefits

The Company helps employees adjust to company culture and fulfill goals for personal development from the standpoints of employee orientation, professional growth, and career development, allowing employees to challenge themselves, set records, and grow with the Company in a diverse and innovative environment. Employer-employee relations have therefore been harmonious and the Company has not experienced any employer-employee disputes since its establishment. The Company has been repeatedly praised for its performance in employee welfare, labor education and training, occupational safety and sanitation, and labor conditions. Therefore, the chance of potential losses due to employer-employee disputes in the future is extremely low.

A. Convenient services in plants: Employee cafeterias, travel allowances, and commute allowances are provided in all plants.

B. Health promotion and management programs: Includes health and wellness activities like checkups, blood drives, and seminars to raise awareness of health management.

C. A variety of employee benefits: The Company organizes sports and hiking events, day trips and family days, and provides funds for holidays, wedding/funeral, and emergency allowances.

D. A variety of child benefits for employees: Scholarships, grants, child benefits, and birth allowances are available to employees.

(3) Personnel development:

The continuing growth of the Company and that of its employees are interlinked. Hence, the Company brings together internal and external resources to provide challenging work and a workplace where employees are encouraged to realize their full potential. Job rotation is implemented to help employees explore their limits. The Company has created an environment that facilitates ongoing and diversified learning. The "Employee Training and Education Regulations" was put in place to help employees grow with the Company by setting objectives, disciplines, and plans. To cultivate talent and create a conducive work environment, the Company designed talent and organization development programs based on the needs of different departments, the job nature of individual employees, performance evaluation results, and career development needs. The aim is to help employees improve performance and make greater contributions to the Company. Meanwhile, a range of learning and development resources (including on-the-job training, course training, work guidance, mentoring, and job rotation) are available. There are also different learning incentives aimed at creating optimal learning conditions to facilitate the growth of both the Company and its employees.

Furthermore, the Company provides a series of general knowledge, professional, and management training courses for employees in different positions. Experts are invited from outside the Company to teach the courses, and a number of lecturers have been trained to provide in-house training and pass on knowledge and skills crucial to the Company.

The training courses provided by the Company include:

- Orientation: Basic training and on-the-job guidance. Managers and a well-established "partner system" also help new employees settle into the Company and their work.
- General training: Includes training in general knowledge on government

regulations, company policies, general knowledge of the Company and all its levels. Subjects in the course include industrial safety training, safety and sanitation training, quality-related training, plant emergency response training, and personal performance management.

- Professional/occupational training: Includes technical and professional training required by various units such as equipment and engineering, manufacturing process training, accounting, information technology, etc.
- Direct employee training: Includes training on the knowledge, technical capabilities, and methods required on the assembly line so that trainees can obtain their licenses to operate machinery. Course content includes direct technical skill training, technician training, and training courses for group leaders in the manufacturing department.
- Customized training: Training programs designed according to the condition of each organization and the focus if their employee training.
- Training for managers: The Company organized management development training activities according to the capabilities and responsibilities of different management tasks. Courses include core curriculum for junior managers, the core curriculum for middle-level managers, the core curriculum for senior managers, and other elective courses.

In addition to in-house learning resources, the Company offers allowances for employees to attend external short-term courses, credit courses, or study for a degree.

In 2022, the Company organized a total of 180 courses, reaching a total of 9,098 training hours and 307 participants. On average, each employee was trained for approximately 29.6 hours, with total training expenditure amounting to NT$2.66 million.

(4) Employee activities: The Employee Welfare Committee is established for the benefit of employees. The committee meticulously plans out various activities and welfare facilities to create a lively work environment and raise employee morale. In 2022, the Employee Welfare Committee and the Company spent a joint total of NT$6.929 million on employee benefit-related activities. In 2022, the Company organized scholarships for employees' children, birthday celebrations, employee tours, hiking events, and employee care.

(5) Retirement program

The Company has established a retirement program according to the "Labor Standards Act" and the "Labor Pension Act". Sound financial operations ensure that employees will receive a steady stream of pension payments, which in turn will encourage employees to make long-term career plans in the Company.

As of December 31, 2022, due to the adoption of IFRS No.18 "employee benefits" in accordance with regulations with December 31, 2022 as the baseline date, the present value of the Company's defined benefit obligation was NT$99.309 million, the balance of the Company's pension reserve fund at the Bank of Taiwan was NT$66.149 million, the accrued pension liability was NT$33.160 million, NT$4.291 million was appropriated into the pension reserve account in 2022, and the amount of pension paid was NT$6.987 million.

Since the establishment of the Labor Retirement Reserve Supervisory Committee and as of December 31, 2022, a total of 31 employees have retired, and NT$56.020 million in pensions have been distributed. The new labor retirement system requires an appropriation of 6%-12% (including 6% from the employee) to be deposited in the mandatory labor pension account.

(6) Labor-management agreement status

The Company values two-way communication and strives to provide open and transparent manager-to-employee and employee-to-employee communication. To give attention to employee opinions and sentiments, the Company conducts employer-employee meetings and provides employees with fair and effective communication mechanisms to state their opinions in order to understand their thoughts and quickly process issues they raise, promoting harmonious employer-employee relations and achieving prosperity for both the Company and its employees.

A range of channels available for internal communication in recent years has contributed to workplace harmony. As a result, while the Company has always respected the right of its employees to organize conventions, no employee has ever made calls to unionize.

The Company has not incurred any loss arising from employer-employee disputes in 2022 and up to the publication date of the 2023 annual report.

(7) Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report (quantify estimated losses and potential responses; if potential losses cannot be reasonably estimated, state the reason why): None.

(8) Litigations or employer-employee disputes that require mediation in the past year and up to the publication date of this report: None.

VI. Information security management:

The Company has complete reporting procedures for information security events to ensure that response measures are effectively taken when an information security incident occurs, reducing the risk of losses due to information security incidents.

The Company plans to obtain the ISO 27001 Information Security Management certification in 2023, and protect the Company's trade secrets from being leaked through planned and organized information management and maintenance, allowing operations to be smoothly carried out without interference.

The Company did not have any major information security incidents in 2022 and up to the date of report.

Security policy

The Company has focused on the development of the new energy business, and has made a commitment to society, shareholders, and business partners to protect information security and sensitive data in the growth process. We aim to become the industry benchmark and set a good example in information security. To ensure that the Company's internal information and information systems are properly protected, the Company plans to obtain ISO 27001 Information Security Management System certification in 2023, and will implement and strengthen information security management systems according to requirements of international standards. We continue to improve the effectiveness of systems to provide safer and more stable information services.

Management plan

There were no major information security incidents this year, which ensures that the data used by information services of the Company and business partners is fully protected.

1. The Company plans to obtain ISO 27001 Information Security Management System certification in 2023, and will implement and strengthen information security management systems according to requirements of international standards. We continue to improve the effectiveness of systems to provide safer and more stable information services.
2. A disaster recovery drill is carried out for the core business system once a year to ensure the effectiveness of backup procedures and backup data. The drill ensures that information system services are smoothly transitioned and prevent risks when a disaster occurs, laying the foundation for the Company's sustainable operation.
3. The Company classified all data and takes strict measures to prevent data leakage and monitor sensitive data that is stored and transferred, thereby ensuring the safety of trade secrets.
4. The Company lowers the impact of information security incidents, such as damage, theft, leakage, tampering, misuse, and infringement.
5. We continue to improve the confidentiality, completeness, and availability of all information system services.

(1).Cybersecurity policy and organization

The Company upholds the spirit of corporate sustainability management, and continues to implement and strengthen information security and confidential information protection mechanisms, in order to protect the interests of the Company's customers and partners.

For the Company to achieve good governance in information security, the Company's IT Office is responsible for information security management, formulating the Company's information security policy, planning implementation methods, and reporting them to the general manager and Board of Directors. This allows the Board of Directors to understand improvements and measures of the organization's information security management system that year. The IT Office is responsible for implementing the Company's information security policy and periodically reporting to the general manager and Board of Directors.

(2). The Company plans to appoint a chief information security officer and dedicated information security task force before the end of 2023, in order to implement the information security policy and obtain ISO 27001 Information Security Management certification. The chief information security officer and task force is responsible for the group's information security, in which the chief information security officer chairs the task force and periodically reports to the general manager and Board of Directors. Cybersecurity management strategies and resources

I. Enhanced information security management

In response to the demand from work from home due to the pandemic and the development of the new energy business in 2022, connection security when working from home, data storage security, and physical environment management are information security issues that the Company attaches great importance to. The demand on remote work increased in the group due to epidemic prevention measures. We thus enhanced connection security for remote work, comprehensively implemented software-based two-factor authentication, and used passwords along with one-time password to prevent password leakage and hacking. This effectively resolved the issue of account and password being stolen, and ensure the safety of the organization's intranet.

II. Raising awareness of information security

After creating a good information security environment, it is necessary for employees to have information security awareness. The corporate governance officer began organizing information security training in 2022 to continue strengthening and raising employees' information security awareness. The training sessions communicate basic concepts of information security, the latest information security trends, and the latest hacking methods. Furthermore, the Company's IT Office periodically sends information security notices via e-mail to remind employees of adjustments to the group's information security rules and potential risks, in order to lower the probability of information security incidents.

III. Establishing protection mechanisms

The Company implements information security mechanisms from the outside in and inside out based on the concept of defense-in-depth and zero trust. This prevents attacks from different angles impacting the steady operation of the Company's operations systems. We raise the information security awareness of employees through training and regular announcements, and periodically evaluate the appropriateness and effectiveness of the information security policy and operations. We implemented a project to continue enhancing protection measures and lower information security risks. Furthermore, the Company's IT Office abides by the spirit of ISO 27001: 2013, and uses the Plan-Do-Check-Act (PDCA) cycle to establish and management the information security management system. We discover areas where we can make improvements while maintaining effective operations, and provide safe and stable information system services.

IV. The Company requires third party service providers to periodically conduct information security risk assessments in the service agreement, and sets up multiple layers of defense based on the magnitude and probability of risks using the PDCA cycle. The Company also established KPI for information security on this basis.

(3). Information security incident handling and reporting

I. Cybersecurity risk management

To understand the organization's information security risk, the IT Office evaluates information assets each year and sets the level and acceptable risk of information assets. Risks of different aspects of information security are assessed based on the level, in order to improve high risk items in the organization. Furthermore, the office also assesses and continues to track the information security risks of abnormal events in the organization and external information security events and issues.

II.Cybersecurity audit:

To ensure the effective operation and practices of the information security management system established according to ISO27001:2013, we evaluated information security organizations and their authority for the management, implementation, and audit of the information security management system. An information security audit is conducted and management review meeting is convened at least once a year to ensure the applicability, appropriateness, and effectiveness of the information security management system.

III.Information security procedures and regulatory compliance:

The Company evaluates and formulates management regulations according to information security management requirements, and establishes operations management regulations based on the business. Any abnormalities or information security incidents that occur during daily operations are reported to the information security, audit, and management departments. Furthermore, in addition to internal management procedures, the Company also periodically conducts reviews based on standards and requirements for personal data privacy protection and other information security, ensuring compliance with applicable laws and regulations and to avoid violating laws and regulations and contractual obligations related to information security.

IV.Cybersecurity development

Information security is an important issue that companies take very seriously. The Company has established risk management mechanisms and standard procedures for handling information security incidents. We also step up plans for developing information security technologies in response to information security issues, such as: strengthen defense against information security attacks, real-time detection of external threats, and effectively blocking threats, in order to lower the risk of sensitive data leakage.

The Company's information security technology development and operations planning are based on the three elements of information security, information security risks that have been common recently, and information security issues involved in future businesses, including information security risks of remote work, raising the information security awareness of employees, improving system availability, sensitive data protection, privileged account management, event recording and analysis, and cloud environment safety evaluation. Contents are as follows:

A. Using two-factor authentication to improve the security of remote connections response to epidemic prevention measures, improving information security management for network connections.
B. Raising employees' information security awareness through training and drills to lower the risk of information security incidents due to negligence.
C. Analyzing network traffic and behavior to improve the safety of services.
D. Establishing a sensitive data protection area to strengthen the monitoring of data access and use for the core business.
E. Strengthening management of transferring internal files outside the Company, only providing transmission methods legally authorized by the Company, and establishing file transfer rules with enhanced monitoring to prevent data leakage.
F. Strengthening the physical safety of the core business area, using two-factor authentication for entry and exit, and protecting the Company's important assets and data.
G. Ensuring the stability of core systems through system monitoring tools.
H. Periodically conducting remote backup drills and recovery drills for core systems, in order to ensure timely recovery after an information security incident occurs.

The Company did not have any major information security incidents, did not sustain any financial losses, operations were not impacted by any information security incidents, and no response measures were necessary in 2022 and up to the date of report.

VII. Important contracts: Important supply and sales contracts, technical collaboration contracts, engineering contracts, and long-term loans that are currently effective or expiring in the recent year that may affect the rights and benefits of investors.

Nature of contract	Contracting party	Start and end dates of the contract	Content	Restrictions
Long-term loan contract	Mega International Commercial Bank	2017.01~2032.01	Loan quota of NT$150 million	Provided land and factories as collateral
Syndicated loan agreement	Mega International Commercial Bank	2022.11~2028.01	The Company borrowed a syndicated loan in the amount of NT$8 billion to repay bank borrowings and increase working capital needed for operations in the mid-term.	Provided land and factories as collateral

F.Financial Conditions

I. Condensed Balance Sheet and Statements of Comprehensive Income in the Most Recent Five Years

(I) Condensed consolidated balance sheet

Unit: NT$1,000

Item \ Year		Financial Data for the Most Recent Five Years (Note 1)					Current Year up to March 31, 2023 Financial Data
		2018	2019	2020	2021	2022	
Current assets		10,005,819	8,597,616	10,218,301	14,467,615	13,161,655	(Note 2)
Property, plant and equipment		3,498,574	3,887,599	5,294,370	3,821,909	4,168,757	
Investment properties		1,002,688	984,659	963,590	3,766,202	3,658,733	
Other assets		2,776,040	2,618,017	3,417,012	3,866,157	3,450,106	
Total Assets		17,283,121	16,087,891	19,893,273	25,921,883	24,439,251	
Current liabilities	Before distribution	9,452,052	6,264,484	7,267,245	9,334,158	9,743,421	
	After distribution	9,918,084	6,513,034	7,883,760	10,618,743	(Note 3)	
Non-current liabilities		595,940	3,012,621	4,524,598	4,979,955	4,620,470	
Total Liabilities	Before distribution	10,047,992	9,277,105	11,791,843	14,314,113	14,363,891	
	After distribution	10,514,024	9,525,655	12,408,358	15,598,698	(Note 3)	
Equity attributable to owners of parent company		6,710,422	6,284,080	7,671,454	10,891,301	9,362,722	
Share capital		3,106,877	3,106,877	3,082,226	3,211,463	3,211,463	
Capital reserve	Before distribution	818,309	817,716	823,197	943,451	943,451	
	After distribution	818,309	817,716	669,068	943,451	(Note 3)	
Retained earnings	Before distribution	2,828,804	2,467,747	3,043,378	5,358,912	4,533,390	
	After distribution	2,362,772	2,219,197	2,580,992	4,074,327	(Note 3)	
Other equity		(43,568)	(108,260)	722,653	1,377,475	674,418	
Treasury stock		-	-	-	-	-	
Non-controlling equity		524,707	526,706	429,976	716,469	712,638	
Total equity	Before distribution	7,235,129	6,810,786	8,101,430	11,607,770	10,075,360	
	After distribution	6,769,097	6,562,236	7,484,915	10,323,185	(Note 3)	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2023 was unavailable as of the publication date of annual report.

Note 3: The Company has yet to convene a general shareholder meeting as of the publication date of annual report, therefore figures after distribution were unavailable.

(II)Condensed individual balance sheet

Unit: NT$1,000

Item \ Year		Financial Data for the Most Recent Five Years (Note 1)					Current year up to March 31, 2023 Financial Data
		2018	2019	2020	2021	2022	
Current assets		8,816,525	7,632,887	9,005,141	11,716,533	10,658,018	(Note 2)
Property, plant and equipment		3,165,177	3,276,213	4,506,352	2,099,792	2,453,203	
Investment properties		958,879	947,208	932,625	3,742,322	3,627,614	
Other assets		4,001,498	3,849,051	5,899,856	6,489,751	6,054,638	
Total Assets		16,942,079	15,705,359	19,411,349	24,048,398	22,793,473	
Current liabilities	Before distribution	9,135,071	6,157,944	7,012,712	8,365,227	8,940,943	
	After distribution	9,601,103	6,406,494	7,629,227	9,649,812	(Note 3)	
Non-current liabilities		1,096,586	3,263,335	4,727,183	4,791,870	4,489,808	
Total Liabilities	Before distribution	10,231,657	9,421,279	11,739,895	13,157,097	13,430,751	
	After distribution	10,697,689	9,669,829	12,356,410	14,441,682	(Note 3)	
Equity		6,710,422	6,284,080	7,671,454	10,891,301	9,362,722	
Share capital		3,106,877	3,106,877	3,082,226	3,211,463	3,211,463	
Capital reserve	Before distribution	818,309	817,716	823,197	943,451	943,451	
	After distribution	818,309	817,716	669,068	943,451	(Note 3)	
Retained earnings	Before distribution	2,828,804	2,467,747	3,043,378	5,358,912	4,533,390	
	After distribution	2,362,772	2,219,197	2,580,992	4,074,327	(Note 3)	
Other equity		(43,568)	(108,260)	722,653	1,377,475	674,418	
Treasury stock		-	-	-	-	-	
Total equity	Before distribution	6,710,422	6,284,080	7,671,454	10,891,301	9,362,722	
	After distribution	6,244,390	6,035,530	7,054,939	9,606,716	(Note 3)	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2023 was unavailable as of the publication date of annual report.

Note 3: The Company has yet to convene a general shareholder meeting as of the publication date of annual report, therefore figures after distribution were unavailable.

(III)Condensed Consolidated Statements of Comprehensive Income

Unit: NTD thousands, except EPS which is in dollars

Item \ Year	Financial Data for the Most Recent Five Years (Note 1)					Current year up to March 31, 2023 Financial Data
	2018	2019	2020	2021	2022	
Operating revenue	8,694,163	8,477,785	9,852,311	14,103,042	17,155,532	(Note 2)
Realized gross profit	728,665	176,779	812,114	3,116,076	1,188,904	
Operating profit/loss	428,630	(97,900)	469,738	2,637,114	764,779	
Non-operating income and expenses	713,597	222,357	443,285	671,254	(104,979)	
Net income before tax	1,142,227	124,457	913,023	3,308,368	659,800	
Current period net income from continuing operations	1,000,012	118,116	845,733	2,770,838	417,568	
Loss from discontinued operations	-	-	-	-	-	
Current net income (loss)	1,000,012	118,116	845,733	2,770,838	417,568	
Other comprehensive income of the current period (net income after-tax)	(75,503)	(65,330)	830,675	652,522	(702,001)	
Total comprehensive income for the period	924,509	52,786	1,676,408	3,423,360	(284,433)	
Net income attributable to owners of the parent	978,725	120,674	829,113	2,720,273	393,563	
Net income attributable to non-controlling equity	21,287	(2,558)	16,620	50,565	24,005	
Total comprehensive income attributed to owners of parent company	903,212	55,351	1,659,801	3,372,787	(308,464)	
Total comprehensive income attributed to non-controlling equity	21,297	(2,565)	16,607	50,573	24,031	
Earnings per share	3.17	0.39	2.69	8.62	1.23	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2023 was unavailable as of the publication date of annual report.

(IV)Condensed Individual Comprehensive Income Statement

Unit: NTD thousands, except EPS which is in dollars

Item \ Year	Financial Data for the Most Recent Five Years (Note 1)					Current year up to March 31, 2023 Financial Data
	2018	2019	2020	2021	2022	
Operating revenue	8,648,779	8,413,665	9,870,098	13,418,865	14,397,415	(Note 2)
Gross profit	712,588	178,646	730,527	2,867,518	836,400	
Operating profit/loss	440,553	(76,184)	446,982	2,434,599	508,866	
Non-operating income and expenses	660,685	207,744	443,049	807,093	67,303	
Net income before tax	1,101,238	131,560	890,031	3,241,692	576,169	
Current period net income from continuing operations	978,725	120,674	829,113	2,720,273	393,563	
Loss from discontinued operations	-	-	-	-	-	
Current net income (loss)	978,725	120,674	829,113	2,720,273	393,563	
Other comprehensive income of the current period (net income after-tax)	(75,513)	(65,323)	830,688	652,514	(702,027)	
Total comprehensive income for the period	903,212	55,351	1,659,801	3,372,787	(308,464)	
Earnings per share	3.17	0.39	2.69	8.62	1.23	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2023 was unavailable as of the publication date of annual report.

(V)Names of the certification accountants and their audit opinions for the last 5 years

Year	CPA Name	Opinions for the Audit Report
2022	Sheng-Hsiung Yao, Shu-Ju Lin (Note 1)	Standard unqualified opinion
2021	Sheng-Hsiung Yao, Jui-Na Chang	Standard unqualified opinion
2020	Sheng-Hsiung Yao, Jui-Na Chang	Standard unqualified opinion
2019	Sheng-Hsiung Yao, Jui-Na Chang	Standard unqualified opinion
2018	Sheng-Hsiung Yao, Jui-Na Chang (Note 1)	Standard unqualified opinion

Note 1: The replacement of accountants was mainly due to internal adjustments to the organizational structure of Deloitte Taiwan.

II. Financial Analysis for the Most Recent Five Years

(I) Consolidated financial analysis

Analysis items (Note 3) \ Year (Note 1)		Financial Analysis for the Most Recent Five Years					Current Year up to March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure(%)	Debt-to-assets ratio	58.14	57.67	59.28	55.22	58.77	(Note 2)
	Ratio of long-term capital to property, plant and equipment	223.84	252.69	238.48	218.60	187.75	
Solvency %	Current ratio	105.86	137.24	140.61	155.00	135.08	
	Quick ratio	61.26	80.05	85.19	81.64	78.80	
	Interest protection multiples	9.03	1.74	8.19	30.49	4.00	
Operating performance	Average collection turnover (times)	3.63	3.36	3.35	3.61	3.75	
	Average collection period	100.55	108.63	108.95	101.10	97.33	
	Average inventory turnover (times)	2.30	2.20	2.41	2.04	2.59	
	Average payables turnover (times)	12.60	14.45	20.73	16.04	21.86	
	Average days of sales	158.70	165.91	151.45	178.92	140.92	
	Average property, plant and equipment turnover (times)	2.36	2.27	2.13	3.06	4.22	
	Total assets turnover (times)	0.51	0.53	0.50	0.62	0.68	
Profitability	Return on assets (%)	7.16	1.51	5.27	12.49	2.36	
	Return on equity (%)	14.58	1.68	11.34	28.12	3.85	
	Pre-tax profit to paid-in capital ratio (%)	36.76	4.01	29.62	103.02	20.55	
	Net profit ratio (%)	11.32	1.39	8.58	19.65	2.43	
	Earnings per share ($)	3.17	0.39	2.69	8.62	1.23	
Cash flow	Cash flow ratio (%)	(4.52)	6.56	(3.77)	5.53	13.73	
	Cash flow adequacy ratio (%)	33.66	39.21	18.87	12.32	19.71	
	Cash reinvestment ratio (%)	(12.10)	(0.51)	(4.14)	(0.49)	0.42	
Leverage	Operating leverage	1.63	(2.70)	1.95	1.25	1.84	
	Financial leverage	1.33	0.37	1.37	1.04	1.40	

Reasons for changes in financial ratios in the last two years:

1.Interest protection multiples: The decrease in interest protection multiples was due to the decrease in earnings before interest and taxes and increase in interest expenses.

2.Average inventory turnover: Due to the decrease in purchase of goods this year and inventory digestion causing closing inventory to decrease.

3.Payables turnover: The decrease in payables at the end of the year resulted in an increase in payables turnover.

4.Average days of sales: Due to the decrease in purchase of goods this year and inventory digestion causing closing inventory to decrease.

5.Average property, plant and equipment turnover: The increase in sales revenue this year resulted in an increase in property, plant and equipment turnover.

6.Return on assets: Return on assets decreased due to lower net income reported for the current year.

7.Return on equity: Return on equity decreased due to lower net income reported for the current year.

8.Pre-tax profit to paid-up capital ratio: Pre-tax profit to paid-up capital ratio decreased due to lower pre-tax profit reported for the current year.

9.Net profit ratio: Net profit ratio decreased due to lower net income reported for the current year.

10.Earnings per share: Earnings per share decreased due to lower net income reported for the current year.

11.Cash flow ratio: The increase in cash inflow from operations this year resulted in an increase in the cash flow ratio.

12.Cash flow adequacy ratio: The increase in net cash flow from operations this year resulted in an increase in cash flow adequacy ratio.

(II) Individual financial analysis

Analysis items (Note 3) \ Year (Note 1)		Financial Analysis for the Most Recent Five Years					Current Year up to March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure(%)	Debt-to-assets ratio	60.39	59.99	60.48	54.71	58.92	(Note 2)
	Ratio of long-term capital to property, plant and equipment	246.65	291.42	275.14	268.45	227.81	
Solvency %	Current ratio	96.51	123.95	128.41	140.06	119.20	
	Quick ratio	50.84	67.97	77.17	71.71	68.59	
	Interest protection multiples	8.93	1.81	8.34	31.46	3.81	
Operating performance	Average collection turnover (times)	3.55	3.35	3.24	3.57	3.53	
	Average collection period	102.82	108.96	112.65	102.24	103.39	
	Average inventory turnover (times)	2.30	2.23	2.64	2.30	2.65	
	Average payables turnover (times)	12.56	14.51	21.81	21.41	34.60	
	Average days of sales	158.70	163.68	138.25	158.69	137.73	
	Average property, plant and equipment turnover (times)	2.55	2.60	2.52	4.02	6.21	
	Total assets turnover (times)	0.51	0.54	0.51	0.62	0.61	
Profitability	Return on assets (%)	7.13	1.53	5.27	12.91	2.38	
	Return on equity (%)	15.08	1.86	11.88	29.31	3.89	
	Pre-tax profit to paid-in capital ratio (%)	35.45	4.23	28.88	100.94	15.85	
	Net profit ratio (%)	11.36	1.43	8.40	20.27	2.73	
	Earnings per share ($)	3.17	0.39	2.69	8.62	1.23	
Cash flow	Cash flow ratio (%)	(8.41)	9.18	(4.19)	5.20	12.47	
	Cash flow adequacy ratio (%)	32.70	36.11	21.60	12.84	19.18	
	Cash reinvestment ratio (%)	(16.11)	0.96	(4.09)	(1.16)	(1.52)	
Leverage	Operating leverage	1.84	(3.20)	1.93	1.15	1.10	
	Financial leverage	1.52	0.32	1.37	1.05	1.67	

Reasons for changes in financial ratios in the last two years: 1.Interest protection multiples: The decrease in interest protection multiples was due to the decrease in earnings before interest and taxes and increase in interest expenses. 2.Payables turnover: The decrease in payables at the end of the year resulted in an increase in payables turnover. 3.Average property, plant and equipment turnover: The increase in sales revenue this year resulted in an increase in property, plant and equipment turnover. 4.Return on assets: Return on assets decreased due to lower net income reported for the current year. 5.Return on equity: Return on equity decreased due to lower net income reported for the current year. 6.Pre-tax profit to paid-up capital ratio: Pre-tax profit to paid-up capital ratio decreased due to lower pre-tax profit reported for the current year. 7.Net profit ratio: Net profit ratio decreased due to lower net income reported for the current year. 8.Earnings per share: Earnings per share decreased due to lower net income reported for the current year. 9.Cash flow ratio: The increase in cash inflow from operations this year resulted in an increase in the cash flow ratio. 10.Cash flow adequacy ratio: The increase in net cash flow from operations this year resulted in an increase in cash flow adequacy ratio. 11.Cash reinvestment ratio: The increase in dividend distribution resulted in a decrease in cash flow adequacy ratio. 12.Financial leverage: Financial leverage increased due to an increase in interest expenses this year.

