TWSE：2031

2023 ANNUAL REPORT

HSIN KUANG STEEL CO., LTD

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

Printed on April 30th, 2024

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A. Letter to Shareholders

Dear Shareholders,

International steel prices fluctuated extremely violently in 2023 due to unfavorable factors, such as the Russo-Ukrainian War, high inflation, raising interest rates, weak domestic demand in China, frequent defaults by real estate developers, and unclear economic conditions. Meanwhile, central banks of various countries continued to adopt a monetary tightening policy to lower inflation, which constrained end-consumer demand, resulting in weak global economic and trade momentum. However, private consumption has surged and domestic demand will be the main pillar supporting economic growth. This is why Taiwan's stock market has performed very well, and profits this year were better than the previous year. Domestic semiconductor manufacturers continue to expand advanced manufacturing processes, and the three major programs for investing in Taiwan and the construction of green energy facilities are gradually being carried out. However, the global outlook remains highly uncertain, and fixed investment significantly slowed down by 4.22%, resulting in revenue performance decreasing 6% compared with previous year to NT$16.07 billion.

Financial Performance

The Company's consolidated revenue in 2023 was NT$16.07 billion, down 6% or NT$1.08 billion compared to the NT$17.16 billion in the previous year. The net operating profit was NT$860 million, up 12% or NT$100 million compared to the NT$760 million in the previous year. EPS was NT$5.15, an increase of NT$3.92 compared to the NT$1.23 in the previous year, growing by 319%. The profit performance was driven by the continued expansion of advanced manufacturing processes by domestic semiconductor manufacturers, and domestic demand from the three major programs for investing in Taiwan and the construction of green energy facilities supporting economic growth. This contributed to the performance of Taiwan's stock market, which was better than the previous year.

In terms of products sales, the Company's operating goal in 2023 was the sale of 580,000 metric tons of steel products. The total sales of the year reached 470,000 metric tons, an achievement rate of 81%.

With regard to income and expenses, cash inflow from operating activities amounted to NT$349,870,000 in 2023, which was mainly from the increase in income from contracts. Cash outflow from investment activities amounted to NT$649.07 million, mainly due to the purchase of properties, investment in plants and equipment, and acquisition of affiliated enterprises. Cash outflow from financing activities amounted to NT$154,130,000, mainly due to the distribution of cash dividends to shareholders and adjustments to long-term and short-term loans necessary for operations. The ending cash and cash equivalents of the period was approximately NT$953.58 million.

Annual Corporate Development

The 2024 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. Focus on the demand for construction of wind power and photovoltaic renewable energy facilities, and form a strategic alliance with upstream and downstream manufacturers to provide total solutions.
3. In response to domestic "water resources," "bridge construction," and demand from domestic semiconductor manufacturers continuing to expand advanced processes, we will form strategic alliances with upstream and downstream manufacturers to provide technology manufacturing solutions and serve users.
4. Implement the new generation ERP system for commercial use to generate synergies from management.
5. Use innovative business models and differentiated operations, offer new high-end steel products and comprehensive value chain solutions through the Group's network and strategic alliance with upstream and downstream manufacturers, creating a new blue ocean.

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

1. Strengthen employees' professional skills and occupational safety training, introduce professional talents, and cultivate young cadre members.
2. Strengthen purchase order-taking performance, communicate clearly and accurately on work items, focus on quality and delivery time control, and more actively communicate and provide services to clients to establish long-term cooperative relationships and increase opportunities to be award projects.
3. Introduce automated production equipment and testing instruments using new technologies, in order to improve production capacity and product structural strength and increase production competitiveness.
4. Implement various certification specifications, improve production processes, and increase production efficiency.

The total annual sales goal of 2024 is set at 500,000 metric tons of steel. On the demand side, the international steel market will benefit from the easing of inflation. Central banks of various countries may implement looser monetary policies in 2024, and countries around the world will continue to invest in innovative and sustainable infrastructure in response to extreme weather events. These two parts will support global steel demand. According to the forecast of the World Steel Association (WSA), steel demand in the Eurozone will resume growth by 5.8% in 2024, and steel demand in the United States will show positive growth of 1.6%; Steel demand has shrunk significantly in China due to the risk of bankruptcy faced by real estate developers, and is expected to grow by 1.9% in 2024. 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 500,000 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 CO_2 emissions by nearly 38,951 metric tons, which is equivalent to roughly 100 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 2023, the Company received the Gold Award, Manufacturing Industry, Taiwan Corporate Sustainability Awards (TCSA) from the Taiwan Institute for Sustainable Energy for its achievements in corporate governance, sustainable development, and information disclosure, and has received awards for five consecutive years. We will continue to dedicate our efforts to achieving even better performance.

Future Outlook

We will still uphold a rigorous and positive spirit and attitude, implement the Company's business strategies and plans, and strengthen decision-making quality and response ability. We hope that this year, with the manufacturing industry in major economies gradually resuming expansion and the rigid domestic demand from Taiwan's Forward-looking Infrastructure Development Program, which expanded its economic development budget to nearly NT$600 billion, we will definitely be able to reach new heights and welcome a year of fruitful results.

Chairman Alexander M.T. Su

General Manager Ming-Shan Jheng

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.
37. On October 17,2023, the company's subsidiary, APEX Wind Power Equipment Manufacturing Company Limited(7702TT) officially log in to the Pioneer Stock Board(PSB).
38. In October 2023, the Company was awarded Taiwan Sustainable Enterprise Excellence Awards at the 2023 TCSA and the Gold Award in Traditional Manufacturing Taiwan Corporate Sustainability Awards.
39. 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 61 young students. Since 2019, scholarships and certificates are awarded every academic year to commend outstanding students, encouraging them to work hard. The Company has award over NT$28.9 million in scholarships to young students in the name of the foundations and there are 289 award-winning students so far.
40. On December,2023, Hsin Kuang Steel Tian-Cheng Charity Foundation and Hsin Hua Steel Industry Company jointly donated a disaster investigation vehicle to the Taibao Detachment of the Second Battalion of the Chiayi County Volunteer Corps to enhance the firefighting energy and efficiency of disaster relief.

C.Corporate Governance Report

I. Overview