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2023 was unavailable as of the publication date of annual report.

Note 3: The calculation formula for the items of analysis is stated below:

1.Financial structure
  (1)Debt-to-assets ratio = total liabilities / total assets.
  (2)Ratio of long-term capital to real estate properties, plants and equipment = (total equity + non-current liabilities) / net for real estate, plant and equipment.

2.Solvency
  (1)Current ratio = current assets / current liabilities.
  (2)Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
  (3)Interest protection multiple = earnings before interest and tax / interest expenses for the current period.

3.Operating performance
  (1)Receivables (including accounts receivable and notes receivable arising from operation) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable arising from operation) balances.
  (2)Average collection period = 365 / receivable turnover.
  (3)Average inventory turnover = cost of goods sold / average inventory.
  (4)Payable (including accounts payable and notes payable arising from operation) turnover ratio = cost of goods sold / average payables (including accounts payable and notes payable arising from operation) balances.
  (5)Average days of sales = 365 / inventory turnover.
  (6)Property, plant and equipment turnover ratio = net sales / average net for property, plant and equipment.
  (7)Total assets turnover ratio = net sales / average total assets.

4.Profitability
  (1)Return on assets = [profit and loss after tax + interest expense (1 - tax rate)] / average total assets.
  (2)Return on equity = profit and loss after tax / average total equity.
  (3)Net profit ratio = profit and loss after tax / net sales.
  (4)EPS = (income belonging to owner of the parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 4)

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 for the last 5 years / most recent 5 years (capital expenditure + inventory + cash dividend).
(3)Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage:
(1)Operating leverage = (net operating revenue - variable operating costs and expenses) / operating profit (Note 6).
(2)Financial leverage = operating profit / (operating profit - interest expenses).

Note 4: Special attention should be paid to the following items when using the aforementioned calculation formula for the earnings per share:
1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock transactions when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital surplus, capital ratio shall be adjusted retrospectively with no need to consider the replenishment period.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) shall be deducted from net income, or the net loss shall be increased. If the preferred shares are not cumulative in nature, the preferred share dividends shall be deducted from net income in years of profit. If it is a loss, no adjustment is needed.

Note 5: Special attention should be paid to the following items when doing cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditure refers to the annual capital investment cash outflow.
3. Inventory increase shall only be calculated when the inventory at the end of the period is greater than that at the beginning of the period. If there is a decrease of inventory at the end of the year, it should be calculated as zero.
4. Cash dividends include common share and preferred stock cash dividends.
5. Gross property, plant, and equipment shall refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 6: The issuer should divide the operating costs and operating expenses into fixed and variable ones depending on the nature. If it involves estimation or subjective judgment, attention should be paid to rationality and the consistency should be maintained.

III. Audit Committee's Audit Report for Current Year

HsinKuang Steel Co., Ltd.

Audit Committee's Report

The Board of Directors has prepared and submitted the 2022 business report, financial statements, and earnings distribution proposal. In particular, the financial statements have been audited by Deloitte & Touch and an audit report has been issued. These have been reviewed by the Audit Committee as correctly portraying the Company's business activities. In accordance with the Securities and Exchange Act and the Company Act, this report is submitted for shareholder's examination.

To

General Shareholders Meeting of HsinKuang Steel Co., Ltd.

Audit Committee Convener

March 17, 2023

IV. Individual Financial Statements and Audit Reports: Please refer to page 177 to page 251.

V. Consolidated Financial Statements of Parent Company and Subsidiaries Certified by CPA: Please refer to page 252 to page 332.

VI. The effects on the Company's financial status caused by any financial difficulties the Company and its affiliated companies had in the past year and up to the publication date of this report: None.

G. Review of Financial Status, Financial Performance and Risk Management

I. Analysis of Financial Status

(I) Analysis of Consolidated Financial Status

Unit: NT$1,000

Item \ Year	2022	2021	Difference	
			Amount	**%**
Current assets	13,161,655	14,467,615	(1,305,960)	(9.03)
Property, plant and equipment	4,168,757	3,821,909	346,848	9.08
Investment properties	3,658,733	3,766,202	(107,469)	(2.85)
Long-term investments and other assets	3,450,106	3,866,157	(416,051)	(10.76)
Total Assets	**24,439,251**	**25,921,883**	**(1,482,632)**	**(5.72)**
Current liabilities	9,743,421	9,334,158	409,263	4.38
Non-current liabilities	4,620,470	4,979,955	(359,485)	(7.22)
Total Liabilities	**14,363,891**	**14,314,113**	**49,778**	**0.35**
Share capital	3,211,463	3,211,463	-	-
Capital reserve	943,451	943,451	-	-
Retained earnings	4,533,390	5,358,912	(825,522)	(15.40)
Other equity	674,418	1,377,475	(703,057)	51.04
Non-controlling equity	712,638	716,469	(3,831)	(0.53)
Total equity	**10,075,360**	**11,607,770**	**(1,532,410)**	**(13.20)**

Analysis and explanation of increase (decrease) in proportions:

1. Other equity: Attributed to a decrease in unrealized gains from financial assets at fair value through other co income in the current period.

(II)Analysis of Individual Financial Status

Unit: NT$1,000

Item \ Year	2022	2021	Difference	
			Amount	**%**
Current assets	10,658,018	11,716,533	(1,058,515)	(9.03)
Property, plant and equipment	2,453,203	2,099,792	353,411	16.83
Investment properties	3,627,614	3,742,322	(114,708)	(3.07)
Long-term investments and other assets	6,054,638	6,489,751	(435,113)	(6.70)
Total Assets	**22,793,473**	**24,048,398**	**(1,254,925)**	**(5.22)**
Current liabilities	8,940,943	8,365,227	575,716	6.88
Non-current liabilities	4,489,808	4,791,870	(302,062)	(6.30)
Total Liabilities	**13,430,751**	**13,157,097**	**273,654**	**2.08**
Share capital	3,211,463	3,211,463	-	-
Capital reserve	943,451	943,451	-	-
Retained earnings	4,533,390	5,358,912	(825,522)	(15.40)
Other equity	674,418	1,377,475	(703,057)	(51.04)
Total equity	**9,362,722**	**10,891,301**	**(1,528,579)**	**(14.03)**

Analysis and explanation of increase (decrease) in proportions:

1. Other equity: Attributed to a decrease in unrealized gains from financial assets at fair value through other comprehensive income in the current period.

II. Financial performance analysis

(I) Analysis of Consolidated Financial Performance

Unit: NT$1,000

Year / Account	2022	2021	Increase (decrease) amount	Percentage of change
Operating revenue	17,155,532	14,103,042	3,052,490	21.64
Operating costs	(15,966,628)	(10,985,973)	4,980,655	45.34
Gross profit	1,188,904	3,117,069	(1,928,165)	(61.86)
Unrealized gains from sales	-	(2,258)	(2,258)	(100.00)
Realized gains from sales	-	1,265	(1,265)	(100.00)
Realized gross profit	1,188,904	3,116,076	(1,927,172)	(61.85)
Operating expenses	(424,125)	(478,962)	(54,837)	(11.45)
Operating net profit	764,779	2,637,114	(1,872,335)	(71.00)
Non-operating income and expenses				
Interest income	1,746	494	1,252	253.44
Gain on bargain purchase	-	136,024	(136,024)	(100.00)
Other income	248,118	127,100	121,018	95.21
Other gains and losses	(125,019)	475,444	(600,463)	(126.30)
Financial costs	(220,086)	(112,180)	107,906	96.19
Share of profits on equity-accounted associated companies and joint ventures	(9,738)	44,372	(54,110)	(121.95)
Total Non-operating income and expenses	(104,979)	671,254	(776,233)	(115.64)
Net income before tax	659,800	3,308,368	(2,648,568)	(80.06)
Income tax expenses	(242,232)	(537,530)	(295,298)	(54.94)
Net profit of the current period	417,568	2,770,838	(2,353,270)	(84.93)
Other comprehensive income				
Items not reclassified as income				
Re-measurement of defined benefit plan	1,030	(2,308)	3,338	144.63
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	(713,606)	657,701	(1,371,307)	(208.50)
	(712,576)	655,393	(1,367,969)	(208.72)
Items that may be reclassified as income				
Translation differences in financial statements from foreign operations	10,575	(2,871)	13,446	468.34
Other comprehensive income (net income after-tax)	(702,001)	652,522	(1,354,523)	(207.58)
Total comprehensive income for the period	(284,433)	3,423,360	(3,707,793)	(108.31)
Profit attributable to				
Owners of the Company	393,563	2,720,273	(2,326,710)	(85.53)
Non-controlling equity	24,005	50,565	(26,560)	(52.53)
	417,568	2,770,838	(2,353,270)	(84.93)
Total comprehensive income attributable to:				
Owners of the Company	(308,464)	3,372,787	(3,681,251)	(109.15)
Non-controlling shares	24,031	50,573	(26,542)	(52.48)
	(284,433)	3,423,360	(3,707,793)	(108.31)

Analysis and explanation of increase (decrease) in proportions:

1. Realized gross profit and net operating profit: Attributed to the increase in operating costs that resulted in a decrease in gross profit and net profit in the current period.
2. Operating Expenses: Mainly due to decreased profit before tax, which resulted in a reduction in directors and employees remuneration.
3. Non-operating income and expenses: Attributed to an increase in financial costs and decrease in valuation gains of financial assets at fair value through profit and loss in the current period.
4. Income tax expenses: Attributed to the decrease in profit before tax, which resulted in a decrease in income tax expense in the current period.
5. Other comprehensive net profit: Attributed to decreased unrealized valuation gains of equity instrument measured at fair value through other comprehensive income in the current period.

(II) Analysis of Individual Financial Performance

Unit: NT$1,000

Year / Account	2022	2021	Increase (decrease) amount	Percentage of change
Operating revenue	14,397,415	13,418,865	978,550	7.29
Operating costs	(13,629,065)	(10,531,938)	(3,097,127)	(29.41)
Gross profit	768,350	2,886,927	(2,118,577)	(73.39)
Unrealized gains from sales	(11,600)	(118,704)	107,104	90.23
Realized gains from sales	79,650	99,295	(19,645)	(19.78)
Realized gross profit	836,400	2,867,518	(2,031,118)	(70.83)
Operating expenses	(327,534)	(432,919)	(105,385)	(24.34)
Operating net profit	508,866	2,434,599	(1,925,733)	(79.10)
Non-operating income and expenses				
Interest income	1,366	401	965	240.65
Other income	228,641	101,362	127,279	125.57
Gain on bargain purchase	-	136,024	(136,024)	(100.00)
Other gains and losses	36,881	363,536	(326,655)	(89.85)
Financial costs	(204,974)	(106,426)	98,548	92.60
Share of profits on equity-accounted associated companies and joint ventures	5,389	312,196	(306,807)	(98.27)
Total Non-operating income and expenses	67,303	807,093	(739,790)	(91.66)
Net income before tax	576,169	3,241,692	(2,665,523)	(82.23)
Income tax expenses	(182,606)	(521,419)	(338,813)	(64.98)
Net profit of the current period	393,563	2,720,273	(2,326,710)	(85.53)
Other comprehensive income				
Items not reclassified as income				
Re-measurement of defined benefit plan	1,030	(2,308)	3,338	144.63
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	(713,606)	657,701	(1,371,307)	(208.50)
	(712,576)	655,393	(1,367,969)	(208.72)
Items that may be reclassified as income				
Translation differences in financial statements from foreign operations	10,549	(2,879)	13,428	466.41
Other comprehensive income (net income after-tax)	(702,027)	652,514	(1,354,541)	(207.59)
Total comprehensive income for the period	(308,464)	3,372,787	(3,681,251)	(109.15)

Analysis and explanation of increase (decrease) in proportions:

1. Realized gross profit and net operating profit: Attributed to the increase in operating costs that resulted in a decrease in gross profit and net profit in the current period.
2. Operating Expenses: Mainly due to decreased profit before tax, which resulted in a reduction in directors and employees remuneration.
3. Non-operating income and expenses: Attributed to an increase in financial costs, decrease in valuation gains of financial assets at fair value through profit and loss, and decrease in investment gains recognized under the equity method in the current period.
4. Income tax expenses: Attributed to the decrease in profit before tax, which resulted in a decrease in income tax expense in the current period.
5. Other comprehensive net profit: Attributed to decreased unrealized valuation gains of equity instrument measured at fair value through other comprehensive income in the current period.

(III) Major changes that have occurred or are expected to occur in operating policies, market conditions, or other internal or external factors of the Company in the last 2 years that would cause a material impact on continuing operations:

Analysis of changes in gross profit:

Unit: NT$1,000

	Increase (decrease) amount between periods	Reason for the difference			
		Difference in sales prices	Difference in cost	Difference in product sales combination	Difference in volume
Gross profit	(1,927,172)	1,609,960	(3,571,932)	(269,702)	304,502
Description	The decrease in gross profit was mainly due to the Russo-Ukrainian War, high inflation, and rising interest rates impacting international steel supply and demand in 2022.				

(IV) Projected sales quantity for the coming year, the basis for said projection, and factors influencing the continued growth or decline of the expected sales quantity: In terms of international demand on steel, international inflation has slowed, the negative impact of the Russo-Ukrainian War on the economy is declining, and energy prices have significantly decreased as a result, helping the European and American economy bounce back more quickly. The manufacturing industry of major economies is starting to grow again, China has lifted COVID restrictions and implement an industrial and economic revitalization policy to expand domestic demand, driving rigid demand and demand from restocking inventory. A strong earthquake in the southern part of Turkey caused the production and transportation of major local steel mills to be suspended, and their steel exports may be reduced and diverted to meet demand from reconstruction after the disaster. This is expected to drive an increase in steel demand in Europe. Taiwan's Directorate-General of Budget, Accounting and Statistics expects economic growth to reach 2.75% this year, and increased the budget for public construction projects by nearly NT$600 billion. Worldsteel's estimate that steel demand will grow 1% (approximately 18.15 million tons) this year may be revised upward. We will fully fight for business opportunities. With the combination of our management capabilities and processing technology, the projected total sales volume for 2023 is roughly 580,000 metric tons.

III. Cash flow review and analysis

Unit: NT$1,000

Balance at the start of the year (December 31, 2021) ①	Net cash flow from operating activities ②	Net cash flow from investment and financing activities ③	Cash balance (December 31, 2022) ①+ ②- ③	Plan to improve insufficient liquidity	
				Investment plan	Financial plan
964,372	1,337,778	(1,203,484)	1,098,666	None	None
1. Analysis of cash flow changes in the current year: (1) Cash inflow from operating activities amounted to approximately NT$1,337,778,000: Attributed to the decrease in purchase of goods, which caused inventory and payables to					

decrease.

(2) Cash outflow from investment activities amounted to approximately NT$512,677,000: Attributed to an increase in long-term equity investments recognized under the equity method and expenses on plant and equipment.

(3) Cash outflow from financing activities amounted to approximately NT$694,929,000: Attributed to the Company's distribution of cash dividends.

2. Plan to improve insufficient liquidity and liquidity analysis: There were no instances of insufficient liquidity.

3. Cash flow analysis for the coming year: N/A.

4. Cash flow analysis for the past two years:

Item \ Year	December 31, 2022	December 31, 2021	Change (%)
Cash flow ratio (%)	13.73	5.53	148.28%
Cash flow adequacy ratio (%)	19.71	12.32	59.98%
Cash reinvestment ratio (%)	0.42	(0.49)	185.71%

Analysis and explanation of increase/decrease in proportions:

1. Cash flow ratio: The increase in cash inflow from operations this year resulted in an increase in the cash flow ratio.
2. Cash flow adequacy ratio: The increase in net cash flow from operations this year resulted in an increase in cash flow adequacy ratio.
3. Cash reinvestment ratio: The increase in cash inflow from operations this year resulted in an increase in cash flow adequacy ratio.

IV. Effects of significant capital expenditures on financial operations in the current year: None

V. Reinvestment policy, main reasons for profit/losses, improvement plans, and investment plans for the upcoming year:

The Company's equity method reinvestments have long-term strategic purposes; The Company's 2022 equity method net profit from reinvestments totaled NT$5,389,000, a decrease from the previous year. This is mainly attributed to the domestic stock index trend being revised downward in 2022. In the future, the Company shall continue to conduct prudent assessments of reinvestment projects based on the principle of long-term strategic goals.

VI. Risk analysis and assessment of the most recent year up to the publication date of this report:

The Board of Directors plays a critical role in identifying and managing economic risks.
The Company and its subsidiaries are committed to adopting cost-effective methods to integrate and manage potential risks in strategies, operations, finances, and other hazardous risks that may impact operations and profits.
The Company is committed to its corporate goals and its responsibility to maintain the long-term sustainability of the industry and society. The Company has established corporate risk management measures to provide appropriate risk management for all stakeholders. The Company's risk management focuses on "strategic risks", "operational risks", "financial risks", "hazardous risks", and "risks associated with climate change and non-compliance with related

regulations on environmental protection or climate change or other international laws and agreements".

(I) The effects that interest rates, exchange rate fluctuations, and inflation have on company earnings and losses, as well as future countermeasures:

Ratio of the Company's net interest income/expenses and net exchange profit/losses to net operating revenue in 2022

Item	2022 (NT$1,000)
Net interest income (expenses)	(218,340)
Net exchange income (loss)	112,044
Net interest income (expenses) as a ratio of net operating revenue	1.27%
Ratio of net exchange (loss) profit to net revenue	0.65%

①. Changes in interest rate

The Company's interest rate risk mainly comes from financial liabilities and investment positions arising from business activities. The Company's income and expenses on interests are mainly affected by changes in interest rates in Taiwan and the United States. The Company's net interest expenses was NT$218,340 thousand in 2022, accounting for 1.27% of net revenue and higher than in 2021. This was mainly due to the Federal Reserve significantly raising interest rates, which led to a rapid rise in interest rates of USD-denominated loans and increase in expenses, which reduced profits. Due to the increase in cost of loans, more detailed plans will be formulated for inventory.

Future countermeasures

The Company shall adapt to the risks of fluctuating interest rates and continue to pay attention to future market interest rate trends and collect information on interest rates from banks to adequately evaluate the interest rate of existing loans and continue to establish a good relationship with banks. The Company shall use its excellent credit to obtain relatively favorable loan interest rates. Where loans are required, the Company shall use its credit history to obtain relatively favorable loan interest rates based on actual needs for funding. When financing is required, the Company shall plan suitable long-term and short-term bank loans to minimize interest rate fluctuations and the risks caused by the cost of capital on the Company's operations. In financial investments, the Company mainly invests in high fluidity short-term fixed income bonds with high ratings to ensure the security of the principal and to maintain liquidity. However, these hedging operations can only lower parts of the risks and cannot fully eliminate the financial impact caused by fluctuations in interest rates.

②. Changes in exchange rate

More than half of the Company's material procurement expenditure is paid in foreign currencies such as USD. In addition, most of the Company's revenue is in

TWD. Therefore, any significant changes in international exchange rates may have unfavorable effects on the Company's finances. Central banks around the world made active efforts to suppress inflation in 2022, the Federal Reserve was especially aggressive in raising interest rates, and the spread impacted the strength of currencies worldwide, while accelerating international capital flow.

The Company uses foreign currency derivative financial product contracts, including forward foreign exchange contracts, to avoid non-NTD assets and liabilities and exchange rate risks that may arise from certain expected transactions. These hedging measures can reduce the impact of exchange rate changes on assets and liabilities but cannot eliminate it completely.

The NTD/USD exchange rate averaged 29.860 in 2022 due to the spread and flow of international capital, and depreciated 6.59% compared with the NTD/USD exchange rate of 28.013 in 2021. Exchange rates fluctuated massively in 2022 with the difference reaching NT$4.7. However, thanks to proper hedging, the Company generated a net exchange profit of NT$112,044,000 in 2022, which accounted for 0.65% of the net revenue that year. The overall foreign exchange interests will not increase risks for profitability and will therefore not cause a significant impact on the Company.

<u>Future countermeasures</u>

The Company uses contracts for derivatives (e.g. forward foreign exchange contracts), or non-derivatives (e.g. short-term borrowing of functional currency) as financial tools to hedge foreign exchange positions that have been recognized or generated from highly probable transactions. These hedging measures may reduce some of the financial impact of assets and liabilities affected by fluctuating interest rates, but not completely.

The finance unit pays close attention to changes in the foreign exchange rate and maintains close communication with major banks with which the Company does business, keeping abreast of foreign exchange rate trends at all times to allow relevant supervisors to fully control foreign exchange rate trends and make adjustments whenever necessary.

The Company has established "Procedures for the Acquisition or Disposal of Assets" to govern trading, risk management, supervision, and auditing of derivatives to reduce risks in transactions of derivative financial products related to foreign exchange operations.

The NTD/USD exchange rate fluctuated significantly between the end of 2022 and April 2023, and the closing exchange rate was 30.708 in 2022. The exchange rate was 29.658 on February 2, 2023, and then NTD began to depreciate, reaching 30.740 at the end of April, which is a difference reaching NT$1. Thanks to proper hedging for exchange rates, the exchange rate fluctuations did not negatively impact the Company's profits.

③. Inflation, deflation, and overall fluctuations in the market

The company's past profits and losses have yet to suffer major impacts from inflation.

When the market reacts in anticipation of inflation or deflation, the resulting changes often severely impact the global economy. Both high inflation and deflation will decrease market efficiency, interrupt investment decisions, and cause negative macroeconomic and microeconomic effects. Recently, the market expects that the Federal Reserve's monetary tightening policy is near its end, and the rapidly rising interest rates will eventually slow down. To control interest rate risks, the Company pays close attention to the development of the market and monetary policies, and has (and may continue in the future) adopted interest rate derivative financial product contracts to avoid interest rate risks associated with expected issuance of debt.

The Company will make no significant changes to its products and services due to expectations of inflation, deflation, or market fluctuations, but it might indirectly affect the willingness of countries around the world to invest in national construction capital expenditures.

In 2022, the inflation rate in Taiwan (calculated with the Consumer Price Index of the Directorate-General of Budget, Accounting, and Statistics) was approximately 107.40% (an annual increase of 2.96%); It is projected that in 2023, the inflation rate in Taiwan (calculated using the Consumer Price Index of the Directorate-General of Budget, Accounting and Statistics) will increase by 2.16%.

The Company does not believe that inflation or deflation in Taiwan would have a major impact or effect on the results of the Company's operations in 2022. However, the Company cannot guarantee that major changes in the nature, scale, or scope of future inflation or deflation would not negatively impact the results of the Company's operations.

④. Financing risks

The Company purchases the majority of its materials from foreign countries. Planning the required capital, therefore, becomes relatively challenging when major fluctuations appear in bonds, interest rates, exchange rates, and stock markets. In the next few years, the Company shall require medium-sized capital to maintain operations, expand productivity, and expand locations for its logistics network. The Company's capacity for continued financing relies on many uncertain factors, including:

- The Company's future financial status, operating performance, and cash flow
- Status of market financing activities
- Market financing activities of the steel industry
- Social, economic, political, and other conditions in Taiwan and other regions

(II) Policies for engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, analysis of resulting profit/losses, and future countermeasures

The Company has not conducted high-risk or high-leverage financial investments in 2022 and up to the publication date of this Annual Report.

During 2022, all transactions in derivative financial product contracts conducted by the Company are for hedging purposes and not operations for trade or profit. For details on the transactions, please refer to the "Financial Conditions" in the Annual Report (page 142). The fair market value of financial product investments for the purpose of transactions and preparation for sales may change due to market conditions, resulting in changed costs that would affect relevant rates of return.

<u>Future countermeasures</u>

To control risks in financial transactions, the Company has established internal management regulations and operating procedures that strengthen financial and operational foundations in accordance with related regulations of the Securities and Futures Bureau of the Financial Supervisory Commission. These regulations include "Procedures for the Acquisition or Disposal of Assets", "Procedures for Extending Loans to Others", and "Endorsement and Guarantee Making Procedure". They serve as the basis for the Company and its subsidiaries' related operations.

As of the publication date of this Annual Report, the Company and its subsidiaries have not conducted high-risk or high-leverage investments or traded high-risk derivative financial products. Based on the principles of maintaining stable and healthy finances, the Company and subsidiaries will not consider engaging in high-risk or high-leverage investments or trading of high-risk derivative financial products. The Company provides loans, endorsements, and guarantees to subsidiaries that require funding for operations. However, the companies' loans, endorsements, or guarantees for external entities are processed in accordance with the Company's "Procedures for Loaning of Funds to Others" and the "Regulations on Making of Endorsements/Guarantees". In the future, the Company shall continue to abide by the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the competent authority in Taiwan and the Company's internal control regulations.

(III) Future R&D projects and estimated R&D expenditure:

To ensure its leading position in product development technology and product performance, the Company will utilize the results of its research in material applications accumulated throughout the years to work with steel plants and develop building steel materials suitable for Taiwan's harsh island environment in offshore sea areas with potentially extreme weather incidents. The Company shall develop various high-grade, weather-proof, eco-friendly, and strong structural steel while actively expanding into the high-grade building materials industry, electric car and scooter molds and components industries, and materials R&D and sales for offshore wind farm tower and underwater tower foundation components.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company's management keeps a constant eye out for any changes in policies and regulations that might affect the Company business and operations, and has established related risk management procedures. In 2022 and as of the publication date of this Annual Report, there has been no policies nor laws and regulations that has material impact on the Company’s finances and business.

(V) Impact of technological and market changes on the Company's finances and business, as well as subsequent countermeasures:

From 2022 and up to the publication date of this Annual Report, the Company has finished automating cutting equipment and increased production lines for offshore wind power equipment, providing existing technologies for cutting, component production, pipe manufacturing technologies for offshore wind turbine foundation and underwater foundations, and technologies for forming connecting pipe piles for water resources and technology plants to supply more customer-oriented products.

The steel product market has always been influenced by economic cycles. Such market characteristics also impact the manufacturing and service industry for steel products. Most of the Company’s customers are from public engineering industries, the automobile industry, the machinery production industry, the electrical component industry, the components industry for offshore windmill bases, and underwater foundations, the water resources-related piping and trough industries, and the one-stop construction industry for photovoltaic power plants. In the short term, the COVID-19 pandemic has hindered the supply chain, the machinery and equipment industry, steel pipes industry, and shipbuilding industry are still in the short-term revision period for receiving orders, yet domestic public construction projects such as government infrastructure projects are still being rolled out continuously. In the long term, the government's forward-looking infrastructure projects and returning Taiwanese businesses have driven up demand the furthered the development of Taiwan’s domestic demand economy. The Company's revenue and profits are also affected by fluctuations in customer orders, and are projected to follow a trend towards prosperity in the future.

Industries with a demand for steel products sometimes face critical and continuous economic decline as well as the overcapacity of steel mills in Mainland China. Since the Company's current and future business all come from these industry customers, the economic decline in these industries and overcapacity will lower the demand for the entire steel manufacturing and service industry, including the Company. If the Company cannot reduce cost or adopt other measures to effectively offset the impact of reduced demand, its revenue, profits, and profitability will be impacted during economic downturns and steel overcapacity.

Future countermeasures

In response to constant changes in industries with a demand for steel products and the technologies they use, the key to the Company's competitive advantage lies in the continued enhancement of precision processing to provide steel products that better fulfill customer demand with diverse service and business models. If the Company cannot foresee changes in technology and quickly develop innovative business models and cutting production technologies, or if competitors unexpectedly obtain more advanced cutting technologies, the Company may lose its competitive edge and ability to obtain purchase orders. Although the Company continues to expend effort on maintaining advantages in R&D of steel product quality and cutting production processes, the Company's competitiveness will be affected if it cannot maintain its lead in technologies or production processes.

Regarding countermeasures for the aforementioned risks, refer to the "Operational Highlights" in the Annual Report (page 117 to page 141).

(VI) Impact of corporate image change on risk management and response measures:

In 2022, the Company received the Bronze Award, Manufacturing Industry, TCSA Taiwan Corporate Sustainability Awards from the Taiwan Institute for Sustainable Energy for its achievements in corporate governance, sustainable development, and information disclosure, and has received awards for four consecutive years. We will continue to dedicate our efforts to achieving even better performance.

The Company is founded on the core values of trust, harmony, innovation, and sharing. With its outstanding operational performance, comprehensive corporate governance, and fulfillment of social responsibilities, the Company has established an excellent corporate image in Taiwan and across the world. Meanwhile, the Company continues to demonstrate a sustainable capacity for innovation when it comes to the economy, environment, and society and is dedicated to being a good corporate citizen.

The Company has always seen itself as a driver for improving society, with a long-term goal of "creating sustainable development, fairness, and justice to build a beautiful Taiwan". The Company has dedicated departments for brand management, customer service, material management, quality and reliability, risk management, finance, investor relations, operations, environmental protection & safety& sanitation, human resources, internal control, social charity foundation, and public relations. The close cooperation and coordination of resources between each department consolidate the Company to build upon the excellent corporate image. Meanwhile, the Company is well prepared to prevent and control any potential crisis.

Multiple preventative measures are in place to deal with potential crises that could impact the Company image, including accidents like earthquakes, fires, and occupational incidents. The Company has also established crisis command management and internal control protocols, emergency protocols, and an emergency command system. If an aforementioned crisis occurs, each department can initiate emergency measures immediately to prevent or lower the impact that the incident may have on the safety of the Company’s personnel, surrounding environment, property, and production process. The spokesperson will also be notified to clearly explain the situation to outsiders, thereby maintaining the Company’s image and smooth operations.

Since its founding, the Company has established a good corporate image based on trust, harmony, innovation, sharing, and sustainability. The has never been an incident of major changes to the Company's corporate image that might result in a crisis.

From 2022 and up to the publication date of this Annual Report, the Company experienced no risks that might affect its normal operations and corporate image.

(VII) Expected benefits and potential risks of mergers and acquisitions:

From 2022 and up to the publication date of this Annual Report, the Company has neither conducted any mergers nor have any plans for mergers. If the Company discovers a company or group with potentials for a merger, a careful evaluation will be conducted to consider the effectiveness of the merger. The Company shall also consult relevant professionals and reach a timely and rational decision to protect shareholders' interests.

(VIII) Expected benefits and possible risks of production capacity expansions and subsequent countermeasures:

The Company made regular projections of long-term market demands with respect to its products and services to make plans for production capacity. Since the demand projection is constantly adjusted to reflect dynamic changes of the market environment, the Company may temporarily halt production lines or machines of some factories when demand is lower; Whenever demand increases rapidly, the Company may not be able to restore capacity in time to fully satisfy demands during a prospering economy.

Following recent market demand projections, the Company has completed two production lines for offshore wind farm foundations, underwater foundations, and connective pipe piles for water resources and technology plants to fulfill market demand for its products and services. Since the expansion of production capacity requires the purchase of equipment, which will add to operating costs, if the Company cannot generate a corresponding increase in profits, the expansion might reflect negatively in the financial statements.

In response to the aforementioned potential risks associated with the expansion of production capacity, the Company will continue to monitor market changes and cooperate closely with customers. If the market demand does not match predictions, the Company will adjust its plan to expand production capacity to reduce the negative impact on the Company's financial performance.

The Company merged with Mason Metal Industry Co., Ltd. in 2022, and average utilization of production capacity was 84% as of the date of report. The Company will continue to adjust its production capacity expansion plan in response to changes in the market environment.

Future countermeasures

The Company shall continue to negotiate matters relating to the establishment of factories to faithfully abide by contractual obligations and maintain control over financial risks.

(IX) Risks associated with over-concentration in purchase or sale:

The Company has thousands of customers across Taiwan. The total net income from sales to the top ten customers in 2022 and 2021 accounted for approximately 28% and 20% of the Company's net revenue from sales and the largest customer accounted for

9% and 5%. Therefore, there was no over-concentration of sales.

The Company needs to obtain raw material such as steel plates, special steel plates, alloy steel plates, hot-rolled steel plates, galvanized steel products, and stainless steel products at appropriate times. There were instances where certain foreign suppliers adjusted prices temporarily or delayed delivery due to economic growth in the steel market. In addition, due to the characteristics of the industry, certain raw materials purchased by the Company are supplied by a single supplier. If alternative sources cannot be found, the Company might run the risk of not being able to keep up with demand. If the Company cannot obtain the necessary raw material or if the prices of raw materials increase substantially and the increased cost cannot be passed to the customer, the Company's revenue and profits will decline. Therefore, the Company tries to purchase raw materials from different suppliers or different regions to ensure a stable supply of raw materials and to lower the risks of concentrated purchases.

Future countermeasures

The Company's operational growth and continued expansion of production capacity also rely on whether it could obtain sufficient equipment and relevant services from a limited number of suppliers. Equipment suppliers often have limited supply and long delivery times. In heavy processing machinery-related industries, the lead time for machinery procurement can be as long as six months. To reduce such risks, the Company provides suppliers with demand forecasts to arrange production schedules for machines. The Company also engages in discussions with suppliers to establish mutually-agreed business models in order to advance the preparation of components that require longer lead times and reduce the lead time for purchasing equipment. If the Company cannot promptly obtain reasonably priced equipment required for production, it would not be able to satisfy customer purchase orders, causing negative financial and operational impact.

(X) The impact and associated risks of large transfer or exchange of equity by directors or major shareholders holding more than 10% interest in the Company:

From 2022 and up to the publication date of this Annual Report, there have been no cases of the Company's Directors or major shareholders with more than 10% of the Company shares conducting large transfers or exchanges of shares that could affect the normal operations.

(XI) The impact and associated risks that changes in management can have on the Company:

From 2022 and up to the publication date of this Annual Report, the Company has seen no signs indicating any risks of a change in management.

The Company has continued to strengthen various corporate governance measures to enhance the protection of shareholders' interests. The Company depends on professional managers in day-to-day operations. With a capable team of professional managers making immense contributions to the Company's business performance, the Company is sure to garner the continued support of shareholders so that, even if management changes hands, it would not cause any significant negative impact on the

Company's advantages in management and operations.

(XII) Any litigious, non-litigious or administrative litigation event as of the publication date of this Annual Report:

The Company has seen no major litigation cases nor major pending litigations from 2022 and up to the publication date of the Annual Report.

(XIII) Risks in impairment loss and corresponding countermeasures

Following the International Accounting Standards, the Company is required to conduct impairment assessment on its investments, tangible assets, and intangible assets when there are signs of asset impairment When certain conditions are met, the Company is required to recognize an impairment loss. In addition, under the regulation of the Taiwan-IFRS, an annual negative impairment test must be performed. When signs of impairment are present and the book value could not be recovered, impairment tests must be performed with increased frequency.

The impairment loss in parts of the Company's investment in TWSE-listed companies, TPEx-listed companies, or companies not listed on the TWSE or TPEx are disclosed in "Financial Report" of the Annual Report (page 152). Recognition of impairment loss at any point in time is determined mainly by evaluations made regarding potential operating performance in the next several years. Therefore, impairment losses are more likely to occur when the Company's operating performance is already falling.

The Company has established relevant systems to strictly manage asset impairment. However, the Company cannot predict the extent or time of asset impairment in the future and whether it may negatively impact the Company's net post-tax profits.

(XIV) Litigation events involving the Company’s Director, General Manager, de facto Legal Representative, major shareholders holding more than 10% interest, or subsidiaries as of the publication date of this Annual Report:

From 2022 and up to the publication date of this Annual Report, there have been no major litigation cases nor major pending litigation cases involving the Company's Directors, General Manager, de facto Legal Representative, major shareholders holding more than 10% interest, or subsidiaries.

(XV) Hazardous risks:

The Company is dedicated to maintaining comprehensive risk management for the protection of natural resources and the security of employees and assets. It also develops comprehensive countermeasures and procedures with regard to risk prevention, emergency responses, crisis management, and continuous operations for all conceivable emergencies and natural disasters.

Due to climate change or systemic regional geological changes, the frequency and severity of destructive earthquakes, natural disasters, and extreme weather are on the rise, causing the Company’s operating bases to be at risk of natural disasters. For example, floods, earthquakes, typhoons, and droughts may cause a break or shortage in the supply of public facilities such as water and electricity. The Company pays attention to emergency responses for various disasters such as typhoons, floods or droughts caused by climate change, earthquakes, pollution, interruptions in the information system, strike, contagious diseases, and discontinued supply of materials, water, electricity, and public facilities. The Company has established task forces at all points of operations to respond to the aforementioned incidents to ensure continued operations.

The ongoing novel coronavirus (COVID-19) pandemic might have significant adverse effects on the Company's business and operating performance on levels, including but not limited to the following: (1) Disrupt the global steel supply chain and operation of the Company's suppliers, including Asia and Europe; (2) Downward pressure from a decreased demand from export customers. The Company has adopted various measures to control the above risks, including but not limited to employee health management, production inventory management, supply chain management, and production capacity management in response to changes in demand. The Company has established an "epidemic task force" to determine, implement, and monitor emergencies caused by the epidemic and the necessary countermeasures. The Company cannot be sure whether these measures or other measures can lessen the risks posed by COVID-19, or whether the Company's ability to operate key functions will suffer significant adverse effects.

The Company's buildings and production equipment are all earthquake-resistant structures built in accordance with regulations. Therefore, the Company has experienced no relevant risks in 2022 and up to the publication date of this Annual Report.

(XVI) Information technology security risks and management measures:

There were no major information security incidents in 2022, which ensures that the data used by information services of the Company and business partners is fully protected.

To understand the organization's information security risk, the IT Office evaluates information assets each year and sets the level and acceptable risk of information assets. Risks of different aspects of information security are assessed based on the level, in order to improve high risk items in the organization. Furthermore, the office also assesses and continues to track the information security risks of abnormal events in the organization and external information security events and issues.

The Company evaluates and formulates management regulations according to information security management requirements, and establishes operations management regulations based on the business. Any abnormalities or information security incidents that occur during daily operations are reported to the information security, audit, and management departments. Furthermore, in addition to internal management procedures, the Company also periodically conducts reviews based on standards and requirements for personal data privacy protection and other information security, ensuring compliance with applicable laws and regulations and to avoid violating laws and regulations and contractual obligations related to information security.

Information security is an important issue that companies take very seriously. The Company has established risk management mechanisms and standard procedures for handling information security incidents. We also step up plans for developing information security technologies in response to information security issues, such as: strengthen defense against information security attacks, real-time detection of external threats, and effectively blocking threats, in order to lower the risk of sensitive data leakage.

For more information, please refer to "Business Overview" in the Annual Report (page 117).

The Company did not have any major information security incidents, did not sustain any financial losses, operations were not impacted by any information security incidents, and no response measures were necessary in 2022 and up to the date of report. The Company also has not been involved in any legal cases or investigation.

(XVII) Other critical risks:

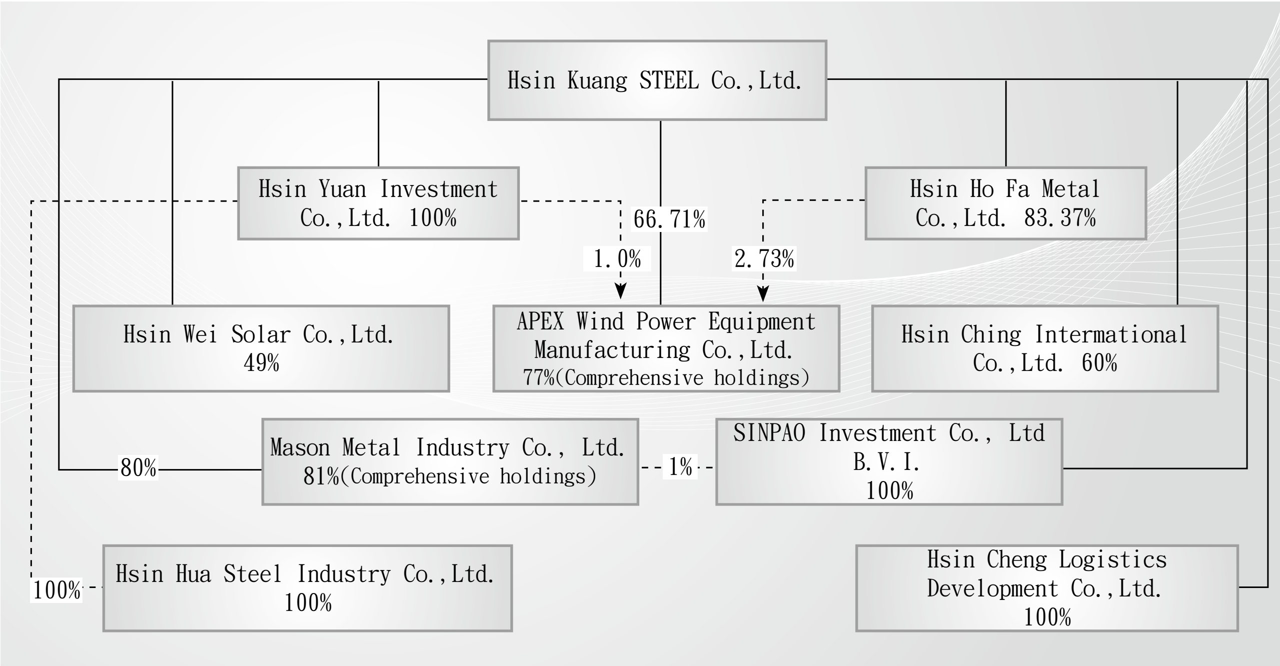
From 2022 and as of the publication date of this Annual Report, the Company experienced no other critical risks.

VII. Other important matters: None

H. Special Notes

I. Profiles of Affiliates

(I) Affiliation Chart



新光鋼鐵股份有限公司	HsinKuang Steel Co., Ltd.
新源投資股份有限公司 100%	Hsin Yuan Investment Co., Ltd. 100%
新合發金屬股份有限公司 83.37%	Hsin Ho Fa Metal Co., Ltd. 83.37%
新威光電股份有限公司 49%	Hsin Wei Solar Co., Ltd. 49%
前端離岸風電設備製造(股)公司 70.44%(綜合持股)	APEX Wind Power Equipment Manufacturing Co. Ltd. 70.44% (consolidated shareholding)
新慶國際股份有限公司 60%	Hsin Ching International Co., Ltd. 60%
美生金屬股份有限公司 81%(綜合持股)	Mason Metal Industry Co., Ltd. 81% (consolidated shareholding)
新樺鋼鐵工業股份有限公司 100%	Hsin Hua Steel Industry Co., Ltd. 100%
新澄物流開發股份有限公司 100%	Hsin Cheng Logistics Development Co., Ltd. 100%

(II) Profile of affiliated companies:

As of December 31, 2022

Unit: NT$1,000

Name of entity	Date of establishment	Address	Paid-up capital	Main business activities or products
Hsin Yuan Investment Co., Ltd.	1998/09/22	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	620,000	Professional investment institution
Sinpao Investment Co.,LTD(B.V.I)	2001/11/13	TrustNet Chambers Road Town Tortola British Virgin Islands	USD 4,181,000	Professional investment institution
Hsin Ho Fa Metal Co., Ltd.	2003/01/28	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	275,000	Wholesale of metal building materials
APEX Wind Power Equipment Manufacturing Co. Ltd.	2009/11/02	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	660,000	Self-usage power generation equipment utilizing renewable energy industry
Hsin Wei Solar Co., Ltd.	2010/09/28	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	200,000	Power generation for non-metallic use
Hsin Ching International Co., Ltd.	2015/12/18	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	250,000	Leasing and warehousing
Mason Metal Industry Co., Ltd.	1990/07/20	No. 6, Gongye 1st Road, Pingzhen District, Taoyuan City	500,000	Automotive steel plate cutting and processing
Hsin Cheng Logistics Development Co., Ltd.	2019/08/19	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	200	Leasing and warehousing
Hsin Hua Steel Industry Co., Ltd.	2019/07/25	25F-1, No. 97, Section 4, Chongxin Road, Sanchong District, New Taipei City	160,000	Secondary metal processing and manufacturing

(III) Common shareholders in controlling and controlled companies

None as of December 31, 2022.

(IV) Businesses activities covered by affiliated companies

Business activities of the Company mainly cover "cutting and logistics distribution services in the steel industry," "metal architectural components manufacturing," "self-usage power generation equipment utilizing renewable energy industry," "manufacturing of power generation, transmission, and distribution machinery," "manufacturing of metal containers," and "manufacturing of pollution prevention equipment"; whereas business activities of affiliated companies cover "investment," "power generation for non-metallic use," "leasing and warehousing," and "automotive steel plate cutting and processing."

(V) Directors, supervisors, and General Managers of affiliated companies of HsinKuang Steel Co., Ltd

As of December 31, 2022

Unit: Share: %

Name of entity	Title	Name or name of	Shareholding

		representative	Number of shares	Shareholding percentage
Hsin Yuan Investment Co., Ltd.	Chairman and General Manager	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	62,000,000	100.00%
	Director	Representative of HsinKuang Steel Co., Ltd.: Xiao-Ru Su		
	Director	Representative of HsinKuang Steel Co., Ltd.: Daniel Z.L. Xu		
	Director	Representative of HsinKuang Steel Co., Ltd.: Jessica P.H. Liu		
	Director	Representative of HsinKuang Steel Co., Ltd.: Lisa H.C. Chien		
	Supervisor	Representative of HsinKuang Steel Co., Ltd.: Teng-Kui Kao		
SINPAO INVESTMENT CO.,LTD(B.V.I)	Chairman	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	US$4,181,091	99.82%
Hsin Ho Fa Metal Co., Ltd.	Chairman and General Manager	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	22,927,573	83.37%
	Director	Representative of HsinKuang Steel Co., Ltd.: Teng-Kui Kao		
	Director	Representative of HsinKuang Steel Co., Ltd.: Fisher C.H. Yu		
	Director	Representative of HsinKuang Steel Co., Ltd.: Daniel Z.L. Xu		
	Director	Representative of Top East Steel & Iron Company Ltd.: Chih-Yuan Huang	653,539	2.38%
	Supervisor	Tai-Tou Chang	151,612	0.55%
	Director and General Manager	Fisher C.H. Yu	-	-
APEX Wind Power Equipment Manufacturing Co., Ltd.	Chairman	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	44,030,600	66.71%
	Director	Representative of HsinKuang Steel Co., Ltd.: Ming-Shan Jheng		
	Director	Representative of HsinKuang Steel Co., Ltd.: Frank C.C. Huang		
	Director	Chang-Mao Luo	300,000	0.45%

Name of entity	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
	Supervisor	Representative of Hsin Ho Fa Metal Co., Ltd.: Jessica P.H. Liu	1,800,000	2.73%
	Director and General Manager	Frank C.C. Huang	260,000	0.39%
Hsin Wei Solar Co., Ltd.	Chairman	Representative of Wei Sheng Investment & Development Co., Ltd.: Kui-Kuang Chen	9,000,000	45.00%
	Director	Representative of Wei Sheng Investment & Development Co., Ltd.: Chin-Hui Chen		
	Director	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	9,800,000	49.00%
	Supervisor	Lisa H.C. Chien	-	-
Hsin Ching International Co., Ltd.	Chairman	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	15,000,000	60.00%
	Director	Representative of HsinKuang Steel Co., Ltd.: Ming-Shan Jheng		
	Director	Representative of HsinKuang Steel Co., Ltd.: Jessica P.H. Liu		
	Director and General Manager	Representative of Li Shing Investment Co., Ltd.: Ho-Chou Huang	7,500,000	30.00%
	Director	Representative of Chan Da Development Corp.: Ho-Tung Huang	1,750,000	7.00%
	Supervisor	Lisa H.C. Chien	-	-
	Supervisor	Representative of Ho Feng Development Consultancy Co., Ltd.: Hsiao-Yu Chang	750,000	3.00%
Mason Metal Industry Co., Ltd.	Chairman	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	40,000,000	80.00%
	Director	Representative of HsinKuang Steel Co., Ltd.: Johnathon Y.J. Su		
	Director	HsinKuang Steel Co., Ltd. Representative: Kuo-San Yang		

Name of entity	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
	Director	HsinKuang Steel Co., Ltd. Representative: Shu-Hsien Huang		
	Director	HsinKuang Steel Co., Ltd. Representative: Shang-Feng Tsai		
	Director	Sumitomo Corporation of Japan: Shuji Tsubota	9,500,000	19.00%
	Supervisor	Jessica P.H. Liu	-	-

Hsin Cheng Logistics Development Co., Ltd.	Chairman	Representative of HsinKuang Steel Co., Ltd.: Alexander M.T. Su	20,000	100.00%
Hsin Hua Steel Industry Co., Ltd.	Chairman	Representative of Hsin Yuan Investment Co., Ltd.: Ming-Shan Jheng	16,000,000	100.00%

(VI) Operational overview of affiliated enterprises

As of December 31, 2022

Unit: NTD/USD thousands, unless specified otherwise

Name of entity	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Current net income (loss)	Earnings per share (NTD)
Hsin Yuan Investment Co., Ltd.	620,000	675,889	3,569	672,320	108,870	(36,570)	(39,769)	(0.64)
SINPAO INVESTMENT CO.,LTD(B.V.I)	US4,181	US4,479	US$0	US4,479	US21.61	US19	(US66)	Not applicable
Hsin Ho Fa Metal Co., Ltd.	275,000	626,512	338,934	287,578	27,764	8,798	(43,042)	(1.57)
APEX Wind Power Equipment Manufacturing Co. Ltd.	660,000	907,916	182,716	725,200	197,938	42,765	16,134	0.24
Hsin Wei Solar Co., Ltd.	200,000	635,485	415,833	219,653	66,819	24,058	13,477	0.67
Hsin Ching International Co., Ltd.	250,000	829,781	236,404	593,377	108,466	53,552	40,161	1.61
Mason Metal Industry Co., Ltd.	500,000	1,550,675	842,331	708,345	2,200,016	75,096	54,432	1.09
Hsin Cheng Logistics Development Co., Ltd.	200	904	-	904	-	-	(1.43)	(0.07)
Hsin Hua Steel Industry Co., Ltd.	160,000	475,966	292,755	183,211	618,437	77,145	60,469	6.0

(VII)Consolidated financial statements of affiliated companies

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for financial year 2022. All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements, therefore no separate consolidated financial statements of affiliated enterprises were prepared.

(VIII)**Affiliation report:** None

II. Progress of private placement of securities during the latest year and up to the publication date of this annual report: None.

III. Shares of the Company Held or Disposed of by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None

IV. Other Necessary Supplemental Information: None

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 2, Article 36 of Securities and Exchange Act: None

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying financial statements of Hsin Kuang Steel Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the Company's financial statements for the year ended December 31, 2022 is described as follows:

<u>Revenue Recognition</u>

The Company mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. The Company's operating revenue for the year ended December 31, 2022 was NT$14,397,415 thousand, a 7% growth from the previous year. For certain significant customers whose operating models differ from other customers, and those customers with significant sales amount in the current year and showing a higher growth trend than the Company's average growth, as the sales amount from such customers is significant to the consolidated financial statements, we identified whether the sales transactions from the aforementioned customers actually occurred as a key audit matter.

Refer to Notes 4 and 22 to the financial statements for the accounting policies and related disclosures on revenue recognition.

We performed the following audit procedures in respect of the aforementioned revenue:

1. We obtained an understanding and tested the design and operating effectiveness of key controls over revenue recognition.

2. We selected samples from the sales ledger of the aforementioned revenue, verified such transactions against sales contracts, shipping reports and accounts receivable collections as evidence and confirmed the occurrence of such transactions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Sheng-Hsiung Yao and Shu-Ju Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2023

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

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

HSIN KUANG STEEL COMPANY LIMITED

BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 754,398	3	$ 619,800	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,091,015	5	1,355,311	6
Financial assets at amortized cost - current (Notes 4, 9 and 30)	16,811	-	77,074	-
Notes receivable from related parties (Notes 4, 5, 10 and 29)	28,532	-	73,833	-
Notes receivable from unrelated parties (Notes 4, 5, 10 and 30)	1,581,510	7	1,800,423	8
Trade receivables from related parties (Notes 4, 5, 10 and 29)	142,924	1	225,361	1
Trade receivables from unrelated parties (Notes 4, 5 and 10)	2,500,440	11	1,795,662	8
Inventories (Notes 4, 5 and 11)	4,449,990	20	5,633,936	23
Prepayments	75,292	-	83,505	-
Other current assets (Notes 15 and 29)	17,106	-	51,628	-
Total current assets	10,658,018	47	11,716,533	49
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	272,687	1	247,857	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	2,406,617	11	3,076,389	13
Investments accounted for using the equity method (Notes 4, 12 and 30)	3,300,104	14	3,068,896	13
Property, plant and equipment (Notes 4, 13, 29 and 30)	2,453,203	11	2,099,792	9
Investment properties (Notes 4, 14 and 30)	3,627,614	16	3,742,322	15
Deferred tax assets (Notes 4 and 24)	36,533	-	30,024	-
Other non-current assets (Notes 10 and 15)	38,697	-	66,585	-
Total non-current assets	12,135,455	53	12,331,865	51
TOTAL	$ 22,793,473	100	$ 24,048,398	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	$ 6,932,944	30	$ 6,149,357	26
Short-term bills payable (Notes 4 and 16)	549,146	2	299,814	1
Contract liabilities - current (Note 22)	275,031	1	306,898	1
Notes payable to unrelated parties (Notes 4 and 18)	212,821	1	358,853	2
Notes payable to related parties (Notes 4, 18 and 29)	11,373	-	1,777	-
Trade payables to unrelated parties (Notes 4 and 18)	100,685	1	75,257	-
Trade payables to related parties (Notes 4, 18 and 29)	3,695	-	18,401	-
Other payables (Notes 19 and 29)	261,158	1	461,008	2
Current tax liabilities (Notes 4 and 24)	162,130	1	464,440	2
Current portion of long-term liabilities (Notes 4, 16 and 17)	410,526	2	210,526	1
Other current liabilities - other (Note 29)	21,434	-	18,896	-
Total current liabilities	8,940,943	39	8,365,227	35
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 16)	1,470,202	6	1,891,959	8
Long-term bills payable (Notes 4 and 16)	2,399,515	11	2,398,755	10
Deferred tax liabilities (Notes 4 and 24)	35,691	-	3,941	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	23,081	-	26,578	-
Other non-current liabilities (Note 29)	561,319	3	470,637	2
Total non-current liabilities	4,489,808	20	4,791,870	20
Total liabilities	13,430,751	59	13,157,097	55
EQUITY (Notes 4 and 21)				
Share capital	3,211,463	14	3,211,463	13
Capital surplus	943,451	4	943,451	4
Retained earnings				
Legal reserve	1,229,590	5	951,798	4
Unappropriated earnings	3,303,800	15	4,407,114	18
Total retained earnings	4,533,390	20	5,358,912	22
Other equity	674,418	3	1,377,475	6
Total equity	9,362,722	41	10,891,301	45
TOTAL	$ 22,793,473	100	$ 24,048,398	100

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 22 and 29)				
Sales	$ 14,086,221	98	$ 13,176,735	98
Other operating revenue	311,194	2	242,130	2
Total operating revenue	14,397,415	100	13,418,865	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 23 and 29)	(13,545,320)	(94)	(10,502,005)	(79)
Other operating costs (Note 29)	(83,745)	(1)	(29,933)	-
Total operating costs	(13,629,065)	(95)	(10,531,938)	(79)
GROSS PROFIT	768,350	5	2,886,927	21
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(11,600)	-	(118,704)	(1)
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	79,650	1	99,295	1
REALIZED GROSS PROFIT	836,400	6	2,867,518	21
OPERATING EXPENSES				
Selling and marketing expenses (Note 23)	(217,971)	(1)	(261,539)	(2)
General and administrative expenses (Notes 23 and 29)	(112,712)	(1)	(184,278)	(1)
Expected credit gain (Note 10)	3,149	-	12,898	-
Total operating expenses	(327,534)	(2)	(432,919)	(3)
PROFIT FROM OPERATIONS	508,866	4	2,434,599	18
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Interest income	1,366	-	401	-
Other income	228,641	2	101,362	1
Gain from bargain purchase - acquisition of subsidiary (Note 12)	-	-	136,024	1

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
Other gains and losses	$ 36,881	-	$ 363,536	3
Finance costs	(204,974)	(2)	(106,426)	(1)
Share of profit or loss of subsidiaries, associates and joint ventures	5,389	-	312,196	2
Total non-operating income and expenses	67,303	-	807,093	6
PROFIT BEFORE INCOME TAX	576,169	4	3,241,692	24
INCOME TAX EXPENSE (Notes 4 and 24)	(182,606)	(1)	(521,419)	(4)
NET PROFIT FOR THE YEAR	393,563	3	2,720,273	20
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,030	-	(2,308)	-
Unrealized (loss)/gain on investments in equity instruments at fair value through other comprehensive income	(713,606)	(5)	657,701	5
	(712,576)	(5)	655,393	5
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	10,549	-	(2,879)	-
Other comprehensive (loss)/income for the year, net of income tax	(702,027)	(5)	652,514	5
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	$ (308,464)	(2)	$ 3,372,787	25
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	$ 1.23		$ 8.62	
Diluted	$ 1.22		$ 8.57	

The accompanying notes are an integral part of the financial statements. (Concluded)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings			Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2021	308,223	$ 3,082,226	$ 823,197	$ 869,380	$ 108,259	$ 2,065,739	$ (5,701)	$ 728,354	$ 7,671,454
Appropriation of 2020 earnings									
Legal reserve	-	-	-	82,418	-	(82,418)	-	-	-
Special reserve	-	-	-	-	(108,259)	108,259	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(462,386)	-	-	(462,386)
Cash dividends from capital surplus	-	-	(154,129)	-	-	-	-	-	(154,129)
Changes in capital surplus in investments in associates accounted for using the equity method	-	-	-	-	-	(3,361)	-	-	(3,361)
Changes in percentage of ownership interests in subsidiaries	-	-	6	-	-	(1,034)	-	-	(1,028)
Convertible bonds converted to ordinary shares	12,923	129,237	274,377	-	-	-	-	-	403,614
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	64,350	-	-	64,350
Net profit for the year ended December 31, 2021	-	-	-	-	-	2,720,273	-	-	2,720,273
Other comprehensive income/(loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,308)	(2,879)	657,701	652,514
Total comprehensive income/(loss) for the year ended December 31, 2021	-	-	-	-	-	2,717,965	(2,879)	657,701	3,372,787
BALANCE AT DECEMBER 31, 2021	321,146	3,211,463	943,451	951,798	-	4,407,114	(8,580)	1,386,055	10,891,301
Appropriation of 2021 earnings									
Legal reserve	-	-	-	277,792	-	(277,792)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,284,585)	-	-	(1,284,585)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	4,573	-	-	4,573
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	59,897	-	-	59,897
Net profit for the year ended December 31, 2022	-	-	-	-	-	393,563	-	-	393,563
Other comprehensive income/(loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	1,030	10,549	(713,606)	(702,027)
Total comprehensive income/(loss) for the year ended December 31, 2022	-	-	-	-	-	394,593	10,549	(713,606)	(308,464)
BALANCE AT DECEMBER 31, 2022	321,146	$ 3,211,463	$ 943,451	$ 1,229,590	$ -	$ 3,303,800	$ 1,969	$ 672,449	$ 9,362,722

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 576,169	$ 3,241,692
Adjustments for:		
Depreciation expense	125,968	91,527
Amortization expense	6,508	3,970
Expected credit loss reversed on trade receivables	(3,149)	(12,898)
Net loss/(gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	83,224	(296,728)
Finance costs	204,974	106,426
Interest income	(1,366)	(401)
Dividend income	(201,095)	(80,092)
Gain on disposal of property, plant and equipment	(109)	(3,830)
Gain on disposal of investment property	(6,007)	-
Share of profit of subsidiaries, associates and joint ventures	(5,389)	(312,196)
Write-downs of inventories	113,502	-
Unrealized gain on transactions with associates	11,600	118,704
Realized gain on transactions with associates	(79,650)	(99,295)
Net loss on foreign currency exchange	9,967	61,099
Gain on remeasurement of investments accounted for using the equity method	-	(36,000)
Gain from bargain purchase - acquisition of subsidiary	-	(136,024)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	181,073	(42,886)
Notes receivable	265,992	(499,784)
Trade receivables	(609,915)	235,552
Other receivables	35,031	(28,788)
Inventories	1,070,444	(2,141,881)
Prepayments	8,213	18,078
Other current assets	(511)	-
Notes payable	(136,436)	(14,096)
Trade payables	10,722	(58,415)
Other payables	(231,778)	224,482
Contract liabilities	(31,867)	157,662
Provisions	-	(3,570)
Advance lease payments received	(16,631)	(15,360)
Net defined benefit liabilities	(2,209)	(2,003)
Other current liabilities	(1,802)	1,609
Cash generated from operations	1,375,473	476,554
Interest received	1,366	401
Dividends received	201,095	80,092
Income tax paid	(462,570)	(121,836)
Net cash generated from operating activities	1,115,364	435,211

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (98,736)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	114,798	176,441
Purchase of financial assets at fair value through profit or loss	(24,830)	(175,928)
Purchase of financial assets at amortized cost	-	(338)
Proceeds from disposal of financial assets at amortized cost	60,263	-
Acquisition of long-term equity investments accounted for using the equity method	(229,800)	(410,014)
Payments for property, plant and equipment	(227,187)	(498,551)
Proceeds from disposal of property, plant and equipment	546	51,838
Proceeds from disposal of investment properties	38,195	-
Payments for investment properties	(1,723)	(2,289)
Increase in other non-current assets	(14,069)	(1,623)
Increase in prepayments for equipment	(30,909)	(68,110)
Dividends received from investees	89,789	88,936
(Increase)/decrease in refundable deposits	(3,217)	21,849
Net cash used in investing activities	(326,880)	(817,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	16,234,082	15,472,836
Repayments of short-term borrowings	(15,469,498)	(14,684,249)
Increase in short-term bills payable	250,000	120,000
Repayment of corporate bonds	-	(100)
Proceeds from long-term borrowings	-	300,000
Repayments of long-term borrowings	(210,526)	(10,526)
(Decrease)/increase in guarantee deposits received	(405)	3,017
Interest paid	(172,954)	(104,567)
Dividends paid	(1,284,585)	(616,515)
Net cash (used in)/generated from financing activities	(653,886)	479,896
NET INCREASE IN CASH AND CASH EQUIVALENTS	134,598	97,318
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	619,800	522,482
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 754,398	$ 619,800

The accompanying notes are an integral part of the financial statements. (Concluded)

1. GENERAL INFORMATION

Hsin Kuang Steel Company Limited (the "Company") was incorporated in January 1967. The original paid-in-capital was NT$200 thousand, and ordinary shares were issued subsequently for promoting business expansion and a sound financial structure. The Company's share was approved to be listed on the Taipei Exchange (TPEx) in April 1997 and was approved to transfer to the Taiwan Stock Exchange (TWSE) in August 2000. The Company's shares have been listed on the TWSE since September 2000 under the approval of the Financial Supervisory Commission (FSC) of the Republic of China.

The Company mainly engages in the cutting, stamping and sale of various steel products, including steel coils, steel plates, round steel bar, stainless steel, alloy steel, special steel and SuperDyma.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 17, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

   Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company's accounting policies:

   1) Annual Improvements to IFRS Standards 2018-2020

      Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

   2) Amendments to IFRS 3 "Reference to the Conceptual Framework"

      The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards. Refer to Note 4 for information relating to the relevant accounting policies.

4) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

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

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Company chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3) Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company shall recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and the Company shall recognize the cumulative effect of initial application in retained earnings at that date. The Company shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

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

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

3) Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"

The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. Seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized immediately in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Company.

e. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

1) Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

2) Transactions entered into in order to hedge certain foreign currency risks; and

3) Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the financial statements, the financial statements of the Company's foreign operations (including subsidiaries in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company’s share of equity of subsidiaries.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company’s share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company’s financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company’s financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investments in associates and joint ventures

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the parent company only financial statements only to the extent that interests in the associate and the joint venture are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those and the cost of those are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation for investment properties is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Impairment of property, plant and equipment, investment properties and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, and property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such a financial assets are recognized in other income and interest income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Financial assets are credit impaired when one or more of the following events have occurred: Issuers and borrowers are in severe financial difficulty, breach of contract, or it becoming probable that the borrower will enter bankruptcy or undergo a financial restructuring, or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, operating lease payments receivable and contract asset. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due, unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and sum of consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at FVTPL

  Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

  Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in gain or loss.

  Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Warranties</u>

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

n. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

   Revenue from the sale of goods comes from the process of cutting and stamping with wholesale and retail of various steel products. Sales of goods are recognized as revenue when the goods are delivered to the customer's designated location, the customer has the right to set the price and use of the goods and has the primary responsibility for resale. Advance receipts for pre-determined sales price contracts are recognized as contract liabilities before the products have been delivered to the customer.

   The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

   Revenue from the rendering of services comes from the cutting process of steel. Revenue from a contract to provide services is recognized when services are rendered.

o. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

   Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

   Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

   Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

   When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

Lease payments are recognized as expenses on a straight-line basis over the lease terms for short-term leases and low-value asset leases accounted for applying the recognition exemption.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

As of December 31, 2022 and 2021, the total amount of notes receivable, trade receivables and overdue receivables were NT$4,256,406 thousand and NT$3,900,300 thousand, respectively, which were the net amount after deducting the allowance for impairment loss of NT$39,363 thousand and NT$42,511 thousand, respectively.

b. Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	$ 819	$ 711
Checking accounts and demand deposits	753,579	619,089
	$ 754,398	$ 619,800

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2022	2021
Bank balance	0.001%-1.05%	0.001%-0.13%

As of December 31, 2022 and 2021, pledged time deposits were NT$16,811 thousand and NT$77,074 thousand, respectively, and were classified as financial assets at amortized cost (refer to Note 9).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 905,354	$ 1,343,389
Mutual funds	9,666	-
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	175,995	11,922
	$ 1,091,015	$ 1,355,311
Financial assets - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 272,687	$ 247,857

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2022			
Buy	NT$/US$	2023.01-2023.09	NT$4,376,269/US$150,328
Sell	US$/NT$	2023.07	NT$63,063/US$2,021
December 31, 2021			
Buy	NT$/US$	2022.01-2023.01	NT$4,696,973/US$172,400
Sell	US$/NT$	2022.04	NT$58,837/US$2,121

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
Non-current		
Investments in equity instruments	$ 2,406,617	$ 3,076,389

Investments in equity instruments at FVTOCI

	December 31	
	2022	**2021**
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - China Steel Corporation	$ 1,346,985	$ 1,636,735
Ordinary shares - Century Wind Power Co., Ltd.	751,344	1,052,520
Unlisted shares		
Ordinary shares - Envirolink Corporation	17,500	17,500
Ordinary shares - Dah Chung Bills Finance Corporation	-	5,506
Ordinary shares - Linkou Entertainment Corporation	4,600	4,600
Ordinary shares - Shin Ji Technology Corporation	3,450	3,450
Ordinary shares - Hua Mian Corporation	1,500	1,500
	2,125,379	2,721,811
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	281,238	354,578
	$ 2,406,617	$ 3,076,389

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	**2021**
Current		
Domestic investments		
Pledged time deposits	$ 16,811	$ 77,074

a. The ranges of interest rates for pledged time deposits were 0.20% and 0.15%-0.53% per annum as of December 31, 2022 and 2021, respectively.

b. Refer to Note 30 for information relating to financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2022	2021
Notes receivable		
Operating - unrelated parties	$ 1,581,510	$ 1,802,201
Operating - related parties	28,532	73,833
Less: Allowance for impairment loss	-	(1,778)
	$ 1,610,042	$ 1,874,256
Trade receivables		
At amortized cost - unrelated parties	$ 2,501,154	$ 1,797,201
At amortized cost - related parties	142,924	225,361
Less: Allowance for impairment loss	(714)	(1,539)
	$ 2,643,364	$ 2,021,023
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 41,649	$ 44,215
Less: Allowance for impairment loss	(38,649)	(39,194)
	$ 3,000	$ 5,021

a. Notes receivable and trade receivables

The average credit period of sales of goods was 90-150 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial source or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses are estimated using a provision matrix considering the past default records of the debtor, an analysis of the debtor's current financial position, any credit insurance and recoverable amount as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Company's provision matrix.

December 31, 2022

	Not Past Due	1 to 30 Days Past Due	31 Days to 1 Year Past Due	1 to 2 Years Past Due	Over 2 Years Past Due	Total
Expected credit loss rate	0.00%	0.00%	100.00%	0.00%	0.00%	
Gross carrying amount	$ 4,253,406	$ -	$ 714	$ -	$ -	$ 4,254,120
Loss allowance (Lifetime ECL)	-	-	(714)	-	-	(714)
Amortized cost	$ 4,253,406	$ -	$ -	$ -	$ -	$ 4,253,406

December 31, 2021

	Not Past Due	1 to 30 Days Past Due	31 Days to 1 Year Past Due	1 to 2 Years Past Due	Over 2 Years Past Due	Total
Expected credit loss rate	0.09%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	$ 3,898,596	$ -	$ -	$ -	$ -	$ 3,898,596
Loss allowance (Lifetime ECL)	(3,317)	-	-	-	-	(3,317)
Amortized cost	$ 3,895,279	$ -	$ -	$ -	$ -	$ 3,895,279

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 3,317	$ 3,317
Less: Net remeasurement of loss allowance	(2,603)	-
Balance at December 31	$ 714	$ 3,317

Refer to Note 30 for information relating to notes receivable pledged as security for borrowings.

b. Overdue receivables

Overdue receivable balances that were past due but for which no allowance for impairment loss was recognized were NT$3,000 thousand and NT$5,021 thousand and as of December 31, 2022 and 2021, respectively, which are disclosed in the aging analysis below. The Company did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company holds collateral or other credit enhancements for these balances. In addition, the Company did not have the legal right to off-set the overdue receivables with trade payables from the same counterparty.

The aging of overdue receivables that were past due but not impaired was as follows:

	December 31	
	2022	2021
Up to 90 days	$ -	$ -
90-365 days	-	2,021
Over 365 days	3,000	3,000
	$ 3,000	$ 5,021

The above aging schedule was based on the number of days from the invoice date.

The movements of the loss allowance of overdue receivables were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 39,194	$ 73,359
Add: Net remeasurement of loss allowance	129	1,926
Less: Net remeasurement of loss allowance	(674)	(14,824)
Less: Amounts written off	-	(21,267)
Balance at December 31	$ 38,649	$ 39,194

The Company recognized an impairment loss on overdue receivables amounting to NT$38,649 thousand and $39,194 thousand as of December 31, 2022 and 2021, respectively. These amounts mainly related to customers that the Company were pursuing legal claims. Impairment losses recognized is the difference between the carrying amount of overdue receivables and its recoverable amount. The Company held chattel pledged as collateral over these balances.

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	$ 3,843,731	$ 4,696,551
Finished goods	441,614	520,808
Raw materials in transit	164,645	416,577
	$ 4,449,990	$ 5,633,936

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	$ 13,431,818	$ 10,502,005
Inventory write-downs	113,502	-
	$ 13,545,320	$ 10,502,005

As of December 31, 2022 and 2021, the allowance for inventory write-down were NT$113,052 thousand and NT$0 thousand, respectively.

Inventory write-downs were accrued (reversed) as a result of the fluctuation in the market price of the steel market.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	$ 2,780,264	$ 2,762,103
Investments in associates	519,840	306,793
	$ 3,300,104	$ 3,068,896

a. Investments in subsidiaries

	December 31	
	2022	2021
Hsin Ching International Co., Ltd.	$ 386,223	$ 372,738
Hsin Yuan Investment Co., Ltd.	627,731	602,322
Sinpao Investment Co., Ltd.	137,271	125,979
Hsin Ho Fa Metal Co., Ltd.	239,754	297,464
APEX Wind Power Equipment Co., Ltd.	479,844	482,663
Hsin Cheng Logistics Development Co., Ltd.	904	902
Mason Metal Industry Co., Ltd.	908,537	880,035
	$ 2,780,264	$ 2,762,103

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2022	2021
Hsin Ching International Co., Ltd.	60.00%	60.00%
Hsin Yuan Investment Co., Ltd.	100.00%	100.00%
Sinpao Investment Co., Ltd.	99.82%	99.82%
Hsin Ho Fa Metal Co., Ltd.	83.37%	83.37%
APEX Wind Power Equipment Co., Ltd.	66.71%	66.71%
Hsin Cheng Logistics Development Co., Ltd.	100.00%	100.00%
Mason Metal Industry Co., Ltd.	80.00%	80.00%

As of December 31, 2020, the Company owned 49.00% of Mason Metal Industry Co., Ltd. and listed it as investments in joint ventures. In order to strengthen the Company’s plan on integrating the steel cutting and logistics services in the south of Taichung, and to enhance the Company’s supply services diversity, on December 15, 2021, the Company purchased 15,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. at NT$13.19 per share, which equaled to 31.00% of equity, for a total amount of NT$204,414 thousand. The proportion of the Company’s ownership increased from 49.00% to 80.00% and obtained control of Mason Metal Industry Co., Ltd. as a result of the acquisition, and Mason Metal Industry Co., Ltd. became a subsidiary of the Company. The Company remeasured its investment in equity interest before the transaction at fair value and recognized gain on remeasurement of NT$36,000 thousand (refer to Note 23), and bargain purchase gain of NT$136,024 thousand.

Refer to Note 27 to the Company’s consolidated financial statements for the year ended December 31, 2022 for the disclosures of the Company’s acquisition of Mason Metal Industry Co., Ltd.

Refer to Note 33 for the details of the subsidiaries directly held by the Company.

b. Investments in associates

	December 31	
	2022	2021
Material associates	$ 412,676	$ 218,596
Associates that are not individually material	107,164	88,197
	$ 519,840	$ 306,793

1) Material associate(s)

		Proportion of Ownership and Voting Rights	
		December 31	
Name of Associate	**Nature of Business**	**2022**	**2021**
Duo Yuan Solar Corporation	Renewable energy private power generation equipment	20.00%	20.00%

In 2022 and 2021, the Company acquired 21,000 thousand and 18,000 thousand ordinary shares of Duo Yuan Solar Corporation in cash for a total amount of $210,000 thousand and $180,000 thousand, respectively. The proportion of the Company's ownership after the acquisition was 20.00%.

The Company pledged 44,000 thousand shares of Duo Yuan Solar Corporation as collateral for bank borrowings (refer to Note 30 and Table 1).

Duo Yuan Solar Corporation

	December 31	
	2022	2021
Current assets	$ 421,913	$ 110,470
Non-current assets	4,633,271	1,875,239
Current liabilities	(340,807)	(868,576)
Non-current liabilities	(2,650,998)	(15,757)
Equity	$ 2,063,379	$ 1,101,376
Proportion of the Company's ownership	20%	20%
Equity attributable to the Company	$ 412,676	$ 220,275
Carrying amount	$ 412,676	$ 220,275

	For the Year Ended December 31	
	2022	2021
Operating revenue	$ 61,073	$ 2,473
Net loss for the year	$ (87,997)	$ (33,581)
Total comprehensive income/(loss) for the year	$ (87,997)	$ (33,581)

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	**2021**
The Company's share of:		
Net income	$ 6,182	$ 6,440
Total comprehensive income	$ 6,182	$ 6,440

c. Investments in joint ventures

In order to promote upstream and downstream strategic alliance, strengthen sales and increase the added value of its products, the Company purchased 24,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. on October 6, 2017 at a price of NT$11.55 per share (includes contingent consideration realized in 2021), resulting in a total of 49% of shareholder rights. The total purchase price was NT$282,945 thousand. Under the joint venture agreement, the Company can assign three out of six members of the board of directors of Mason Metal Industry Co., Ltd. Therefore, the Company has a significant influence, and joint control with the other company, over Mason Metal Industry Co., Ltd.

On December 15, 2021, the Company acquired additional equity interests of 31% and the proportion of the Company's ownership increased to 80.00%. The Company obtained control over Mason Metal Industry Co., Ltd. and listed it as a subsidiary. Refer to a. Investments in subsidiaries for further explanation.

The summarized financial information below represents the amount shown in the joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Mason Metal Industry Co., Ltd.

	January 1 to December 15, 2021 (Acquisition Date)
Operating revenue	$ 1,855,203
Depreciation and amortization expense	$ 17,504
Interest income	$ 21
Interest expense	$ 4,308
Income tax expense	$ 25,660
Net profit	$ 102,907
Total comprehensive income	$ 102,907

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	**2021**
Assets used by the Company	$ 2,453,203	$ 2,099,792

Assets Used by the Company

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Equipment Awaiting Inspection	Total
Cost							
Balance at January 1, 2022	$ 1,102,434	$ 1,016,501	$ 548,062	$ 174,534	$ 47,429	$ 79,578	$ 2,968,538
Additions	-	5,630	3,803	21	12,878	204,855	227,187
Disposals	-	(5,184)	(270)	(5,266)	(2,351)	-	(13,071)
Reclassified	173,317	28,044	15,553	5,595	8,674	(23,550)	207,633
Balance at December 31, 2022	$ 1,275,751	$ 1,044,991	$ 567,148	$ 174,884	$ 66,630	$ 260,883	$ 3,390,287
Accumulated depreciation and impairment							
Balance at January 1, 2022	$ -	$ 304,615	$ 432,484	$ 114,972	$ 16,675	$ -	$ 868,746
Depreciation expense	-	30,623	24,573	11,830	7,786	-	74,812
Disposals	-	(5,184)	(227)	(5,265)	(1,960)	-	(12,636)
Reclassified	-	6,162	-	-	-	-	6,162
Balance at December 31, 2022	$ -	$ 336,216	$ 456,830	$ 121,537	$ 22,501	$ -	$ 937,084
Carrying amount at December 31, 2022	$ 1,275,751	$ 708,775	$ 110,318	$ 53,347	$ 44,129	$ 260,883	$ 2,453,203
Cost							
Balance at January 1, 2021	$ 2,329,659	$ 1,061,513	$ 616,925	$ 154,190	$ 36,726	$ 1,164,752	$ 5,363,765
Additions	78	1,235	3,015	6,329	2,952	484,942	498,551
Disposals	-	(5,958)	(73,195)	(8,069)	-	-	(87,222)
Reclassified	(1,227,303)	(40,289)	1,317	22,084	7,751	(1,570,116)	(2,806,556)
Balance at December 31, 2021	$ 1,102,434	$ 1,016,501	$ 548,062	$ 174,534	$ 47,429	$ 79,578	$ 2,968,538
Accumulated depreciation and impairment							
Balance at January 1, 2021	$ -	$ 295,839	$ 442,459	$ 107,073	$ 12,042	$ -	$ 857,413
Depreciation expense	-	28,854	28,708	12,045	4,860	-	74,467
Disposals	-	(4,346)	(30,722)	(4,146)	-	-	(39,214)
Reclassified	-	(15,732)	(7,961)	-	(227)	-	(23,920)
Balance at December 31, 2021	$ -	$ 304,615	$ 432,484	$ 114,972	$ 16,675	$ -	$ 868,746
Carrying amount at December 31, 2021	$ 1,102,434	$ 711,886	$ 115,578	$ 59,562	$ 30,754	$ 79,578	$ 2,099,792

No impairment loss assessment was recognized or reversed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	10-55 years
Building construction	3-20 years
Equipment	
Main equipment	5-20 years
Equipment maintenance	3-8 years
Transportation equipment	
Truck and automotive	5-8 years
Stacker	5-9 years
Automotive accessories	3-5 years
Miscellaneous equipment	
Computer equipment	3-10 years
Office equipment and construction	3-10 years

The Company purchased land located in Guanyin for operational use from 2005 to 2020. As of December 31, 2022, the total land space purchased was 56,005.16 square meters, with a carrying amount of NT$301,747 thousand. The law stipulates that an entity may not have ownership of land which is registered for agricultural purposes. Therefore, the Company held the land through the signing of the real estate trust agreement with an individual. As a protective measure, the Company signed a contract with the landowner who held the land ownership certificate and registered the ownership certificate, which stated that all the rights and obligations of the land belong to the Company.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 30.

14. INVESTMENT PROPERTIES

	Investment Properties - Land	Investment Properties - Buildings	Total
Cost			
Balance at January 1, 2022	$ 1,612,154	$ 2,216,254	$ 3,828,408
Additions	-	1,723	1,723
Disposals	(17,722)	(18,512)	(36,234)
Reclassified	(173,317)	134,068	(39,249)
Balance at December 31, 2022	$ 1,421,115	$ 2,333,533	$ 3,754,648
Accumulated depreciation and impairment			
Balance at January 1, 2022	$ -	$ 86,086	$ 86,086
Depreciation expense	-	51,156	51,156
Disposals	-	(4,047)	(4,047)
Reclassified	-	(6,161)	(6,161)
Balance at December 31, 2022	$ -	$ 127,034	$ 127,034
Carrying amount at December 31, 2022	$ 1,421,115	$ 2,206,499	$ 3,627,614
Cost			
Balance at January 1, 2021	$ 372,083	$ 605,648	$ 977,731
Additions	864	1,425	2,289
Reclassified	1,239,207	1,609,181	2,848,388
Balance at December 31, 2021	$ 1,612,154	$ 2,216,254	$ 3,828,408
Accumulated depreciation and impairment			
Balance at January 1, 2021	$ -	$ 45,106	$ 45,106
Depreciation expense	-	17,059	17,059
Reclassified	-	23,921	23,921
Balance at December 31, 2021	$ -	$ 86,086	$ 86,086
Carrying amount at December 31, 2021	$ 1,612,154	$ 2,130,168	$ 3,742,322

The investment properties were leased out for 2 to 31 years, without an option to extend. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

In addition to the fixed lease payments, the lease contracts also indicates that the lease payments should be adjusted every 2 or 3 years on the basis of the increase in Price Index.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Year 1	$ 266,677	$ 262,494
Year 2	260,807	256,943
Year 3	260,329	245,630
Year 4	264,583	246,078
Year 5	255,793	242,142
Year 6 onwards	1,295,930	1,529,508
	$ 2,604,119	$ 2,782,795

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	25-55 years
Building construction	6-15 years
Leasehold improvements	5-15 years

The determination of fair value was performed by independent qualified professional appraisers at the end of each reporting period. The fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	December 31	
	2022	2021
Fair value	$ 7,390,214	$ 7,466,464

The investment properties pledged as collateral for bank borrowings are set out in Note 30.

15. OTHER ASSETS

	December 31	
	2022	2021
Current		
Other receivables	$ 16,595	$ 30,112
Tax refund receivable	-	20,906
Temporary payments	511	610
	$ 17,106	$ 51,628
Non-current		
Refundable deposits	$ 16,661	$ 13,443
Prepayments for equipment	14,717	42,141
Overdue receivables	3,000	5,021
Others	4,319	5,980
	$ 38,697	$ 66,585

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowings (Notes 28 and 30)		
Issuance credit payable	$ 1,110,250	$ 918,470
Unsecured borrowings		
Line of credit borrowings (Note 28)	1,439,585	-
Issuance credit payable	4,383,109	5,230,887
	5,822,694	5,230,887
	$ 6,932,944	$ 6,149,357

The range of weighted average effective interest rates on bank loans was 1.51%-6.29% and 0.58%-1.31% per annum as of December 31, 2022 and 2021, respectively.

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper (Note 28)	$ 550,000	$ 300,000
Less: Unamortized discount on bills payable	(854)	(186)
	$ 549,146	$ 299,814

Outstanding short-term bills payable were as follows:

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 50,000	$ 131	$ 49,869	2.14%	Head office	$ 19,768
B bank	100,000	18	99,982	2.04%	-	-
C bank	100,000	260	99,740	2.14%	-	-
D bank	300,000	445	299,555	1.97%	-	-
	$ 550,000	$ 854	$ 549,146			

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 100,000	$ 37	$ 99,963	1.07%	Head office	$ 16,894
B bank	100,000	57	99,943	1.06%	-	-
C bank	100,000	92	99,908	1.05%	-	-
	$ 300,000	$ 186	$ 299,814			

c. Long-term borrowings

	December 31 2022	2021
Secured borrowings (Notes 28 and 30)		
Syndicated bank loans - Yushan Bank (1)	$ 1,800,000	$ 2,000,000
Bank loans - Banking Division of Mega Bank (2)	97,368	107,894
	1,897,368	2,107,894
Less: Current portions	(410,526)	(210,526)
Syndicated loan fees	(16,640)	(5,409)
	(427,166)	(215,935)
Long-term borrowings	$ 1,470,202	$ 1,891,959

1) On December 13, 2018 the Company signed a joint credit line contract with Yushan Bank, and such syndicated loan was collateralized by the Company's freehold land and plant (refer to Note 30). The credit line of loan item A is NT$2,300,000 thousand, and the total credit line of loan items B and C is not more than NT$2,700,000 thousand. The credit line of loan item A is not allowed to be used as a revolving credit. It shall be used in installments within 24 months from the date of first use, and the overdue credit will be cancelled and may not be used again. The outstanding principal balance that has been used at the expiration date has to be repaid in three installments. The first period is 36 months after the date of first use by repaying 10% of the balance, the second period is 12 months after the first period by repaying 20% of the balance, and the third period is 12 months after the second period by repaying 70% of the balance.

   Loan item B is a revolving credit line with a 5-year period from the date of first use. Loan item C is a revolving credit line with a 5-year period from the date of first use of the commercial promissory notes (included in Long-term bills payable) issued by the Company. The revolving credit line of loan items B and C would be reduced at the end of each period, for a total of 3 periods. The first period is 36 months after the date of first use, and then every 12 months thereafter per period. The revolving credit line will be reduced by 10% at the first period, reduced by 20% at the second period, and reduced by 70% at the third period. Each time the credit line is reduced, the amount exceeding the remaining credit line shall be repaid at once.

   During the loan period, the current ratio, debt ratio and times interest earned ratio, which shall be calculated based on the annual financial audit report, shall meet the criteria as stipulated in the agreement. If the financial ratios do not meet the criteria, the Company shall remedy within nine months after the end of the fiscal year in order not to be considered as a breach of the agreement. The weighted average effective interest rate was 1.82% and 1.79% per annum as of December 31, 2022 and 2021, respectively.

2) In January 2017, the Company acquired NT$150,000 thousand of syndicated bank loans from the Banking Division of Mega Bank, secured by the Company's freehold land (refer to Note 30), which mature in January 2032. Starting from January 2018, the repayment of principal is divided into 57 installments of every 3 months, with NT$2,632 thousand per installment. The weighted average effective interest rates were 2.10% and 1.44% per annum as of December 31, 2022 and 2021, respectively.

d. Long-term bills payable

	December 31	
	2022	**2021**
Commercial paper issued under syndicated bank loans - Yushan Bank	$ 2,400,000	$ 2,400,000
Less: Unamortized discount	(485)	(1,245)
	$ 2,399,515	$ 2,398,755

The Company issued commercial paper under syndicated bank loans - Yushan Bank with terms of 5 years. The weighted average effective interest rate was 1.98%-2.19% and 1.15%-1.21% per annum as of December 31, 2022 and 2021, respectively. Refer to c. long-term borrowings item 1 for more information.

17. UNSECURED DOMESTIC CONVERTIBLE BONDS

On November 9, 2017, the Company issued 6 thousand units of 0% NT-denominated unsecured convertible bonds with a 5-year period in Taiwan, for an aggregate principal amount of $601,200 thousand, which was issued at 100.2% of the nominal amount.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of NT$36. If the Company increases its ordinary shares after the bond issuance, the conversion price will be adjusted by Article 11 of the Regulation Governing the Company's 5th Unsecured Convertible Bond Issuance and Conversion. Conversion may occur at any time between February 10, 2018 and November 9, 2022. The holder can notify the Company 30 days before the expiry of 3 years and 4 years from issuance to request the Company the accrued interest based on the bond's denomination value (the 3-year interest compensation is 3.03%, 4-year interest compensation is 4.06%) and redeem the bonds by cash.

The convertible bonds contained two components: The host liability instrument and the conversion option derivative instrument. The effective interest rate of the host liability on initial recognition was 2.61% per annum, and the conversion option derivative instruments were measured at FVTPL.

The Company redeemed the convertible bonds based on Article 17 item 1 of the Regulation Governing the Company's Convertible Bond Issuance and Conversion and suspended trading on the TPEx on July 19, 2021.

Movements of the host liability instruments were as follows:

	Host Liability Instruments
Proceeds from issuance	$ 601,200
Equity component	(54,892)
Conversion option derivative instrument	(15,551)
The host liability instrument at date issued	530,757
Interest charged at an effective interest rate	37,845
Corporate bonds payable converted into ordinary shares	(568,502)
Redeemed convertible bonds	(100)
The host liability instrument at end of the year	-
Less: Current portions	-
Balance at December 31, 2021	$ -

Movements of the conversion option derivative instrument were as follows:

	Conversion Option Derivative Instrument
Balance at January 1, 2021	$ 455
Loss from the change of fair value	(10,377)
Converted into ordinary shares	9,922
Balance at December 31, 2021	$ -

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
Notes payable		
Operating - unrelated parties	$ 212,821	$ 358,853
Operating - related parties	$ 11,373	$ 1,777
Trade payables		
Operating - unrelated parties	$ 100,685	$ 75,257
Operating - related parties	$ 3,695	$ 18,401

19. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	$ 110,905	$ 220,057
Interest payable	38,912	6,983
Other accrued expenses	31,202	45,763
Other	80,139	188,205
	$ 261,158	$ 461,008

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	$ 50,964	$ 51,650
Fair value of plan assets	(27,883)	(25,072)
Net defined benefit liabilities	$ 23,081	$ 26,578

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	$ 53,263	$ (27,568)	$ 25,695
Service cost			
Current service cost	182	-	182
Net interest expense (income)	200	(107)	93
Recognized in profit or loss	382	(107)	275
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(380)	(380)
Actuarial (gain) loss			
Changes in demographic assumptions	1,065	-	1,065
Changes in financial assumptions	(492)	-	(492)
Experience adjustments	2,693	-	2,693
Recognized in other comprehensive income	3,266	(380)	2,886
Contributions from the employer		(2,278)	(2,278)
Benefits paid	(5,261)	5,261	-
Balance at December 31, 2021	51,650	(25,072)	26,578
Service cost			
Current service cost	82	-	82
Net interest expense (income)	258	(131)	127
Recognized in profit or loss	340	(131)	209
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,064)	(2,064)
Actuarial (gain) loss			
Changes in demographic assumptions	70	-	70
Changes in financial assumptions	(1,433)	-	(1,433)
Experience adjustments	2,139	-	2,139
Recognized in other comprehensive income	776	(2,064)	(1,288)
Contributions from the employer	-	(2,418)	(2,418)
Benefits paid	(1,802)	1,802	-
Balance at December 31, 2022	$ 50,964	$ (27,883)	$ 23,081

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	$ 19	$ 17
Selling and marketing expenses	$ 135	$ 223
General and administrative expenses	$ 55	$ 35

Through the defined benefit plan under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest 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 plans' debt investments.

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	**2021**
Discount rates	1.38%	0.50%
Expected rates of salary increase	2.00%	1.50%

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

	December 31	
	2022	**2021**
Discount rates		
0.25% increase	$ (892)	$ (978)
0.25% decrease	$ 920	$ 1,011
Expected rates of salary increase/decrease		
0.25% increase	$ 899	$ 984
0.25% decrease	$ (876)	$ (957)

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

	December 31	
	2022	**2021**
Expected contributions to the plans for the next year	$ 2,523	$ 2,385
Average duration of the defined benefit obligation	7.1 years	7.6 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	360,000	360,000
Shares authorized	$ 3,600,000	$ 3,600,000
Number of shares issued and fully paid (in thousands)	321,146	321,146
Shares issued	$ 3,211,463	$ 3,211,463

The share issued had a par value of NT$10. Each share entitles the rights to dividends and to vote.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premiums	$ 906,797	$ 906,797
May only be used to offset a deficit (2)		
Changes in percentage of ownership interests in subsidiaries	6	6
May not be used for any purpose (3)		
Employee share options	36,648	36,648
	$ 943,451	$ 943,451

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from changes in capital surplus of subsidiaries accounted for using the equity method.

3) Such capital surplus is used primarily for subsequent matters related to the transaction and may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors in Note 23-g.

To ensure the interests of shareholders and the Company's sustainable development, the Company adopts a balanced dividends policy. The dividends payment principle shall be determined on the basis of the current and forthcoming development plan, considering the investing environment, demanding for funds, domestic and foreign competition, and shareholders' interests. The Company shall, in accordance with the capital budget plan for the following year, determine the most appropriate dividend policy. After the board of directors resolve the distribution plan, such plan will be subject to the resolutions in the shareholders' meeting.

The issuance of dividends may be distributed in cash or share dividends. Among the dividends payment, no less than 30% shall be paid in cash.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, No. 1010047490, and No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020 approved in the shareholders' meetings on June 15, 2022 and July 22, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	**2020**
Legal reserve	$ 277,792	$ 82,418
Special reserve	$ -	$ (108,259)
Cash dividends	$ 1,284,585	$ 462,386
Cash dividends distributed from capital surplus	$ -	$ 154,129
Cash dividends per share (NT$)	$ 4.0	$ 1.5
Cash dividends per share distributed from capital surplus (NT$)	$ -	$ 0.5

The appropriation of earnings for 2022 which was proposed by the Company's board of directors on March 17, 2023 were as follows:

	For the Year Ended December 31, 2022	**Dividends Per Share (NT$)**
Legal reserve	$ 45,906	$ -
Cash dividends	$ 321,146	1

The appropriation of earnings for 2022 is subject to the resolution in the shareholders' meeting to be held on June 15, 2023.

d. Special reserves

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ -	$ 108,259
Appropriations in respect of debits to other equity items	-	(108,259)
Balance at December 31	$ -	$ -

e. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ (8,580)	$ (5,701)
Exchange differences on translation of the financial statements of foreign operations	10,549	(2,879)
Balance at December 31	$ 1,969	$ (8,580)

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 1,386,055	$ 728,354
Recognized for the year		
Unrealized (loss)/gain - equity instruments	(713,606)	657,701
Balance at December 31	$ 672,449	$ 1,386,055

22. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sales of goods	$ 14,086,221	$ 13,176,735
Revenue from processing	47,898	110,712
Rental income	263,296	131,418
	$ 14,397,415	$ 13,418,865

Contract Balances

	December 31	
	2022	2021
Trade receivables (including related parties) (Note 10)	$ 2,643,364	$ 2,021,023
Contract liabilities - current		
Sales of goods	$ 275,031	$ 306,898

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividends		
Financial assets at FVTPL	$ 36,127	$ 35,595
Financial assets at FVTOCI	164,968	44,497
Others	27,546	21,270
	$ 228,641	$ 101,362

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on remeasurement of investments accounted for using the equity method	$ -	$ 36,000
Net gain on disposal of property, plant and equipment	109	3,830
Gain on disposal of investment properties	6,007	-
Fair value changes of financial assets and financial liabilities		
Financial assets/liabilities mandatorily classified as at FVTPL	(83,224)	296,728
Net foreign exchange gains	113,989	26,978
	$ 36,881	$ 363,536

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 207,405	$ 127,543
Interest on convertible bonds	-	5,236
Less: Amounts included in the cost of qualifying assets	(2,431)	(26,353)
	$ 204,974	$ 106,426

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest	$ 2,431	$ 26,353
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	$ 74,812	$ 74,467
Investment properties	51,156	17,059
Long-term prepayments	6,508	3,971
	$ 132,476	$ 95,497
An analysis of depreciation by function		
Operating costs	$ 110,208	$ 75,491
Operating expenses	15,760	16,036
	$ 125,968	$ 91,527
An analysis of amortization by function		
Operating costs	$ 3,670	$ 1,165
Operating expenses	2,838	2,805
	$ 6,508	$ 3,970

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2022	2021
Direct operating expenses of investment properties generating rental income	$ 83,745	$ 29,933

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 283,880	$ 398,783
Post-employment benefits (Note 20)		
Defined contribution plans	6,152	5,899
Defined benefit plans	209	275
	$ 290,241	$ 404,957
An analysis of employee benefits expense by function		
Operating costs	$ 136,094	$ 127,942
Operating expenses	154,147	277,015
	$ 290,241	$ 404,957

g. Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 17, 2023 and March 16, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	**2021**
Compensation of employees	3%	3%
Remuneration of directors	3%	2%

Amount

	For the Year Ended December 31	
	2022	**2021**
	Cash	**Cash**
Compensation of employees	$ 18,388	$ 102,392
Remuneration of directors	$ 18,388	$ 68,261

If there is a change in the amounts after the parent only financial statements were authorized for issuance, the differences are recorded as a change in the accounting estimate.

There is no difference between the amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2021.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors for the year ended December 31, 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	**2021**
Foreign exchange gains	$ 499,986	$ 158,358
Foreign exchange losses	(385,997)	(131,380)
	$ 113,989	$ 26,978

24. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 100,516	$ 485,677
Income tax on unappropriated earnings	60,997	19,382
Integrated house and land tax	645	-
Adjustments for prior years	(1,898)	191
	160,260	505,250
Deferred tax		
In respect of the current year	22,346	16,169
Income tax expense recognized in profit or loss	$ 182,606	$ 521,419

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax	$ 576,169	$3,241,692
Income tax expense calculated at the statutory rate	$ 115,234	$ 648,338
Non-deductible expenses and non-taxable income	47,455	(129,967)
Tax-exempt income	(40,219)	(16,018)
Income tax on unappropriated earnings	60,997	19,382
Integrated house and land tax	645	-
Unrecognized loss carryforwards and deductible temporary differences	392	(507)
Adjustments for prior years' tax	(1,898)	191
Income tax expense recognized in profit or loss	$ 182,606	$ 521,419

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 2,637	$ (720)
Remeasurement on defined benefit plans	257	(577)
Total income tax expense/(benefit) recognized in other comprehensive income	$ 2,894	$ (1,297)

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	$ -	$ 20,906
Current tax liabilities		
Income tax payable	$ 162,130	$ 464,440

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Write-down of inventories	$ -	$ 22,700	$ -	$ 22,700
Losses on foreign currency exchange	-	263	-	263
Unrealized gross profit	23,716	(13,607)	-	10,109
Defined benefit obligation	4,162	(444)	(257)	3,461
Exchange differences on translation of the financial statements of foreign operations	2,146	-	(2,146)	-
	$ 30,024	$ 8,912	$ (2,403)	$ 36,533
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 2,385	$ 32,814	$ -	$ 35,199
Gains on foreign currency exchange	1,556	(1,556)	-	-
Exchange differences on translation of the financial statements of foreign operations	-	-	492	492
	$ 3,941	$ 31,258	$ 492	$ 35,691

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
FVTPL financial assets	$ 23,730	$ (23,730)	$ -	$ -
Unrealized gross profit	19,835	3,881	-	23,716
Defined benefit obligation	3,986	(401)	577	4,162
Allowance for impairment loss on receivables	7,932	(7,932)	-	-
Exchange differences on translation of the financial statements of foreign operations	1,426	-	720	2,146
	$ 56,909	$ (28,182)	$ 1,297	$ 30,024
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ -	$ 2,385	$ -	$ 2,385
Convertible bonds	2,076	(2,076)	-	-
Gains or losses on foreign currency exchange	13,878	(12,322)	-	1,556
	$ 15,954	$ (12,013)	$ -	$ 3,941

e. The aggregate amount of temporary differences associated with investments for which deferred tax assets have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax assets have been recognized were $136,702 thousand and $134,742 thousand, respectively.

f. Income tax assessments

The income tax returns through 2020 and income tax returns on unappropriated earnings through 2019 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share		
From continuing operations	$ 1.23	$ 8.62
Diluted earnings per share		
From continuing operations	1.22	8.57

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2022	**2021**
Earnings used in the computation of basic earnings per share	$ 393,563	$ 2,720,273

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2022	**2021**
Weighted average number of ordinary shares in the computation of basic earnings per share	321,146	315,674
Effect of potentially dilutive ordinary shares:		
Compensation of employees	429	1,759
Weighted average number of ordinary shares used in the computation of diluted earnings per share	321,575	317,433

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Since all outstanding convertible bonds issued by the Company were converted to ordinary shares during the year ended December 31, 2021, they are anti-dilutive and excluded from the computation of diluted earnings per share.

26. PARTIAL DISPOSAL OF SUBSIDIARIES - NO IMPACT ON CONTROL

The Company's proportion of ownership in APEX Wind Power Equipment Manufacturing Company Limited decreased from 77.00% to 70.44% in June 2021.

The above transactions were accounted for as equity transactions, since there was no impact on the Company's control over the subsidiary.

27. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged over the past 5 years.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate their fair values:

December 31, 2022

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 16,811	$ 16,811
Notes receivable (including related parties)	1,610,042	1,610,042
Trade receivables (including related parties)	2,643,364	2,643,364
Overdue receivables	3,000	3,000
Cash and cash equivalents	754,398	754,398
Refundable deposits	16,661	16,661
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	8,813,672	8,813,672
Short-term bills payable	549,146	549,146
Notes payable, trade payables and other payables (including related parties)	589,732	589,732
Long-term bills payable	2,399,515	2,399,515

December 31, 2021

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 77,074	$ 77,074
Notes receivable (including related parties)	1,874,256	1,874,256
Trade receivables (including related parties)	2,021,023	2,021,023
Overdue receivables	5,021	5,021
Cash and cash equivalents	619,800	619,800
Refundable deposits	25,316	25,316

(Continued)

	Carrying Amount	Fair Value
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	$ 8,251,842	$ 8,251,842
Short-term bills payable	299,814	299,814
Notes payable, trade payables and other payables (including related parties)	915,296	915,296
Long-term bills payable	2,398,755	2,398,755

(Concluded)

The methods and assumptions used by the Company for estimating financial instruments not measured at fair value are as follows:

1) The fair value of financial instruments, including cash and cash equivalents, trade receivables, overdue receivables, trade payables, pledged time deposits, refundable deposits, short-term bank borrowings, short-term bills payable, and long-term bills payable, is estimated as the carrying amount at the end of the reporting period because the maturity date is close to the reporting date or the payment amount is close to its carrying amount.

2) The fair value of long-term bank borrowings is determined using the discounted cash flow approach. Future cash flows are discounted at a long-term borrowing rate of the Company. The Company estimated the carrying amount of the long-term loans at the end of the reporting period as their fair values.

b. Financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 905,354	$ -	$ -	$ 905,354
Domestic unlisted shares	-	-	272,687	272,687
Mutual funds	9,666	-	-	9,666
Derivatives	-	175,995	-	175,995
	$ 915,020	$ 175,995	$ 272,687	$ 1,363,702
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 2,098,329	$ -	$ -	$ 2,098,329
Domestic unlisted shares	-	-	27,050	27,050
Foreign unlisted shares	-	-	281,238	281,238
	$ 2,098,329	$ -	$ 308,288	$ 2,406,617

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 1,343,389	$ -	$ -	$ 1,343,389
Domestic unlisted shares	-	-	247,857	247,857
Derivatives	-	11,922	-	11,922
	$ 1,343,389	$ 11,922	$ 247,857	$ 1,603,168
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 2,689,255	$ -	$ -	$ 2,689,255
Domestic unlisted shares	-	-	32,556	32,556
Foreign unlisted shares	-	-	354,578	354,578
	$ 2,689,255	$ -	$ 387,134	$ 3,076,389

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2022

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 247,857	$ 387,134	$ 634,991
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	(73,340)	(73,340)
Purchases	24,830	-	24,830
Sales	-	(5,506)	(5,506)
Balance at December 31	$ 272,687	$ 308,288	$ 580,975

For the year ended December 31, 2021

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 28,772	$ 335,684	$ 364,456
Recognized in profit or loss (included in gain (loss) on financial assets at FVTOCI)	43,157	-	43,157
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	102,806	102,806
Purchases	175,928	-	175,928
Sales	-	(1,356)	(1,356)
Transfers out of Level 3	-	(50,000)	(50,000)
Balance at December 31	$ 247,857	$ 387,134	$ 634,991

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - conversion option component of convertible bonds	The value of the bonds payable and redemption and put options is estimated based on the binomial CB pricing model and historical volatility, risk-free interest rate, discount rate and liquidity risk at the end of the reporting period.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity instruments were determined using the market approach. In this approach, the fair value is appraised based on the market selling price of similar items, such as assets, liabilities, or the Company of assets and liabilities. The significant unobservable factors used are described below, an increase in long-term revenue growth rates, long-term pre-tax operating margin, a decrease in the weighted average cost of capital, or the discount for lack of marketability used in isolation would result in increases in the fair values.

c. Categories of financial instruments

	December 31			
	2022		2021	
Financial assets				
Financial assets at FVTPL				
Mandatorily classified as at FVTPL	$	1,363,702	$	1,603,168
Financial assets at amortized cost (1)		5,044,276		4,622,490
Financial assets at FVTOCI - equity instruments		2,406,617		3,076,389
Financial liabilities				
Financial liabilities at amortized cost (2)		12,352,065		11,865,707

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, overdue receivables, refundable deposits and pledged time deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term and long-term bills payable, notes payable, trade payables and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, derivative financial instruments, notes receivable, trade receivables, overdue receivables, short-term bills payable, notes payable, trade payables, other payables, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see "a. foreign currency risk" below) and interest rates (see "b. interest rate risk" below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign exchange forward contracts to hedge the exchange rate risk arising on the import and export of steel plates;

b) Interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 32.

<u>Sensitivity analysis</u>

The Company was mainly exposed to USD and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or loss	$ 35,545 (i)	$ 30,386 (i)

	EUR Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or loss	$ (45) (ii)	$ (69) (ii)

	JPY Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or loss	$ (54) (iii)	$ - (iii)

i. This was mainly attributable to the exposure on outstanding USD letters of credit, trade receivables, bank deposits and other payables which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding EUR bank deposits, which were not hedged at the end of the reporting period.

iii. This was mainly attributable to the exposure on outstanding JPY bank deposits, which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency increased during the current year mainly due to the increase in purchases which resulted in an increase in USD letters of credit.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to interest rate risk because entities of the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and the defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	**2021**
Cash flow interest rate risk		
Financial assets	$ 487,477	$ 248,576
Financial liabilities	11,762,332	10,950,411

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by NT$108,878 thousand and NT$94,905 thousand, respectively, which was mainly a result of the changes in the variable interest rate bank deposits and loans.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for years ended December 31, 2022 and 2021 would have increased/decreased by NT$11,930 thousand and NT$15,973 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by NT$24,099 thousand and NT$30,601 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

The Company's sensitivity to investments in equity securities has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which may cause a financial loss to the Company due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company's trade receivables are from a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance is purchased.

The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of the gross monetary assets at any time during 2022 and 2021.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 98% and 98% of the total trade receivables as of December 31, 2022 and 2021, respectively.

The credit risk on derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, the Company relies on bank borrowings as a significant source of liquidity, and management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2022 and 2021, the Company had available unutilized short-term bank loan facilities set out in (b) below.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2022 and 2021, the Company had available unutilized short-term bank loan facilities of NT$3,191,840 thousand and NT$2,623,820 thousand, respectively.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest cash flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 214,153	$ 179,744	$ 192,271	$ 18,546	$ -
Variable interest rate liabilities	3,042,140	2,446,437	4,803,554	1,442,105	28,096
	$ 3,256,293	$ 2,626,181	$ 4,995,825	$ 1,460,651	$ 28,096

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 392,171	$ 189,764	$ 333,401	$ 19,009	$ -
Variable interest rate liabilities	1,521,966	3,295,531	4,240,956	1,800,000	91,959
	$ 1,914,137	$ 3,485,295	$ 4,574,357	$ 1,819,009	$ 91,959

The following table details the Company's expected maturities for some of its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial assets					
Non-interest bearing	$ 2,127,379	$ 2,045,720	$ 318,663	$ 78,229	$ 3,000
Variable interest rate assets	470,666	12,250	4,561	-	-
	$ 2,598,045	$ 2,057,970	$ 323,224	$ 78,229	$ 3,000

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial assets					
Non-interest bearing	$ 2,127,379	$ 2,045,720	$ 318,663	$ 78,229	$ 3,000
Variable interest rate assets	470,666	12,250	4,561	-	-
	$ 2,598,045	$ 2,057,970	$ 323,224	$ 78,229	$ 3,000

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2022	2021
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 13,147,014	$ 12,410,483
Amount unused	8,938,946	4,304,927
	$ 22,085,960	$ 16,715,410

29. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationship with the Company:

Related Party	Relationship with the Company
Hsin Ching International Co., Ltd.	Subsidiary
Hsin Yuan Investment Co., Ltd.	Subsidiary
Sinpao Investment Co., Ltd.	Subsidiary
Hsin Ho Fa Metal Co., Ltd.	Subsidiary
APEX Wind Power Equipment Manufacturing Company., Ltd.	Subsidiary
Hsin Hua Steel Industry Co., Ltd.	Sub-subsidiary
Mason Metal Industry Co., Ltd.	Subsidiary (originally a joint venture; became a subsidiary on December 15, 2021 due to increase in ownership)
Hsin Kuang Steel Tian-Cheng Charity Foundation	The Foundation’s Chairman is the representative of a corporate director of the Company
Duo Yuan Solar Corporation	Associate

b. Operating revenue

Line Item	Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Sale of goods	Subsidiaries		
	APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 388	$ 2,629
	Mason Metal Industry Co., Ltd.	115,941	8,980
	Sub-subsidiaries		
	Hsin Hua Steel Industry Co., Ltd.	97,992	232,916
	Joint ventures		
	Mason Metal Industry Co., Ltd.	-	154,368
		$ 214,321	$ 398,893

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 7,626	$ 19,155
Mason Metal Industry Co., Ltd.	36,503	5,580
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	70,888	410
Joint ventures		
Mason Metal Industry Co., Ltd.	-	29,515
	$ 115,017	$ 54,660

The Company’s purchase and sales terms with related parties were comparable to those with unrelated parties.

d. Processing cost

Related Party Category/Name	For the Year Ended December 31 2022	2021
<u>Subsidiaries</u>		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 31	$ -
Mason Metal Industry Co., Ltd.	13,266	538
<u>Sub-subsidiaries</u>		
Hsin Hua Steel Industry Co., Ltd.	-	4,664
<u>Joint ventures</u>		
Mason Metal Industry Co., Ltd.	-	3,311
	$ 13,297	$ 8,513

e. Logistics management expense

Related Party Category/Name	For the Year Ended December 31 2022	2021
<u>Subsidiaries</u>		
Hsin Ho Fa Metal Co., Ltd.	$ 14,061	$ 19,701

f. Other revenue

Related Party Category/Name	For the Year Ended December 31 2022	2021
<u>Subsidiaries</u>		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 7,808	$ 5,343
Hsin Ho Fa Metal Co., Ltd.	540	147
Mason Metal Industry Co., Ltd.	1,882	-
Hsin Ching International Co., Ltd.	483	-
<u>Sub-subsidiaries</u>		
Hsin Hua Steel Industry Co., Ltd.	59	-
<u>Joint ventures</u>		
Mason Metal Industry Co., Ltd.	-	1,200
	$ 10,772	$ 6,690

g. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	December 31 2022	December 31 2021
Subsidiaries		
Hsin Ho Fa Metal Co., Ltd.	$ 65	$ 34
APEX Wind Power Equipment Manufacturing Company., Ltd.	3,212	718
Hsin Ching International Co., Ltd.	507	14,651
Mason Metal Industry Co., Ltd.	44,315	84,731
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	123,357	213,874
	$ 171,456	$ 314,008

The outstanding trade receivables from related parties are unsecured. As of December 31, 2022 and 2021, no impairment loss was recognized for trade receivables from the related parties.

h. Payables to related parties

Related Party Category/Name	December 31 2022	December 31 2021
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 339	$ 6,096
Hsin Ho Fa Metal Co., Ltd.	2,799	4,851
Mason Metal Industry Co., Ltd.	3,243	12,798
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	8,687	1,381
	$ 15,068	$ 25,126

The outstanding trade payables to related parties (including notes payable, trade payables and other payables) are unsecured and will be paid in cash.

i. Lease arrangements

Future lease payments receivable are as follows:

Related Party Category/Name	December 31 2022	December 31 2021
Subsidiaries		
Hsin Ching International Co., Ltd.	$ 753,152	$ 777,457
APEX Wind Power Equipment Manufacturing Company., Ltd.	15,444	27,652
Mason Metal Industry Co., Ltd.	63,575	76,870
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	86,081	16,479
	$ 918,252	$ 898,458

Lease income was as follows:

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Subsidiaries		
Hsin Ching International Co., Ltd.	$ 27,488	$ 22,666
Mason Metal Industry Co., Ltd.	15,865	1,426
APEX Wind Power Equipment Manufacturing Company., Ltd.	11,627	11,206
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	9,192	8,756
Joint ventures		
Mason Metal Industry Co., Ltd.	-	2,645
	$ 64,172	$ 46,699

In 2018, the Company entered into a contractual agreement to rent out its logistic center to its subsidiary, Hsin Ching International Co., Ltd. The contractual period for land and buildings are 31 years and 30 years, respectively. The monthly rental payable is NT$1,921 thousand, and adjustments to the monthly payable amount for land and buildings will be made at the end of the second year and third year, respectively.

In accordance with the provisions of the contract, the subsidiary, Hsin Ching International Co., Ltd., paid a guarantee deposit of NT$514,083 thousand as a collateral for performance obligation upon signing the contract. In June 2020, the Company signed a supplemental agreement and under the supplemental agreement, the guarantee deposit will be used for future rental of buildings starting May 2020. As of December 31, 2022 and 2021, the amount of unearned rental revenue was NT$451,629 thousand and NT$467,254 thousand, respectively.

j. Guarantee deposits

Related Party Category/Name	December 31 2022	December 31 2021
Subsidiaries		
Mason Metal Industry Co., Ltd.	$ 2,641	$ 2,641

k. Disposals of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
Related Party Category/Name	2022	2021	2022	2021
Subsidiaries				
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ -	$ 46,370	$ -	$ 6,678
Sub-subsidiaries				
Hsin Hua Steel Industry Co., Ltd.	-	3,600	-	345
	$ -	$ 49,970	$ -	$ 7,023

l. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	December 31 2022	December 31 2021
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.		
Amount endorsed	$ -	$ 150,000
Amount due	-	(150,000)
	$ -	$ -
Associates		
Duo Yuan Solar Corporation		
Amount endorsed	$ 440,000	$ -
Amount due	-	-
	$ 440,000	$ -

m. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2022	2021
Donations	Hsin Kuang Steel Tian-Cheng Charity Foundation	$ 4,000	$ 4,000

n. Remuneration of key management personnel

The amount of the remuneration of directors and key management personnel were as follows:

	For the Year Ended December 31 2022	2021
Short-term employee benefits	$ 42,008	$ 130,432

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and lease guarantee deposits:

	December 31 2022	2021
Notes receivable	$ 352,506	$ 287,842
Pledged time deposits (classified as financial assets at amortized cost)	16,811	77,074
Investments accounted for using the equity method	412,676	-
Freehold land	1,072,847	980,864
Buildings, net	608,302	453,670
Investment properties - land	342,985	362,359
Investment properties - buildings	634,339	2,034,917
	$ 3,440,466	$ 4,196,726

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2022 and 2021 were as follows:

Significant Commitments

a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	December 31 2022	2021
NTD	$ 591,172	$ 426,416
USD	15,026	23,364

b. Unrecognized commitments were as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	$ 30,487	$ 31,808

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,931	30.71 (USD:NTD)	$ 90,022
EUR	137	32.66 (EUR:NTD)	4,475
JPY	22,590	0.23 (JPY:NTD)	5,250
			$ 99,747
Financial liabilities			
Monetary items			
USD	117,593	30.71 (USD:NTD)	$ 3,611,276

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,586	27.68 (USD:NTD)	$ 71,588
EUR	223	31.54 (EUR:NTD)	7,034
JPY	1,890	0.24 (JPY:NTD)	455
Non-monetary items			
USD	4,174	27.68 (USD:NTD)	125,979
			$ 205,056
Financial liabilities			
Monetary items			
USD	111,107	27.68 (USD:NTD)	$ 3,075,447

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.71 (USD:NTD)	$ 113,728	28.07 (USD:NTD)	$ 26,530

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

1) Financing provided to others (N/A)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (N/A)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (N/A)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (N/A)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (N/A)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (N/A)

9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 3)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (N/A)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (N/A)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

   c) The amount of property transactions and the amount of the resultant gains or losses

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

   e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

   f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)

34. SEGMENT INFORMATION

The segment information for the years ended December 31, 2022 and 2021 is disclosed in the Company's consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Hsin Kuang Steel Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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, and we do not provide a separate opinion on these matters.

The key audit matter identified in the consolidated financial statements of the Group for the year ended December 31, 2022 is described as follows:

Revenue Recognition

The Group mainly engages in the sale, cutting, slitting, steel structure processing and logistics of various steel products. The Group's operating revenue for the year ended December 31, 2022 was NT$17,155,532 thousand, a 22% growth from the previous year. For certain significant customers whose operating models differ from other customers, and those customers with a significant sales amount in the current year and showing a higher growth trend than the Group's average growth, as the sales amount from such customers is significant to the consolidated financial statements, we identified whether the sales transactions from the aforementioned customers actually occurred as a key audit matter.

Refer to Notes 4 and 23 to the consolidated financial statements for the accounting policies and related disclosures on revenue recognition.

We performed the following audit procedures in respect of the aforementioned revenue:

1. We obtained an understanding and tested the design and operating effectiveness of key controls over revenue recognition.

2. We selected samples from the sales ledger of the aforementioned revenue, verified such transactions against sales contracts, shipping reports and accounts receivable collections as evidence and confirmed the occurrence of such transactions.

Other Matter

We have also audited the parent company only financial statements of Hsin Kuang Steel Company Limited as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Sheng-Hsiung Yao and Shu-Ju Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2023

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

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

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,098,666	5	$ 964,372	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	1,760,930	7	2,121,895	8
Financial assets at amortized cost - current (Notes 4, 9 and 32)	22,524	-	81,197	-
Contract assets - current (Note 23)	27,769	-	15,852	-
Notes receivable from unrelated parties (Notes 4, 5, 10 and 32)	1,740,817	7	2,077,865	8
Trade receivables from unrelated parties (Notes 4, 5 and 10)	2,997,367	12	2,314,141	9
Prepayments	140,452	1	280,774	1
Inventories (Notes 4, 5 and 11)	5,343,525	22	6,566,814	26
Other current assets (Note 16)	29,605	-	44,705	-
Total current assets	13,161,655	54	14,467,615	56
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	272,687	1	247,857	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	2,498,747	10	3,159,429	12
Investments accounted for using the equity method (Notes 4, 13 and 32)	519,840	2	306,794	1
Property, plant and equipment (Notes 4, 14 and 32)	4,168,757	17	3,821,909	15
Right-of-use assets (Note 4)	3,399	-	4,728	-
Investment properties (Notes 4, 15 and 32)	3,658,733	15	3,766,202	15
Deferred tax assets (Notes 4 and 25)	61,605	-	65,475	-
Other non-current assets (Notes 5, 10 and 16)	93,828	1	81,874	-
Total non-current assets	11,277,596	46	11,454,268	44
TOTAL	$ 24,439,251	100	$ 25,921,883	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	$ 7,205,994	30	$ 6,456,507	25
Short-term bills payable (Notes 4 and 17)	549,146	2	299,814	1
Contract liabilities - current (Note 23)	311,344	1	419,467	2
Notes payable to unrelated parties (Notes 4 and 19)	392,838	2	605,105	2
Trade payables to unrelated parties (Notes 4 and 19)	250,565	1	178,167	1
Other payables (Notes 20 and 31)	326,909	1	562,593	2
Current tax liabilities (Notes 4 and 25)	198,010	1	503,115	2
Current portion of long-term liabilities (Notes 4, 17 and 18)	496,814	2	300,943	1
Other current liabilities	11,801	-	8,447	-
Total current liabilities	9,743,421	40	9,334,158	36
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 17)	2,004,042	8	2,389,854	9
Long-term bills payable (Notes 4 and 17)	2,399,515	10	2,398,755	9
Provisions - non-current (Notes 4 and 13)	2,262	-	-	-
Deferred tax liabilities (Notes 4 and 25)	144,420	1	112,594	1
Net defined benefit liabilities - non-current (Notes 4 and 21)	33,160	-	45,058	-
Other non-current liabilities	37,071	-	33,694	-
Total non-current liabilities	4,620,470	19	4,979,955	19
Total liabilities	14,363,891	59	14,314,113	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital	3,211,463	13	3,211,463	12
Capital surplus	943,451	4	943,451	4
Retained earnings				
Legal reserve	1,229,590	5	951,798	4
Unappropriated earnings	3,303,800	13	4,407,114	17
Total retained earnings	4,533,390	18	5,358,912	21
Other equity	674,418	3	1,377,475	5
Total equity attributable to owners of the Company	9,362,722	38	10,891,301	42
NON-CONTROLLING INTERESTS	712,638	3	716,469	3
Total equity	10,075,360	41	11,607,770	45
TOTAL	$ 24,439,251	100	$ 25,921,883	100

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 23 and 31)				
Sales	$ 16,447,500	96	$ 13,478,570	96
Other operating revenue	708,032	4	624,472	4
Total operating revenue	17,155,532	100	14,103,042	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 24 and 31)	(15,596,989)	(91)	(10,667,417)	(76)
Other operating costs (Note 31)	(369,639)	(2)	(318,556)	(2)
Total operating costs	(15,966,628)	(93)	(10,985,973)	(78)
GROSS PROFIT	1,188,904	7	3,117,069	22
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	-	-	(2,258)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	-	-	1,265	-
REALIZED GROSS PROFIT	1,188,904	7	3,116,076	22
OPERATING EXPENSES				
Selling and marketing expenses (Note 24)	(294,727)	(1)	(272,256)	(2)
General and administrative expenses (Notes 24 and 31)	(132,338)	(1)	(219,896)	(1)
Expected credit gain (Note 10)	2,940	-	13,190	-
Total operating expenses	(424,125)	(2)	(478,962)	(3)
PROFIT FROM OPERATIONS	764,779	5	2,637,114	19
NON-OPERATING INCOME AND EXPENSES (Notes 24, 27 and 31)				
Interest income	1,746	-	494	-
Gain from bargain purchase - acquisition of subsidiary	-	-	136,024	1
Other income	248,118	1	127,100	1
Other gains and losses	(125,019)	(1)	475,444	4
Finance costs	(220,086)	(1)	(112,180)	(1)
Share of profit or loss of associates and joint ventures	(9,738)	-	44,372	-
Total non-operating income and expenses	(104,979)	(1)	671,254	5

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	$ 659,800	4	$ 3,308,368	24
INCOME TAX EXPENSE (Notes 4 and 25)	(242,232)	(2)	(537,530)	(4)
NET PROFIT FOR THE YEAR	417,568	2	2,770,838	20
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,030	-	(2,308)	-
Unrealized (loss)/gain on investments in equity instruments at fair value through other comprehensive income	(713,606)	(4)	657,701	4
	(712,576)	(4)	655,393	4
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	10,575	-	(2,871)	-
Other comprehensive income/(loss) for the year, net of income tax	(702,001)	(4)	652,522	4
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	$ (284,433)	(2)	$ 3,423,360	24
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 393,563	2	$ 2,720,273	19
Non-controlling interests	24,005	-	50,565	1
	$ 417,568	2	$ 2,770,838	20
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (308,464)	(2)	$ 3,372,787	24
Non-controlling interests	24,031	-	50,573	-
	$ (284,433)	(2)	$ 3,423,360	24
EARNINGS PER SHARE (Note 26)				
From continuing operations				
Basic	$ 1.23		$ 8.62	
Diluted	$ 1.22		$ 8.57	

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital			Retained Earnings			Other Equity				
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	308,223	$ 3,082,226	$ 823,197	$ 869,380	$ 108,259	$ 2,065,739	$ (5,701)	$ 728,354	$ 7,671,454	$ 429,976	$ 8,101,430
Appropriation of 2020 earnings											
Legal reserve	-	-	-	82,418	-	(82,418)	-	-	-	-	-
Special reserve	-	-	-	-	(108,259)	108,259	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(462,386)	-	-	(462,386)	-	(462,386)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(13,724)	(13,724)
Cash dividends from capital surplus	-	-	(154,129)	-	-	-	-	-	(154,129)	-	(154,129)
Changes in capital surplus in investments in associates accounted for using the equity method	-	-	-	-	-	(3,361)	-	-	(3,361)	-	(3,361)
Changes in percentage of ownership interests in subsidiaries	-	-	6	-	-	(1,034)	-	-	(1,028)	-	(1,028)
Convertible bonds converted to ordinary shares	12,923	129,237	274,377	-	-	-	-	-	403,614	-	403,614
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	64,350	-	-	64,350	-	64,350
Net profit for the year ended December 31, 2021	-	-	-	-	-	2,720,273	-	-	2,720,273	50,565	2,770,838
Other comprehensive income/(loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,308)	(2,879)	657,701	652,514	8	652,522
Total comprehensive income/(loss) for the year ended December 31, 2021	-	-	-	-	-	2,717,965	(2,879)	657,701	3,372,787	50,573	3,423,360
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	249,644	249,644
BALANCE AT DECEMBER 31, 2021	321,146	3,211,463	943,451	951,798	-	4,407,114	(8,580)	1,386,055	10,891,301	716,469	11,607,770
Appropriation of 2021 earnings											
Legal reserve	-	-	-	277,792	-	(277,792)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,284,585)	-	-	(1,284,585)	-	(1,284,585)
Changes in capital surplus in investments in associates accounted for using the equity method	-	-	-	-	-	-	-	-	-	1,059	1,059
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(28,297)	(28,297)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	4,573	-	-	4,573	-	4,573
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	59,897	-	-	59,897	-	59,897
Net profit for the year ended December 31, 2022	-	-	-	-	-	393,563	-	-	393,563	24,005	417,568
Other comprehensive income/(loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	1,030	10,549	(713,606)	(702,027)	26	(702,001)
Total comprehensive income/(loss) for the year ended December 31, 2022	-	-	-	-	-	394,593	10,549	(713,606)	(308,464)	24,031	(284,433)
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	(624)	(624)
BALANCE AT DECEMBER 31, 2022	321,146	$ 3,211,463	$ 943,451	$ 1,229,590	$ -	$ 3,303,800	$ 1,969	$ 672,449	$ 9,362,722	$ 712,638	$ 10,075,360

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 659,800	$ 3,308,368
Adjustments for:		
Depreciation expense	188,921	156,877
Amortization expense	8,497	5,987
Expected credit loss reversed on trade receivables	(2,940)	(13,190)
Net loss/(gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	239,787	(412,753)
Finance costs	220,086	112,180
Interest income	(1,746)	(494)
Dividend income	(213,975)	(100,774)
(Gain)/loss on disposal of property, plant and equipment	(103)	1,673
Gain on disposal of investment properties	(6,007)	-
Share of loss/(profit) of associates and joint ventures	9,738	(44,372)
Write-downs of inventories	111,144	840
Unrealized gain on transactions with associates	-	2,258
Realized gain on transactions with associates	-	(1,265)
Net loss on foreign currency exchange	9,948	69,214
Gain on remeasurement of investments accounted for using the equity method	-	(36,000)
Gain from bargain purchase - acquisition of subsidiary	-	(136,024)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	121,178	131,263
Contract assets	(11,917)	(13,091)
Notes receivable	338,826	(555,054)
Trade receivables	(671,009)	71,379
Other receivables	9,722	(11,959)
Inventories	1,112,145	(2,082,626)
Prepayments	25,558	(99,209)
Other current assets	5,378	(746)
Notes payable	(212,267)	524
Trade payables	72,398	(136,420)
Other payables	(269,084)	135,947
Decrease in net defined benefit liabilities	(3,569)	(334)
Provisions	2,262	(3,570)
Contract liabilities	(108,123)	206,789
Other current liabilities	3,354	(7,726)
Cash generated from operations	1,638,002	547,692
Interest received	1,746	494
Dividends received	213,975	100,774
Income tax paid	(515,945)	(133,168)
Net cash generated from operating activities	1,337,778	515,792

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (98,735)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	114,798	176,441
Purchase of financial assets at fair value through profit or loss	(24,830)	(175,928)
Purchase of financial assets at amortized cost	-	(1,038)
Proceeds from sale of financial assets at amortized cost	58,674	-
Acquisition of long-term equity investments accounted for using the equity method	(229,800)	(205,600)
Payments for property, plant and equipment	(242,516)	(635,701)
Proceeds from disposal of property, plant and equipment	764	7,084
Payments for right-of-use assets	(623)	-
Proceeds from disposal of investment properties	38,195	-
Payments for investment properties	(1,723)	(2,289)
Increase in other non-current assets	(18,432)	(1,026)
Increase in prepayments for equipment	(112,219)	(108,142)
Dividends received from investees	7,016	4,977
(Increase)/decrease in refundable deposits	(3,246)	24,338
Net cash outflow on acquisition of subsidiary	-	(204,414)
Net cash used in investing activities	(512,677)	(1,121,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	17,005,856	15,812,403
Repayments of short-term borrowings	(16,275,352)	(15,009,267)
Increase in short-term bills payable	250,000	120,000
Repayments of corporate bonds	-	(100)
Proceeds from long-term borrowings	300,000	586,000
Repayments of long-term borrowings	(478,709)	(45,487)
Increase/(decrease) in guarantee deposits received	4,697	(569)
Interest paid	(187,914)	(110,671)
Dividends paid to owners of the Company	(1,284,585)	(616,515)
Dividends paid to non-controlling interests	(28,297)	(13,724)
Change in non-controlling interests	(625)	138,726
Net cash (used in)/generated from financing activities	(694,929)	860,796
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	4,122	(361)

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 134,294	$ 254,929
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	964,372	709,443
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,098,666	$ 964,372

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Hsin Kuang Steel Company Limited (the "Company") was incorporated in January 1967. The original paid-in-capital was NT$200 thousand, and ordinary shares were issued subsequently for promoting business expansion and a sound financial structure. The Company's share was approved to be listed on the Taipei Exchange (TPEx) in April 1997 and was approved to transfer to the Taiwan Stock Exchange (TWSE) in August 2000. The Company's shares have been listed on the TWSE since September 2000 under the approval of the Financial Supervisory Commission (FSC) of the Republic of China.

The Company and its subsidiaries (collectively referred to as the "Group") mainly engages in the cutting, stamping and sale of various steel products, including steel coils, steel plates, round steel bar, stainless steel, alloy steel, special steel and SuperDyma.

The consolidated entities were as follows:

Hsin Yuan Investment Co., Ltd. was incorporated on September 22, 1998. The entity mainly engages in investment in various kinds of businesses including manufacturing, securities investment, banking and insurance, etc.

Hsin Ho Fa Metal Co., Ltd. was incorporated on January 28, 2003. The entity engages in the sale of metal products for architecture.

Sinpao Investment Co., Ltd. was incorporated in British Virgin Island (B.V.I.) in 2001. The entity is a holding company of overseas investments.

APEX Wind Power Equipment Manufacturing Company Limited was incorporated on November 10, 2009. The entity mainly engages in the manufacture and sale of metal products and energy related equipment.

Hsin Ching International Co., Ltd. was incorporated on December 18, 2015. The entity mainly engages in leasing and warehousing.

Hsin Hua Steel Industry Co., Ltd. was incorporated on July 25, 2019. The entity mainly engages in processing and manufacturing of metal structures, steel pipe and steel bridge.

Hsin Cheng Logistics Development Co., Ltd. was incorporated on August 19, 2019. The entity mainly engages in leasing and warehousing.

Mason Metal Industry Co., Ltd. was incorporated on July 20, 1990. The entity mainly engages in cutting and processing of automobile steel plate.

The consolidated financial statements are presented in the Group's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 17, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies:

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards. Refer to Note 4 for information relating to the relevant accounting policies.

4) Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that when assessing whether a contract is onerous, the "cost of fulfilling a contract" includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

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

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Group chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group shall recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and the Group shall recognize the cumulative effect of initial application in retained earnings at that date. The Group shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

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

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (referred to as the "2020 amendments") and "Non-current Liabilities with Covenants" (referred to as the "2022 amendments")

   The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

   The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

   The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

3) Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"

   The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. Seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to the owners of the Company.

See Note 12 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized immediately in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Group.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

1) Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

2) Transactions entered into in order to hedge certain foreign currency risks; and

3) Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the functional currencies of foreign operations (including subsidiaries in other countries) and those that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

g. Inventories

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

h. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those and the cost of those are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation for investment properties is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Impairment of property, plant and equipment, right-of-use assets, investment properties and assets related to contract assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and assets related to contract assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such a financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Financial assets are credit impaired when one or more of the following events have occurred: Issuers and borrowers are in severe financial difficulty, breach of contract, or it becoming probable that the borrower will enter bankruptcy or undergo a financial restructuring, or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), operating lease receivables as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, operating lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due, unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and sum of consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at FVTPL

  Financial liabilities are classified as at FVTPL when such financial liabilities is held for trading.

  Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

  Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Contingent liabilities acquired in investments in associates and joint ventures</u>

Contingent liabilities acquired in investments in associates and joint ventures are initially measured at fair value at the acquisition date, when the fair value of the present obligation resulting from past events can be reliably measured. At the end of subsequent reporting periods, such contingent liabilities are measured at their amortized amount. However, if the present obligation amount is assessed to have a probable outflow of resources, the contingent liabilities shall be measured at the higher of the present obligation amount and the amortized amount.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the process of cutting and stamping with wholesale and retail of various steel products. Sales of goods are recognized as revenue when the goods are delivered to the customer’s designated location, the customer has the right to set the price and use of the goods and has the primary responsibility for resale. Advance receipts for pre-determined sales price contracts are recognized as contract liabilities before the products have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the cutting process of steel products. Revenue from a contract to provide services is recognized when services are rendered.

3) Construction contract revenue

Customers control properties while the construction is in progress; thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

o. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the investments in the associate or joint venture.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

As of December 31, 2022 and 2021, the total amount of notes receivable, trade receivables and overdue receivables was NT$4,785,472 thousand and NT$4,397,027 thousand, respectively, which were the net amount after deducting the allowance for impairment loss of NT$44,288 thousand and NT$47,227 thousand, respectively.

b. Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	**2021**
Cash on hand	$ 1,189	$ 1,099
Checking accounts and demand deposits	1,097,477	963,273
	$ 1,098,666	$ 964,372

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2022	**2021**
Bank balance	0.001%-1.05%	0.001%-1.15%

As of December 31, 2022 and 2021, pledged time deposits and restricted demand deposits were NT$22,524 thousand and NT$81,197 thousand, respectively, and were classified as financial assets at amortized cost (refer to Note 9).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	**2021**
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 1,438,031	$ 2,053,203
Mutual funds	146,917	56,770
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	175,982	11,922
	$ 1,760,930	$ 2,121,895
Financial assets - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 272,687	$ 247,857

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2022			
Buy	NTD/USD	2023.01-2023.09	NTD4,376,770/USD150,344
Sell	USD/NTD	2023.07	NTD63,063/USD2,021
December 31, 2021			
Buy	NTD/USD	2022.01-2023.01	NTD4,696,973/USD172,400
Sell	USD/NTD	2022.04	NTD58,837/USD2,121

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
Non-current		
Investments in equity instruments	$ 2,498,747	$ 3,159,429

Investments in equity instruments at FVTOCI

	December 31	
	2022	2021
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - China Steel Corporation	$ 1,346,985	$ 1,636,735
Ordinary shares - Century Wind Power Co., Ltd.	751,344	1,052,520
Unlisted shares		
Ordinary shares - Envirolink Corporation	17,500	17,500
Ordinary shares - Dah Chung Bills Finance Corporation	-	5,506
Ordinary shares - Linkou Entertainment Corporation	4,600	4,600
Ordinary shares - Shin Ji Technology Corporation	3,450	3,450
Ordinary shares - Hua Mian Corporation	1,500	1,500
	2,125,379	2,721,811
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	281,238	354,578
Ordinary shares - Century International Co., Ltd.	92,130	83,040
	373,368	437,618
	$ 2,498,747	$ 3,159,429

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	**2021**
Current		
Domestic investments		
Pledged time deposits	$ 22,524	$ 80,187
Restricted demand deposits	-	1,010
	$ 22,524	$ 81,197

a. The ranges of interest rates for pledged time deposits were 0.2%-0.935% and 0.15%-0.53% per annum as of December 31, 2022 and 2021, respectively.

b. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2022	**2021**
Notes receivable		
Operating - unrelated parties	$ 1,740,817	$ 2,079,643
Less: Allowance for impairment loss	-	(1,778)
	$ 1,740,817	$ 2,077,865
Trade receivables		
At amortized cost - unrelated parties	$ 3,003,006	$ 2,320,396
Less: Allowance for impairment loss	(5,639)	(6,255)
	$ 2,997,367	$ 2,314,141
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 41,649	$ 44,215
Less: Allowance for impairment loss	(38,649)	(39,194)
	$ 3,000	$ 5,021

a. Notes receivable and trade receivables

The average credit period of sales of goods was 90-150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial source or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix considering the past default records of the debtor, an analysis of the debtor's current financial position, any credit insurance and recoverable amount as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2022

	Not Past Due	1 to 30 Days Past Due	31 Days to 1 Year Past Due	1 to 2 Years Past Due	Over 2 Years Past Due	Total
Expected credit loss rate	0.12%	0.00%	100.00%	0.00%	0.00%	
Gross carrying amount	$ 4,743,109	$ -	$ 714	$ -	$ -	$ 4,743,823
Loss allowance (Lifetime ECL)	(4,925)	-	(714)	-	-	(5,639)
Amortized cost	$ 4,743,184	$ -	$ -	$ -	$ -	$ 4,738,184

December 31, 2021

	Not Past Due	1 to 30 Days Past Due	31 Days to 1 Year Past Due	1 to 2 Years Past Due	Over 2 Years Past Due	Total
Expected credit loss rate	0.18%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	$ 4,400,039	$ -	$ -	$ -	$ -	$ 4,400,039
Loss allowance (Lifetime ECL)	(8,033)	-	-	-	-	(8,033)
Amortized cost	$ 4,392,006	$ -	$ -	$ -	$ -	$ 4,392,006

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 8,033	$ 3,317
Add: Acquisition through business combinations	-	5,007
Less: Net remeasurement of loss allowance	(2,394)	(291)
Balance at December 31	$ 5,639	$ 8,033

Compared to January 1, 2022 and 2021, the decrease in loss allowance of NT$2,394 thousand and increase of NT$4,716 thousand at December 31, 2022 and 2021, respectively, resulted from the changes in the gross carrying amounts of notes receivables and trade receivables, which increased by NT$343,784 thousand and NT$980,490 thousand, respectively.

Refer to Note 32 for information relating to notes receivable pledged as security for borrowings.

b. Overdue receivables

Overdue receivable balances that were past due but for which no allowance for impairment loss was recognized were NT$3,000 thousand and NT$5,021 thousand as of December 31, 2022 and 2021, respectively, which are disclosed in the aging analysis below. The Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group holds collateral or other credit enhancements for these balances. In addition, the Group did not have the legal right to off-set the overdue receivables with trade payables from the same counterparty.

The aging of overdue receivables that were past due but not impaired was as follows:

	December 31	
	2022	2021
Up to 90 days	$ -	$ -
90-365 days	-	2,021
Over 365 days	3,000	3,000
	$ 3,000	$ 5,021

The above aging schedule was based on the number of days from the invoice date.

The movements of the loss allowance of overdue receivables were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 39,194	$ 73,359
Add: Net remeasurement of loss allowance	129	1,926
Less: Net remeasurement of loss allowance	(674)	(14,824)
Less: Amounts written off	-	(21,267)
Balance at December 31	$ 38,649	$ 39,194

The Group recognized an impairment loss on overdue receivables amounting to NT$38,649 thousand and NT$39,194 thousand as of December 31, 2022 and 2021, respectively. These amounts mainly related to customers that the Group was pursuing legal claims. Impairment losses recognized is the difference between the carrying amount of overdue receivables and its recoverable amount. The Group held chattel pledged as collateral over these balances.

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	$ 4,387,975	$ 5,390,166
Finished goods	606,082	684,713
Work in process	184,188	75,358
Raw materials in transit	165,280	416,577
	$ 5,343,525	$ 6,566,814

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	$ 15,485,845	$ 10,666,577
Inventory write-downs	111,144	840
	$ 15,596,989	$ 10,667,417

As of December 31, 2022 and 2021, the allowance for inventory write-downs were NT$120,301 thousand and NT$9,157 thousand, respectively.

Inventory write-downs were accrued as a result of the fluctuation in the market price of the steel market.

12. SUBSIDIARIES

			Proportion of Ownership (%)	
			December 31	
Investor	Investee	Nature of Business	2022	2021
Hsin Kuang Steel Corporation	Hsin Yuan Investment Co., Ltd.	Trading of listed marketable securities	100.00	100.00
Hsin Kuang Steel Corporation	Hsin Ho Fa Metal Co., Ltd.	Sale of metal products for architecture	83.37	83.37
Hsin Kuang Steel Corporation	Sinpao Investment Co., Ltd.	Investment	99.82	99.82
Hsin Kuang Steel Corporation	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	66.71	66.71
Hsin Kuang Steel Corporation	Hsin Ching International Co., Ltd.	Leasing and warehousing	60.00	60.00
Hsin Kuang Steel Corporation	Hsin Cheng Logistics Development Co., Ltd.	Leasing and warehousing	100.00	100.00
Hsin Kuang Steel Corporation	Mason Metal Industry Co., Ltd.	Cutting and processing of automobile steel plate	80.00	80.00
Hsin Yuan Investment Co., Ltd.	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	1.00	1.00

(Continued)

Investor	Investee	Nature of Business	Proportion of Ownership (%) December 31 2022	2021
Hsin Yuan Investment Co., Ltd.	Hsin Hua Steel Industry Co., Ltd.	Process and manufacture of metal structures, architectural components and steel products	100.00	100.00
Hsin Ho Fa Metal Co., Ltd.	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	2.73	2.73
Sinpao Investment Co., Ltd.	Mason Metal Industry Co., Ltd.	Cutting and processing of automobile steel plate	1.00	1.00

(Concluded)

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2022	2021
Investments in associates	$ 519,840	$ 306,794

In order to strengthen the Group's plan on integrating the steel cutting and logistics services in the south of Taichung and to enhance the diversity of the Group's supply services, on December 15, 2021, the Group purchased 15,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. at NT$13.19 per share, which equaled to 31.00% of equity, for a total amount of NT$204,414 thousand. The proportion of the Group's ownership increased from 50.00% to 81.00%, and the Group obtained control of Mason Metal Industry Co., Ltd. As a result of the acquisition, Mason Metal Industry Co., Ltd. became a subsidiary of the Company. The Company remeasured its investment in equity interest before the transaction at fair value and recognized a gain on remeasurement of NT$36,000 thousand and bargain purchase gain of NT$136,024 thousand (refer to Note 27).

a. Investments in associates

	December 31 2022	2021
Material associate	$ 412,676	$ 218,596
Associates that are not individually material	107,164	88,198
	$ 519,840	$ 306,794

1) Material associate

Name of Associate	Nature of Business	Proportion of Ownership and Voting Rights December 31 2022	2021
Duo Yuan Solar Corporation	Renewable energy private power generation equipment	20.00%	20.00%

In 2022 and 2021, the Group acquired 21,000 thousand and 18,000 thousand ordinary shares of Duo Yuan Solar Corporation in cash for a total amount of NT$210,000 thousand and NT$180,000 thousand, respectively. The proportion of the Group's ownership after the acquisition was 20.00%.

The Company pledged 44,000 thousand shares of Duo Yuan Solar Corporation as collateral for bank borrowings (refer to Note 32 and Table 1).

Duo Yuan Solar Corporation

	December 31	
	2022	2021
Current assets	$ 421,913	$ 110,470
Non-current assets	4,633,271	1,875,239
Current liabilities	(340,807)	(868,576)
Non-current liabilities	(2,650,998)	(15,757)
Equity	$ 2,063,379	$ 1,101,376
Proportion of the Group's ownership	20%	20%
Equity attributable to the Group	$ 412,676	$ 220,275
Carrying amount	$ 412,676	$ 220,275

	For the Year Ended December 31	
	2022	2021
Operating revenue	$ 61,073	$ 2,473
Net loss for the year	$ (87,997)	$ (33,581)
Total comprehensive loss for the year	$ (87,997)	$ (33,581)

2) Aggregate information of associates that are not individually material is as follows:

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net income	$ 6,182	$ 6,440
Total comprehensive income for the year	$ 6,182	$ 6,440

b. Investments in joint ventures

In order to promote upstream and downstream strategic alliance, strengthen sales and increase the added value of its products, the Group purchased 25,000 thousand ordinary shares of Mason Metal Industry Co., Ltd. on October 6, 2017 at a price of NT$11.55 per share resulting in a total of 50% of shareholder rights. The total purchase price was NT$288,647 thousand. Under the joint venture agreement, the Group can assign three out of six members of the board of directors of Mason Metal Industry Co., Ltd. Therefore, the Group has a significant influence, and joint control with the other company, over Mason Metal Industry Co., Ltd.

On December 15, 2021, the Group acquired additional equity interests of 31% of Mason Metal Industry Co., Ltd., thereby increasing the proportion of the Group's ownership to 81.00%. The Group obtained control over Mason Metal Industry Co., Ltd. and listed it as a subsidiary. Refer to Note 13-a.

The summarized financial information below represents the amount shown in the joint ventures' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Mason Metal Industry Co., Ltd.

	January 1 to December 15, 2021 (Acquisition Date)
Operating revenue	$ 1,855,203
Depreciation and amortization expense	$ 17,504
Interest income	$ 21
Interest expense	$ 4,308
Income tax expense	$ 25,660
Net profit	$ 102,907
Total comprehensive income	$ 102,907

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Group	$ 4,168,757	$ 3,821,909

Assets Used by the Group

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Leased Assets	Property under Construction and Equipment Awaiting Inspection	Total
Cost								
Balance at January 1, 2022	$ 2,011,571	$ 1,265,610	$ 1,430,865	$ 226,555	$ 66,829	$ 46,210	$ 204,206	$ 5,251,846
Additions	-	6,351	14,005	855	13,940	1,504	205,861	242,516
Disposals	-	(5,184)	(580)	(5,266)	(2,185)	-	-	(13,215)
Reclassified	173,317	30,932	37,369	7,560	10,228	1,575	(23,550)	237,430
Balance at December 31, 2022	$ 2,184,888	$ 1,297,709	$ 1,481,659	$ 229,704	$ 88,812	$ 49,289	$ 386,517	$ 5,718,577
Accumulated depreciation and impairment								
Balance at January 1, 2022	$ -	$ 408,965	$ 829,924	$ 153,244	$ 25,165	$ 12,639	$ -	$ 1,429,937
Depreciation expense	-	36,701	62,273	13,899	9,106	4,520	-	126,499
Disposals	-	(5,184)	(325)	(5,265)	(2,004)	-	-	(12,778)
Reclassified	-	6,162	-	-	-	-	-	6,162
Balance at December 31, 2022	$ -	$ 446,644	$ (891,872)	$ 161,878	$ 32,267	$ 17,159	$ -	$ 1,549,820
Carrying amount at December 31, 2022	$ 2,184,888	$ 851,065	$ 589,787	$ 67,826	$ 56,545	$ 32,130	$ 386,517	$ 4,168,757
Cost								
Balance at January 1, 2021	$ 2,557,336	$ 1,175,182	$ 1,104,892	$ 155,792	$ 45,424	$ 32,160	$ 1,164,789	$ 6,235,575
Acquisitions through business combinations	681,460	135,440	315,916	44,835	9,146	3,479	-	1,190,276
Additions	78	1,235	9,685	9,929	4,218	1,023	609,533	635,701
Disposals	-	(5,958)	(29,491)	(8,069)	-	-	-	(43,518)
Reclassified	(1,227,303)	(40,289)	29,863	24,068	8,041	9,548	(1,570,116)	(2,766,188)
Balance at December 31, 2021	$ 2,011,571	$ 1,265,610	$ 1,430,865	$ 226,555	$ 66,829	$ 46,210	$ 204,206	$ 5,251,846

(Continued)

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Leased Assets	Property under Construction and Equipment Awaiting Inspection	Total
Accumulated depreciation and impairment								
Balance at January 1, 2021	$ -	$ 300,782	$ 514,055	$ 107,453	$ 13,331	$ 5,584	$ -	$ 941,205
Acquisitions through business combinations	-	97,153	272,194	36,852	5,873	2,776	-	414,848
Depreciation expense	-	31,109	77,906	13,088	6,188	4,279	-	132,570
Disposals	-	(4,346)	(26,270)	(4,149)	-	-	-	(34,765)
Reclassified	-	(15,733)	(7,961)	-	(227)	-	-	(23,921)
Balance at December 31, 2021	$ -	$ 408,965	$ 829,924	$ 153,244	$ 25,165	$ 12,639	$ -	$ 1,429,937
Carrying amount at December 31, 2021	$ 2,011,571	$ 856,645	$ 600,941	$ 73,311	$ 41,664	$ 33,571	$ 204,206	$ 3,821,909

(Concluded)

No impairment loss was recognized or reversed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	10-55 years
Building construction	3-20 years
Equipment	
Main equipment	5-20 years
Equipment maintenance	3-8 years
Transportation equipment	
Truck and automotive	5-8 years
Stacker	5-9 years
Automotive accessories	3-5 years
Miscellaneous equipment	
Computer equipment	3-10 years
Office equipment and construction	3-10 years

The Group purchased land located in Guanyin for operational use from 2005 to 2020. As of December 31, 2022, the total land space purchased was 56,005.16 square meters, with a carrying amount of NT$301,747 thousand. The law stipulates that an entity may not have ownership of land which is registered for agricultural purposes. Therefore, the Group held the land through the signing of the real estate trust agreement with an individual. As a protective measure, the Group signed a contract with the landowner who held the land ownership certificate and registered the ownership certificate, which stated that all the rights and obligations of the land belong to the Group.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 32.

15. INVESTMENT PROPERTIES

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Leasehold Improvements	Total
Cost				
Balance at January 1, 2022	$ 1,612,154	$ 2,216,234	$ 47,979	$ 3,876,367
Additions	-	1,723	-	1,723
Disposals	(17,722)	(18,512)	-	(36,234)
Reclassified	(173,317)	134,087	16,554	(22,676)
Balance at December 31, 2022	$ 1,421,115	$ 2,333,532	$ 64,533	$ 3,819,180
Accumulated depreciation and impairment				
Balance at January 1, 2022	$ -	$ 86,065	$ 24,100	$ 110,165
Depreciation expense	-	51,157	9,314	60,471
Disposals	-	(4,027)	-	(4,027)
Reclassified	-	(6,162)	-	(6,162)
Balance at December 31, 2022	$ -	$ 127,033	$ 33,414	$ 160,447
Carrying amount at December 31, 2022	$ 1,421,115	$ 2,206,499	$ 31,119	$ 3,658,733
Cost				
Balance at January 1, 2021	$ 372,083	$ 605,628	$ 47,979	$ 1,025,690
Additions	864	1,425	-	2,289
Disposals	-	-	-	-
Reclassified	1,239,207	1,609,181	-	2,848,388
Balance at December 31, 2021	$ 1,612,154	$ 2,216,234	$ 47,979	$ 3,876,367
Accumulated depreciation and impairment				
Balance at January 1, 2021	$ -	$ 45,085	$ 17,015	$ 62,100
Depreciation expense	-	17,059	7,085	24,144
Disposals	-	-	-	-
Reclassified	-	23,921	-	23,921
Balance at December 31, 2021	$ -	$ 86,065	$ 24,100	$ 110,165
Carrying amount at December 31, 2021	$ 1,612,154	$ 2,130,169	$ 23,879	$ 3,766,202

The investment properties were leased out for 2 to 10 years, without an option to extend. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

In addition to the fixed lease payments, the lease contracts also indicates that the lease payments should be adjusted every 2 or 3 years on the basis of the increase in Price Index.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Year 1	$ 294,233	$ 314,746
Year 2	279,446	293,736
Year 3	265,344	279,062
Year 4	247,179	265,280
Year 5	241,801	247,179
Year 6 onwards	686,862	928,663
	$ 2,014,865	$ 2,328,666

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	25-55 years
Building construction	6-15 years
Leasehold improvements	5-15 years

The determination of fair value was performed by independent qualified professional appraisers at the end of each reporting period. The fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	December 31	
	2022	2021
Fair value	$ 7,390,214	$ 7,466,464

The investment properties pledged as collateral for bank borrowings are set out in Note 32.

16. OTHER ASSETS

	December 31	
	2022	2021
Current		
Other receivables	$ 28,974	$ 17,789
Tax refund receivable	-	20,906
Temporary payments	-	6,010
Payment on behalf of others	631	-
	$ 29,605	$ 44,705

(Continued)

	December 31	
	2022	2021
Non-current		
Refundable deposits	$ 17,103	$ 13,856
Prepayments for equipment	64,429	54,414
Overdue receivables	3,000	5,021
Others	9,296	8,583
	$ 93,828	$ 81,874

(Concluded)

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Secured borrowings (Notes 30 and 32)		
Bank loans	$ 10,000	$ 300,000
Issuance credit payable	1,110,746	918,470
	1,120,746	1,218,470
Unsecured borrowings		
Line of credit borrowings (Note 30)	1,671,135	7,150
Issuance credit payable	4,414,113	5,230,887
	6,085,248	5,238,037
	$ 7,205,994	$ 6,456,507

The range of weighted average effective interest rates on bank loans was 1.51%-6.29% and 0.58%-1.45% per annum as of December 31, 2022 and 2021, respectively.

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper (Note 30)	$ 550,000	$ 300,000
Less: Unamortized discount on bills payable	(854)	(186)
	$ 549,146	$ 299,814

Outstanding short-term bills payable were as follows:

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 50,000	$ 131	$ 49,869	2.14%	Head office	$ 19,768
B bank	100,000	18	99,982	2.04%	-	-
C bank	100,000	260	99,740	2.14%	-	-
D bank	300,000	445	299,555	1.97%	-	-
	$ 550,000	$ 854	$ 549,146			

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 100,000	$ 37	$ 99,963	1.07%	Head office	$ 16,894
B bank	100,000	57	99,943	1.06%	-	-
C bank	100,000	92	99,908	1.05%	-	-
	$ 300,000	$ 186	$ 299,814			

c. Long-term borrowings

	December 31	
	2022	2021
Secured borrowings (Notes 30 and 32)		
Syndicated bank loans - Yushan Bank (1)	$ 1,800,000	$ 2,000,000
Bank loans - Chang Hwa Bank Sanchungpu Branch (2)	239,583	250,000
Bank loans - Banking Division of Mega Bank (3)	97,368	107,894
Bank loans - Land Bank of Taiwan (4)	86,000	86,000
Bank loans - Chang Hwa Bank (5)	-	172,312
Bank loans - Mega International Commercial Bank (6)	294,545	80,000
	2,517,496	2,696,206
Less: Current portions	(496,814)	(300,943)
Syndicated loan fees	(16,640)	(5,409)
	(513,454)	(306,352)
Long-term borrowings	$ 2,004,042	$ 2,389,854

1) On December 13, 2018, the Group signed a joint credit line contract with Yushan Bank, and such syndicated loan was collateralized by the Group's freehold land and plant (refer to Note 32). The credit line of loan item A is NT$2,300,000 thousand, and the total credit line of loan items B and C is not more than NT$2,700,000 thousand. The credit line of loan item A is not allowed to be used as a revolving credit. It shall be used in installments within 24 months from the date of first use, and the overdue credit will be cancelled and may not be used again. The outstanding principal balance that has been used at the expiration date has to be repaid in three installments. The first period is 36 months after the date of first use by repaying 10% of the balance, the second period is 12 months after the first period by repaying 20% of the balance, and the third period is 12 months after the second period by repaying 70% of the balance.

   Loan item B is a revolving credit line with a 5-year period from the date of first use. Loan item C is a revolving credit line with a 5-year period from the date of first use of the commercial promissory notes (included in Long-term bills payable) issued by the Group. The revolving credit line of loan items B and C would be reduced at the end of each period, for a total of 3 periods. The first period is 36 months after the date of first use, and then every 12 months thereafter per period. The revolving credit line will be reduced by 10% at the first period, reduced by 20% at the second period, and reduced by 70% at the third period. Each time the credit line is reduced, the amount exceeding the remaining credit line shall be repaid at once.

   During the loan period, the current ratio, debt ratio and times interest earned ratio, which shall be calculated based on the annual financial audit report, shall meet the criteria as stipulated in the agreement. If the financial ratios do not meet the criteria, the Group shall remedy within nine months after the end of the fiscal year in order not to be considered as a breach of the agreement. The weighted average effective interest rates were 1.82% and 1.79% per annum as of December 31, 2022 and 2021, respectively.

2) In April 2019, the Group acquired NT$250,000 thousand of bank loans from Chang Hwa Bank Sanchungpu Branch, secured by the Group's freehold land (refer to Note 32), which mature in April 2034. The grace period is 3 years, during which interest shall be paid by 26th of each month. Starting from April 26, 2022, the repayment of principal is divided into 48 equal installments of every 3 months, and each repayment principal as well as interest calculated on the outstanding balance shall be paid by 26th of each month. The weighted average effective interest rates were 1.81% and 1.31% per annum as of December 31, 2022 and 2021, respectively.

3) In January 2017, the Group acquired NT$150,000 thousand of syndicated bank loans from the Banking Division of Mega Bank, secured by the Group's freehold land (refer to Note 32), which will mature in January 2032. Starting from January 2018, the repayment of principal is divided into 57 installments of every 3 months, with NT$2,632 thousand per installment. The weighted average effective interest rates were 2.10% and 1.44% per annum as of December 31, 2022 and 2021, respectively.

4) In September 2021, the Group acquired NT$86,000 thousand of bank loans from the Land Bank of Taiwan, secured by machinery and equipment provided by the Group (refer to Note 32), which will mature in September 2024. Starting from the borrowing date, interest will be paid once a month, and the principal should be repaid on the maturity date or when the midterm loan for land purchase (collateralized) is acquired. The weighted average effective interest rates were 1.90% and 1.44% per annum as of December 31, 2022 and 2021, respectively.

5) In September 2021, the Group acquired NT$200,000 thousand of unsecured bank loans from Chang Hwa Bank which will mature in June 2024. As of December 31, 2022, the principal was fully repaid. The weighted average effective interest rate was 1.55% per annum as of December 31, 2021.

6) In November 2017, the Group acquired NT$80,000 thousand of bank loans from Mega International Commercial Bank, secured by the Group's freehold land and buildings (refer to Note 32), which will mature in November 2022. The loan was fully repaid in one lump sum in May 2022, and the Group made another loan of NT$294,545 thousand in June 2022, which will mature in June 2027. Starting from the borrowing date, interest will be paid once a month, and the principal will be paid in installments. The weighted average effective interest rate was 2.10% per annum as of December 31, 2022.

d. Long-term bills payable

	December 31	
	2022	2021
Commercial paper issued under syndicated bank loans - Yushan Bank	$ 2,400,000	$ 2,400,000
Less: Unamortized discount	(485)	(1,245)
	$ 2,399,515	$ 2,398,755

The Group issued commercial paper under syndicated bank loans - Yushan Bank with terms of 5 years. The weighted average effective interest rate was 1.98%-2.19% and 1.15%-1.21% per annum as of December 31, 2022 and 2021, respectively. Refer to c. long-term borrowings item 1 for more information.

18. UNSECURED DOMESTIC CONVERTIBLE BONDS

On November 9, 2017, the Group issued 6 thousand units of 0% NT-denominated unsecured convertible bonds with a 5-year period in Taiwan, for an aggregate principal amount of NT$601,200 thousand, which was issued at 100.2% of the nominal amount.

Each bond entitles the holder to convert it into ordinary shares of the Group at a conversion price of NT$36. If the Group increases its ordinary shares after the bond issuance, the conversion price will be adjusted by Article 11 of the Regulation Governing the Company's 5th Unsecured Convertible Bond Issuance and Conversion. Conversion may occur at any time between February 10, 2018 and November 9, 2022. The holder can notify the Group 30 days before the expiry of 3 years and 4 years from issuance to request the Group the accrued interest based on the bond's denomination value (the 3-year interest compensation is 3.03%, 4-year interest compensation is 4.06%) and redeem the bonds by cash.

The convertible bonds contained two components: The host liability instrument and the conversion option derivative instrument. The effective interest rate of the host liability on initial recognition was 2.61% per annum, and the conversion option derivative instruments were measured at FVTPL.

The Group redeemed the convertible bonds based on Article 17 item 1 of the Regulation Governing the Company's Convertible Bond Issuance and Conversion and suspended trading on the TPEx on July 19, 2021.

Movements of the host liability instruments were as follows:

	Host Liability Instruments
Balance at January 1, 2021	$ 388,555
Interest charged at the effective interest rate	5,236
Corporate bonds payable converted into ordinary shares	(393,691)
Redeemed convertible bonds	(100)
The host liability instrument at end of the year	-
Less: Current portions	-
Balance at December 31, 2021	$ -

Movements of the conversion option derivative instrument were as follows:

	Conversion Option Derivative Instrument
Balance at January 1, 2021	$ 455
Loss from the change of fair value	(10,377)
Converted into ordinary shares	9,922
Balance at December 31, 2021	$ -

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
Notes payable		
Operating - unrelated parties	$ 392,838	$ 605,105
Trade payables		
Operating - unrelated parties	$ 250,565	$ 178,167

20. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	$ 144,632	$ 253,807
Interest payable	39,191	7,111
Other accrued expenses	55,616	75,861
Other payables	87,470	225,814
	$ 326,909	$ 562,593

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Among the Group, the Company, Hsin Yuan Investment Co., Ltd., Hsin Ho Fa Metal Co., Ltd., APEX Wind Power Equipment Manufacturing Company Limited, Hsin Ching International Co., Ltd., Mason Metal Industry Co., Ltd. and Hsin Hua Steel Industry Co., Ltd. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plans adopted by the Company and Mason Metal Industry Co., Ltd. within the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	$ 99,309	$ 108,437
Fair value of plan assets	(66,149)	(63,379)
Net defined benefit liabilities	$ 33,160	$ 45,058

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	$ 53,263	$ (27,568)	$ 25,695
Acquisitions through business combinations	54,932	(38,071)	16,861
Service cost			
Current service cost	247	-	247
Net interest expense (income)	374	(258)	116
Recognized in profit or loss	621	(258)	363
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	(34)	(380)	(414)
Actuarial (gain) loss			
Changes in demographic assumptions	2,254	-	2,254
Changes in financial assumptions	(492)	-	(492)
Experience adjustments	3,154	-	3,154
Recognized in other comprehensive income	4,882	(380)	4,502
Contributions from the employer	-	(2,363)	(2,363)
Benefits paid	(5,261)	5,261	-
Balance at December 31, 2021	108,437	(63,379)	45,058
Service cost			
Current service cost	612	-	612
Net interest expense (income)	542	(325)	217
Recognized in profit or loss	1,154	(325)	829
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,141)	(5,141)
Actuarial (gain) loss			
Changes in demographic assumptions	70	-	70
Changes in financial assumptions	(4,938)	-	(4,938)
Experience adjustments	1,680	-	1,680
Recognized in other comprehensive income	(3,188)	(5,141)	(8,329)
Contributions from the employer	-	(4,291)	(4,291)
Benefits paid	(6,987)	6,987	-
XXX	(107)	-	(107)
Balance at December 31, 2022	$ 99,309	$ (66,149)	$ 33,160

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	$ 354	$ 52
Selling and marketing expenses	$ 420	$ 253
General and administrative expenses	$ 55	$ 35

Through the defined benefit plan under the Labor Standards Act, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest 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 plan's debt investments.

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	**2021**
Discount rates	1.38%	0.50%
Expected rates of salary increase	2.00%	1.50%-2.00%

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

	December 31	
	2022	**2021**
Discount rates		
0.25% increase	$ (1,830)	$ (2,200)
0.25% decrease	$ 1,885	$ 2,272
Expected rates of salary increase/decrease		
0.25% increase	$ 1,841	$ 2,205
0.25% decrease	$ (1,796)	$ (2,147)

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

	December 31	
	2022	**2021**
Expected contributions to the plans for the next year	$ 3,603	$ 3,465
Average duration of the defined benefit obligation	7.1-7.8 years	7.6-8.6 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	360,000	360,000
Shares authorized	$ 3,600,000	$ 3,600,000
Number of shares issued and fully paid (in thousands)	321,146	321,146
Shares issued	$ 3,211,463	$ 3,211,463

The shares issued had a par value of NT$10. Each share entitles the rights to dividends and to vote.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premiums	$ 906,797	$ 906,797
May only be used to offset a deficit (2)		
Changes in percentage of ownership interests in subsidiaries	6	6
May not be used for any purpose (3)		
Employee share options	36,648	36,648
	$ 943,451	$ 943,451

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from changes in capital surplus of subsidiaries accounted for using the equity method.

3) Such capital surplus is used primarily for subsequent matters related to the transaction and may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors in Note 24-g.

To ensure the interests of shareholders and the Company's sustainable development, the Company adopts a balanced dividends policy. The dividends payment principle shall be determined on the basis of the current and forthcoming development plan, considering the investing environment, demanding for funds, domestic and foreign competition, and shareholders' interests. The Company shall, in accordance with the capital budget plan for the following year, determine the most appropriate dividend policy. After the board of directors resolve the distribution plan, such plan will be subject to the resolution in the shareholders' meeting.

The issuance of dividends may be distributed in cash or share dividends. Among the dividends payment, no less than 30% shall be paid in cash.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, No. 1010047490, and No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020 approved in the shareholders' meetings on June 15, 2022 and July 22, 2021, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2021	**2020**
Legal reserve	$ 277,792	$ 82,418
Special reserve	$ -	$ (108,259)
Cash dividends	$ 1,284,585	$ 462,386
Cash dividends distributed from capital surplus	$ -	$ 154,129
Cash dividends per share (NT$)	$ 4.0	$ 1.5
Cash dividends per share distributed from capital surplus (NT$)	$ -	$ 0.5

The appropriation of earnings for 2022 was proposed by the Company's board of directors on March 17, 2023. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2022	Dividends Per Share (NT$)
Legal reserve	$ 45,906	$ -
Cash dividends	$ 321,416	$ 1

The appropriation of earnings for 2022 is subject to the resolution in the shareholders' meeting to be held on June 15, 2023.

d. Special reserve

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ -	$ 108,259
Appropriations in respect of debits to other equity items	-	(108,259)
Balance at December 31	$ -	$ -

e. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ (8,580)	$ (5,701)
Exchange differences on translating the financial statements of foreign operations	10,549	(2,879)
Balance at December 31	$ 1,969	$ (8,580)

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 1,386,055	$ 728,354
Recognized for the year		
Unrealized gain (loss) - equity instruments	(713,606)	657,701
Balance at December 31	$ 672,449	$ 1,386,055

f. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 716,469	$ 429,976
Attributable to non-controlling interests:		
Share of profit (loss) for the year	24,005	50,565
Exchange difference on translation of the financial statements of foreign operations	26	8
Dividends distributed by subsidiaries	(28,297)	(13,724)
Changes in percentage of ownership interests in subsidiaries	1,059	-
Changes of non-controlling interests	(624)	249,644
Balance at December 31	$ 712,638	$ 716,469

23. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sales of goods	$ 16,447,500	$ 13,478,570
Revenue from processing	240,781	299,677
Rental income	308,379	171,572
Construction contract revenue	158,872	153,223
	$ 17,155,532	$ 14,103,042

a. Contract balances

	December 31	
	2022	2021
Trade receivables (Note 10)	$ 2,997,367	$ 2,314,141
Contract asset - current		
Construction of properties	$ 27,769	$ 15,852
Contract asset - non-current		
Construction of properties	$ -	$ -
Contract liabilities - current		
Sales of goods	$ 310,860	$ 418,477
Construction of properties	484	990
	$ 311,344	$ 419,467

b. Refer to Note 36 for details of revenue.

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income		
Financial assets at FVTPL	$ 49,007	$ 56,277
Financial assets at FVTOCI	164,968	44,497
Others	34,143	26,326
	$ 248,118	$ 127,100

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on remeasurement of investments accounted for using the equity method	$ -	$ 36,000
Net loss on disposal of property, plant and equipment	103	(1,673)
Gain on disposal of investment properties	6,007	-
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	(239,787)	412,753
Net foreign exchange gains	112,044	28,364
Other losses	(3,386)	-
	$ (125,019)	$ 475,444

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 222,517	$ 133,297
Interest on bonds payable	-	5,236
Less: Amounts included in the cost of qualifying assets	(2,431)	(26,353)
	$ 220,086	$ 112,180

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest	$ 2,431	$ 26,353
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	$ 126,499	$ 132,570
Investment properties	60,471	24,144
Right-of-use assets	1,951	163
Long-term prepayments	8,497	5,987
	$ 197,418	$ 162,864
An analysis of depreciation by function		
Operating costs	$ 169,445	$ 140,192
Operating expenses	19,476	16,685
	$ 188,921	$ 156,877
An analysis of amortization by function		
Operating costs	$ 4,965	$ 2,906
Operating expenses	3,532	3,081
	$ 8,497	$ 5,987

e Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2022	2021
Direct operating expenses of investment properties generating rental income	$ 105,650	$ 48,251

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 481,468	$ 518,632
Post-employment benefits (Note 21)		
Defined contribution plans	11,860	8,650
Defined benefit plans	829	363
	$ 494,157	$ 527,645
An analysis of employee benefits expense by function		
Operating costs	$ 271,567	$ 198,145
Operating expenses	222,590	329,500
	$ 494,157	$ 527,645

g. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 17, 2023 and March 16, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	**2021**
Compensation of employees	3%	3%
Remuneration of directors	3%	2%

Amount

	For the Year Ended December 31	
	2022	**2021**
	Cash	**Cash**
Compensation of employees	$ 18,388	$ 102,392
Remuneration of directors	$ 18,388	$ 68,261

If there is a change in the amounts after the consolidated financial statements were authorized for issuance, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors for the year ended December 31, 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	**2021**
Foreign exchange gains	$ 502,238	$ 162,883
Foreign exchange losses	(390,194)	(134,519)
	$ 112,044	$ 28,364

25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 144,482	$ 514,546
Income tax on unappropriated earnings	65,158	20,052
Integrated house and land tax	645	-
Adjustments for prior years	556	3,943
	210,841	538,541
Deferred tax		
In respect of the current year	31,391	(1,011)
Income tax expense recognized in profit or loss	$ 242,232	$ 537,530

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before income tax	$ 659,800	$ 3,308,368
Income tax expense calculated at the statutory rate	$ 145,229	$ 726,040
Non-deductible expenses and non-taxable income	66,979	(161,664)
Tax-exempt income	(42,792)	(20,100)
Income tax on unappropriated earnings	65,158	20,052
Integrated house and land tax	645	-
Additional income tax under the Alternative Minimum Tax Act	3,968	4,987
Unrecognized loss carryforwards and investment credits	(1,518)	(21,090)
Unrecognized deductible temporary differences	409	(15,147)
Loss carryforwards used	3,993	-
Effects of different tax rates of the Group entities operating in other jurisdictions	(395)	509
Adjustments for prior years' tax	556	3,943
Income tax expense recognized in profit or loss	$ 242,232	$ 537,530

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 2,637	$ (720)
Remeasurement on defined benefit plans	1,665	(900)
Total income tax expense/(benefit) recognized in other comprehensive income	$ 4,302	$ (1,620)

c. Current tax assets and liabilities

	December 31 2022	December 31 2021
Current tax assets		
Tax refund receivable	$ -	$ 20,906
Current tax liabilities		
Income tax payable	$ 198,010	$ 503,115

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Acquisitions through Business Combinations	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
Reversal of write-downs of inventories	$ 864	$ -	$ 23,195	$ -	$ 24,059
FVTPL financial assets	-	-	3	-	3
Losses on foreign currency exchange	3	-	276	-	279
Unrealized gross profit	23,716	-	(13,607)	-	10,109
Defined benefit obligation	7,853	-	(710)	(1,665)	5,478
Unrealized sales discounts	878	-	(244)	-	634
Warranty provision	-	-	452	-	452
Exchange differences on translation of the financial statements of foreign operations	2,146	-	-	(2,146)	-
Differences between carrying amount and fair value of assets	5,720	-	-	-	5,720
Investment tax credits	-	-	1,531	-	1,531
Loss carryforwards	24,295	-	(10,955)	-	13,340
	$ 65,475	$ -	$ (59)	$ (3,811)	$ 61,605
Deferred tax liabilities					
Temporary differences					
FVTPL financial assets	$ 2,385	$ -	$ 32,816	$ -	$ 35,201
Gains or losses on foreign currency exchange	1,556	-	(1,481)	-	75
Exchange differences on translation of the financial statements of foreign operations	-	-	-	491	491
Differences between carrying amount and fair value of assets	108,653	-	-	-	108,653
	$ 112,594	$ -	$ 31,335	$ 491	$ 144,420

For the year ended December 31, 2021

	Opening Balance	Acquisitions through Business Combinations	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
Reversal of write-downs of inventories	$ -	$ 701	$ 163	$ -	$ 864
FVTPL financial assets	23,732	-	(23,732)	-	-
Losses on foreign currency exchange	-	-	3	-	3
Unrealized gross profit	19,835	-	3,881	-	23,716
Defined benefit obligation	3,986	3,419	(452)	900	7,853
Allowance for impairment loss on receivables	7,932	-	(7,932)	-	-
Unrealized sales discounts	-	878	-	-	878
Exchange differences on translation of the financial statements of foreign operations	1,426	-	-	720	2,146
Differences between carrying amount and fair value of assets	-	5,720	-	-	5,720
Loss carryforwards	7,654	-	16,641	-	24,295
	$ 64,565	$ 10,718	$ (11,428)	$ 1,620	$ 65,475
Deferred tax liabilities					
Temporary differences					
FVTPL financial assets	$ -	$ -	$ 2,385	$ -	$ 2,385
Convertible bonds	2,076	-	(2,076)	-	-
Gains or losses on foreign currency exchange	14,304	-	(12,748)	-	1,556
Differences between carrying amount and fair value of assets	-	108,653	-	-	108,653
	$ 16,380	$ 108,653	$ (12,439)	$ -	$ 112,594

e. The aggregate amount of temporary differences associated with investments for which deferred tax assets have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax assets have been recognized were $136,702 thousand and $134,742 thousand, respectively.

f. Income tax assessments

The income tax returns through 2020 and income tax returns on unappropriated earnings through 2019 of the Company and its subsidiaries, except for Hsin Hua Steel Industry Co., Ltd., Hsin Ho Fa Metal Co., Ltd. and Mason Metal Industry Co., Ltd. have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share		
From continuing operations	$ 1.23	$ 8.62
Diluted earnings per share		
From continuing operations	$ 1.22	$ 8.57

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net profit for the year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	$ 393,563	$ 2,720,273
Earnings used in the computation of diluted earnings per share	$ 393,563	$ 2,720,273

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	321,146	315,674
Effect of potentially dilutive ordinary shares:		
Employee stock options	429	1,759
Weighted average number of ordinary shares used in the computation of diluted earnings per share	321,575	317,433

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Since all outstanding convertible bonds issued by the Company were converted to ordinary shares for the year ended December 31, 2022, they are anti-dilutive and excluded from the computation of diluted earnings per share.

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Business	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Mason Metal Industry Co., Ltd.	Cutting and processing of automobile steel plate	October 6, 2017	50	$ 288,647
		December 15, 2021	31	204,414
				$ 493,061

In order to strengthen the Group's plan on integrating the steel cutting logistics services in the south of Taichung and to enhance the Group's supply services diversity, in December 2021, the Group purchased 15,500 thousand ordinary shares of Mason Metal Industry Co., Ltd. for NT$204,414 thousand. The acquisition resulted in the increase of the proportion of the Group's ownership to 81.00%, and the Group obtained control of Mason Metal Industry Co., Ltd.

b. Consideration transferred

	Mason Metal Industry Co., Ltd.
Cash	$ 204,414

Acquisition-related costs amounting to NT$1,170 thousand were excluded from the consideration transferred and were recognized as expenses in the periods incurred under other expenses in the consolidated statements of comprehensive income.

c. Assets acquired and liabilities assumed at the date of acquisition

	Mason Metal Industry Co., Ltd.
Current assets	
Cash and cash equivalents	$ 74,586
Trade and other receivables	490,305
Inventories	635,798
Other current assets	18,771
Non-current assets	
Property, plant and equipment	775,429
Prepayments for equipment	829
Deferred tax assets	10,719
Deferred expenses	376
Refundable deposits	2,868
Total assets	$ 2,009,681

(Continued)

	Mason Metal Industry Co., Ltd.
Current liabilities	
Short-term borrowings	$ 179,091
Trade and other payables	528,695
Income tax payable	12,600
Other current liabilities	7,412
Non-current liabilities	
Long-term borrowings	58,182
Pension liabilities	16,861
Deferred tax liabilities	108,653
Total liabilities	$ 911,494
Fair value of identifiable net assets acquired	$ 1,098,187

(Concluded)

d. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

e. Gain from bargain purchase recognized on acquisitions

	Mason Metal Industry Co., Ltd.
Consideration transferred	$ 204,414
Fair value of equity previously owned by the Group at the acquisition date	549,093
Plus: Non-controlling interests	208,656
Less: Fair value of identifiable net assets acquired	(1,098,187)
Gain from bargain purchase recognized on acquisitions	$ (136,024)

The gain from bargain purchase recognized on the acquisition of Mason Metal Industry Co., Ltd. is the difference between the amount of consideration transferred and the fair value of identifiable net assets acquired, and is recognized in profit or loss in the current year.

f. Net cash outflow on the acquisition of subsidiaries

	Mason Metal Industry Co., Ltd.
Consideration paid in cash	$ 204,414
Less: Cash and cash equivalent balances acquired	(74,586)
	$ 129,828

g. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

	Mason Metal Industry Co., Ltd.
Revenue	$ 155,184
Profit	$ 3,748

Had the Group concluded the acquisition on January 1, 2021, the Group's revenue and profit would have been NT$15,771,717 thousand and NT$2,715,934 thousand, respectively, for the year ended December 31, 2021. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, 2021, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Mason Metal Industry Co., Ltd. been acquired at the beginning of the financial year, the management considered the fair values of property, plant and equipment and intangible assets, rather than their carrying amounts recognized in the respective pre-acquisition financial statements at the initial accounting for the business combination, were used as the basis for the depreciation of property, plant and equipment.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group's proportion of ownership in APEX Wind Power Equipment Manufacturing Company Limited decreased from 77.00% to 70.44% in June 2021.

The above transactions were accounted for as equity transactions, since there was no impact on the Group's control over the subsidiary.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged over the past 5 years.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, capital surplus, retained earnings, other equity and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

The key management personnel of the Group review the Group's capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate their fair values:

December 31, 2022

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 22,524	$ 22,524
Notes receivable (including related parties)	1,740,817	1,740,817
Trade receivables (including related parties)	2,997,367	2,997,367
Overdue receivables	3,000	3,000
Cash and cash equivalents	1,098,666	1,098,666
Refundable deposits	17,103	17,103
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	9,706,850	9,706,850
Short-term bills payable	549,146	549,146
Notes payable, trade payables and other payables (including related parties)	970,312	970,312
Long-term bills payable	2,399,515	2,399,515

December 31, 2021

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 81,197	$ 81,197
Notes receivable (including related parties)	2,077,865	2,077,865
Trade receivables (including related parties)	2,314,141	2,314,141
Overdue receivables	5,021	5,021
Cash and cash equivalents	964,372	964,372
Refundable deposits	25,729	25,729
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	9,147,304	9,147,304
Short-term bills payable	299,814	299,814
Notes payable, trade payables and other payables (including related parties)	1,345,865	1,345,865
Long-term bills payable	2,398,755	2,398,755

The methods and assumptions used by the Group for estimating financial instruments not measured at fair value are as follows:

1) The fair value of financial instruments, including cash and cash equivalents, trade receivables, overdue receivables, trade payables, pledged time deposits, refundable deposits, short-term bank borrowings, short-term bills payable and long-term bills payable, is estimated as the carrying amount at the end of the reporting period, because the maturity date is close or the payment amount is close to its carrying amount.

2) The fair value of long-term bank borrowings is determined using the discounted cash flow approach. Future cash flows are discounted at a long-term borrowing rate of the Group. The Group estimated the carrying amount of the long-term loans at the end of the reporting period as their fair values.

3) The fair value of the liability component of convertible bonds is measured at amortized cost using the effective interest method, and the conversion options component of the convertible bonds is measured at fair value. The fair value of the liability component of the convertible bonds is estimated at the carrying amount at the end of the reporting period.

b. Financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 1,438,031	$ -	$ -	$ 1,438,031
Domestic unlisted shares	-	-	272,687	272,687
Mutual funds	146,917	-	-	146,917
Derivative instruments	-	175,982	-	175,982
	$ 1,584,948	$ 175,982	$ 272,687	$ 2,033,617
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 2,098,329	$ -	$ -	$ 2,098,329
Domestic unlisted shares	-	-	27,050	27,050
Foreign unlisted shares	-	-	373,368	373,368
	$ 2,098,329	$ -	$ 400,418	$ 2,498,747

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 2,053,203	$ -	$ -	$ 2,053,203
Domestic unlisted shares	-	-	247,857	247,857
Mutual funds	56,770	-	-	56,770
Derivative instruments	-	11,922	-	11,922
	$ 2,109,973	$ 11,922	$ 247,857	$ 2,369,752
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 2,689,255	$ -	$ -	$ 2,689,255
Domestic unlisted shares	-	-	32,556	32,556
Foreign unlisted shares	-	-	437,618	437,618
	$ 2,689,255	$ -	$ 470,174	$ 3,159,429

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 247,857	$ 470,174	$ 718,031
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	(73,340)	(73,340)
Recognized in other comprehensive income (exchange differences on translation of the financial statements of foreign operations)	-	9,090	9,090
Purchases	24,830	-	24,830
Sales	-	(5,506)	(5,506)
Balance at December 31	$ 272,687	$ 400,418	$ 673,105

For the year ended December 31, 2021

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 28,772	$ 421,125	$ 449,897
Recognized in profit or loss (included in gain (loss) on financial assets at FVTOCI)	43,157	-	43,157
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	102,806	102,806
Recognized in other comprehensive income (exchange differences on translation of the financial statements of foreign operations)	-	(2,400)	(2,400)
Purchases	175,928	-	175,928
Sales	-	(1,357)	(1,357)
Transfers out of Level 3	-	(50,000)	(50,000)
Balance at December 31	$ 247,857	$ 470,174	$ 718,031

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - conversion option component of convertible bonds	The value of the bonds payable and redemption and put options is estimated based on the binomial CB pricing model and historical volatility, risk-free interest rate, discount rate and liquidity risk at the end of the reporting period.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity instruments were determined using the market approach. In this approach, the fair value is appraised based on the market selling price of similar items, such as assets, liabilities, or the groups of assets and liabilities. The significant unobservable factors used are described below, an increase in long-term revenue growth rates, long-term pre-tax operating margin, a decrease in the weighted average cost of capital, or the discount for lack of marketability used in isolation would result in increases in the fair values.

c. Categories of financial instruments

	December 31	
	2022	**2021**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 2,033,617	$ 2,369,752
Financial assets at amortized cost (1)	5,879,477	5,468,325
Financial assets at FVTOCI - equity instruments	2,498,747	3,159,429
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	13,625,823	13,191,738

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, overdue receivables, refundable deposits and pledged time deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term and long-term bills payable, notes payable, trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, derivative financial instruments, notes receivable, trade receivables, overdue receivables, short-term bills payable, notes payable, trade payables, other payables, bonds payable and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed them primarily to the financial risks of changes in foreign currency exchange rates (see "a. foreign currency risk" below) and interest rates (see "b. interest rate risk" below). The Group entered into a variety of derivative financial instruments to manage their exposure to foreign currency risk and interest rate risk, including:

a) Foreign exchange forward contracts to hedge the exchange rate risk arising on the import and export of steel plates;

b) Interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to USD, JPY, and EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or loss	$ 35,173 (i)	$ 30,145 (i)

	JPY Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or loss	$ (54) (ii)	$ (277) (ii)

	EUR Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or loss	$ (98) (iii)	$ (100) (iii)

i. This was mainly attributable to the exposure on outstanding USD letters of credit, trade receivables, trade payables, other payables and bank deposits, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding JPY bank deposits, which were not hedged at the end of the reporting period.

iii. This was mainly attributable to the exposure on outstanding EUR bank deposits, which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency increased during the current year mainly due to the increase in purchases which resulted in an increase in USD letters of credit.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities of the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and the defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	**2021**
Cash flow interest rate risk		
Financial assets	$ 816,972	$ 559,924
Financial liabilities	12,655,511	11,845,873

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT$117,735 thousand and NT$101,877 thousand, respectively, which was mainly a result of the changes in the variable interest rate bank deposits and loans.

c) Other price risk

The Group was exposed to equity price risk through their investments in listed equity securities. The Group have appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT$18,677 thousand and NT$23,663 thousand, respectively, as a result of the changes in held-for-trading investments and the fair value of financial assets at FVTPL, respectively, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by NT$25,029 thousand and NT$31,441 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

The Group's sensitivity to investments in equity securities has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which may cause a financial loss to the Group due to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group's trade receivables are from a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The concentration of credit risk to any other counterparty did not exceed 10% of the gross monetary assets of the Group at any time during 2022 and 2021.

The Group's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 98% and 97% of the total trade receivables as of December 31, 2022 and 2021, respectively.

The credit risk on derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized bank loan facilities set out in (b) below.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2022 and 2021, the Group had available unutilized short-term bank loan facilities of NT$3,991,290 thousand and NT$2,923,800 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest cash flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 450,004	$ 293,333	$ 231,889	$ 33,310	$ 5,085
Variable interest rate liabilities	3,062,804	2,460,480	5,128,186	1,840,530	177,448
	$ 3,512,808	$ 2,753,813	$ 5,360,075	$ 1,873,840	$ 182,533

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 574,942	$ 287,388	$ 479,923	$ 30,077	$ 5,085
Variable interest rate liabilities	1,539,239	3,490,076	4,426,704	2,141,645	248,209
	$ 2,114,181	$ 3,777,464	$ 4,906,627	$ 2,171,722	$ 253,294

The following table details the Group's expected maturities for some of its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 2,462,036	$ 2,267,019	$ 273,374	$ 93,743	$ 3,000
Variable interest rate assets	794,449	12,250	10,274	-	-
	$ 3,256,485	$ 2,279,269	$ 283,648	$ 93,743	$ 3,000

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 2,554,371	$ 1,979,023	$ 298,136	$ 89,491	$ 3,000
Variable interest rate assets	482,774	61,185	15,965	-	-
	$ 3,037,145	$ 2,040,208	$ 314,101	$ 89,491	$ 3,000

The aforementioned amounts that included floating interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in floating interest rates differ from those estimates of interest rates determined at the end of the year.

b) Financing facilities

	December 31	
	2022	2021
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 14,045,144	$ 13,335,943
Amount unused	10,442,396	5,321,197
	$ 24,487,540	$ 18,657,140

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationship with the Company:

Related Party	Relationship with the Company
APEX Wind Power Equipment Manufacturing Company, Ltd.	Subsidiary
Mason Metal Industry Co., Ltd.	Joint venture (became a subsidiary on December 15, 2021 due to increase in shareholding and included in the consolidated financial statements)
Hsin Kuang Steel Tian-Cheng Charity Foundation	The Foundation's Chairman is the representative of a corporate director of the Company
Duo Yuan Solar Corporation	Associates

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31 2022	2021
Sale of goods		
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 154,368
Rental revenue		
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 2,645

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2022	2021
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 29,515

The Group's purchase and payment terms with related parties were comparable to those with unrelated parties.

d. Processing cost

Related Party Category/Name	For the Year Ended December 31 2022	2021
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 3,311

e. Other revenue

Related Party Category/Name	For the Year Ended December 31 2022	2021
Joint ventures		
Mason Metal Industry Co., Ltd.	$ -	$ 1,200

f. Endorsements and guarantees

Endorsements and guarantees provided by the Group

Related Party Category/Name	December 31 2022	2021
Subsidiary		
APEX Wind Power Equipment Manufacturing Company., Ltd.		
Amount endorsed	$ -	$ 150,000
Amount due	-	(150,000)
	$ -	$ -
Associates		
Duo Yuan Solar Corporation		
Amount endorsed	$ 440,000	$ -
Amount due	-	-
	$ 440,000	$ -

g Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2022	2021
Donations	Hsin Kuang Steel Tian-Cheng Charity Foundation	$ 4,000	$ 4,000

h Remuneration of key management personnel

The amount of the remuneration of directors and key management personnel were as follows:

	For the Year Ended December 31 2022	2021
Short-term employee benefits	$ 51,922	$ 146,892

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, collateral for construction contracts and lease guarantee deposits:

	December 31	
	2022	2021
Notes receivable	$ 373,170	$ 338,261
Restricted demand deposits (classified as financial assets at amortized cost)	-	1,010
Pledged time deposits (classified as financial assets at amortized cost)	22,524	80,187
Investments in equity instruments at FVTOCI	412,676	-
Freehold land	1,490,264	1,398,281
Buildings, net	721,647	460,302
Investment properties - land	342,985	362,359
Investment properties - buildings	634,339	2,034,917
Machinery and equipment	128,819	145,304
	$ 4,126,424	$ 4,820,621

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2022 and 2021 were as follows:

Significant Commitments

a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	December 31	
	2022	2021
NTD	$ 591,172	$ 426,416
USD	15,026	23,364

b. Unrecognized commitments were as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	$ 589,062	$ 538,783

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

	Foreign Currency	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 3,999	30.71	(USD:NTD)	$ 122,797
EUR	297	32.68	(EUR:NTD)	9,707
RMB	2	4.00	(RMB:NTD)	8
JPY	22,590	0.23	(JPY:NTD)	5,250
				$ 137,762
Financial liabilities				
Monetary items				
EUR	117,728	30.71	(EUR:NTD)	$ 3,615,443

December 31, 2021

	Foreign Currency	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 3,076	27.67	(USD:NTD)	$ 85,102
EUR	322	31.50	(EUR:NTD)	10,142
RMB	6,284	4.34	(RMB:NTD)	27,300
JPY	1,890	0.24	(JPY:NTD)	455
				$ 122,999
Financial liabilities				
Monetary items				
USD	111,477	27.67	(USD:NTD)	$ 3,085,704

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.66 (USD:NTD)	$ 113,731	28.07 (USD:NTD)	$ 27,422

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

1) Financing provided to others: (N/A)

2) Endorsements/guarantees provided: (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: (Table 3)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: (N/A)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: (N/A)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: (N/A)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (N/A)

9) Trading in derivative instruments: (Note 7)

10) Other: Intercompany relationships and significant intercompany transactions (Table 4)

b. Information on investees (Table 5)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (N/A)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (N/A)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

36. SEGMENT INFORMATION

Information reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

- Steel:
  - Direct sales
  - Manufacturing sales
- Leases

a. Segments revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Steel - Direct Sales	Steel - Manufacturing Sales	Leases	Total
For the year ended December 31, 2022				
Revenue from external customers	$ 9,599,586	$ 7,247,567	$ 308,379	$ 17,155,531
Inter-segment revenue	265,084	66,037	64,892	396,013
Segment revenue	9,864,670	7,313,604	373,271	17,551,544
Eliminations	(265,084)	(66,037)	(64,892)	(396,013)
Consolidated revenue	$ 9,599,586	$ 7,247,567	$ 308,379	$ 17,155,531
Segment income	$ 292,812	$ 693,363	$ 202,729	$ 1,188,904
Share of profits/(losses) of associates accounted for using the equity method				(9,738)
Interest income				1,746
Other income				34,142
Gain on disposal of property, plant and equipment				103
Gain on disposal of investment properties				6,007
Net foreign exchange gains				112,044
Loss on valuation of financial instruments				(239,787)
Allocation of central administration costs and directors' remunerations				(424,124)

(Continued)

	Steel - Direct Sales	Steel - Manufacturing Sales	Leases	Total
Finance costs				$ (220,086)
Dividends				213,975
Other losses				(3,386)
Profit before tax				$ 659,800
For the year ended December 31, 2021				
Revenue from external customers	$ 9,072,267	$ 4,859,203	$ 171,572	$ 14,103,042
Inter-segment revenue	269,805	48,734	44,054	362,593
Segment revenue	9,342,072	4,907,937	215,626	14,465,635
Eliminations	(269,805)	(48,734)	(44,054)	(362,593)
Consolidated revenue	$ 9,072,267	$ 4,859,203	$ 171,572	$ 14,103,042
Segment income	$ 1,807,960	$ 1,213,285	$ 94,831	$ 3,116,076
Share of profits of associates accounted for using the equity method				44,372
Interest income				494
Other income				26,326
Loss on disposal of property, plant and equipment				(1,673)
Net foreign exchange gains				28,364
Gain on remeasurement of investments accounted for using the equity method				36,000
Gain on valuation of financial instruments				412,753
Allocation of central administration costs and directors' remunerations				(478,962)
Finance costs				(112,180)
Dividends				100,774
Goodwill				136,024
Profit before tax				$ 3,308,368

(Concluded)

Inter-segment revenue was accounted for according to market prices.

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' remunerations, share of profit of associates, gains or losses recognized on disposal of interests in former associates, lease income, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of investments, foreign exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2022	**2021**
Segment assets		
From continuing operations		
Steel - direct sales	$ 9,499,361	$ 10,907,869
Steel - manufacturing sales	4,941,144	5,250,207
Leases	3,718,050	3,003,776
Total segment assets	18,158,555	19,161,852
Unallocated	6,280,696	6,760,031
Consolidated total assets	$ 24,439,251	$ 25,921,883
Segment liabilities		
From continuing operations		
Steel - direct sales	$ 5,481,719	$ 5,710,866
Steel - manufacturing sales	2,349,568	2,510,378
Leases	41,628	83,490
Total segment liabilities	7,872,915	8,304,734
Unallocated	6,490,976	6,009,379
Consolidated total liabilities	$ 14,363,891	$ 14,314,113

For the purpose of monitoring segment performance and allocating resources between segments:

1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and

2) All liabilities were allocated to reportable segments other than borrowings, other financial liabilities, and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Revenue from major products and services: Refer to Note 23.

d. Geographical information

The Group has no revenue-generating unit that operates outside of the ROC; therefore, it is not necessary to disclose information that distinguishes revenue from external customers and non-current assets by location of assets.

e. Information on major customers

No other single customer contributed 10% or more to the Group’s revenue for both 2022 and 2021.

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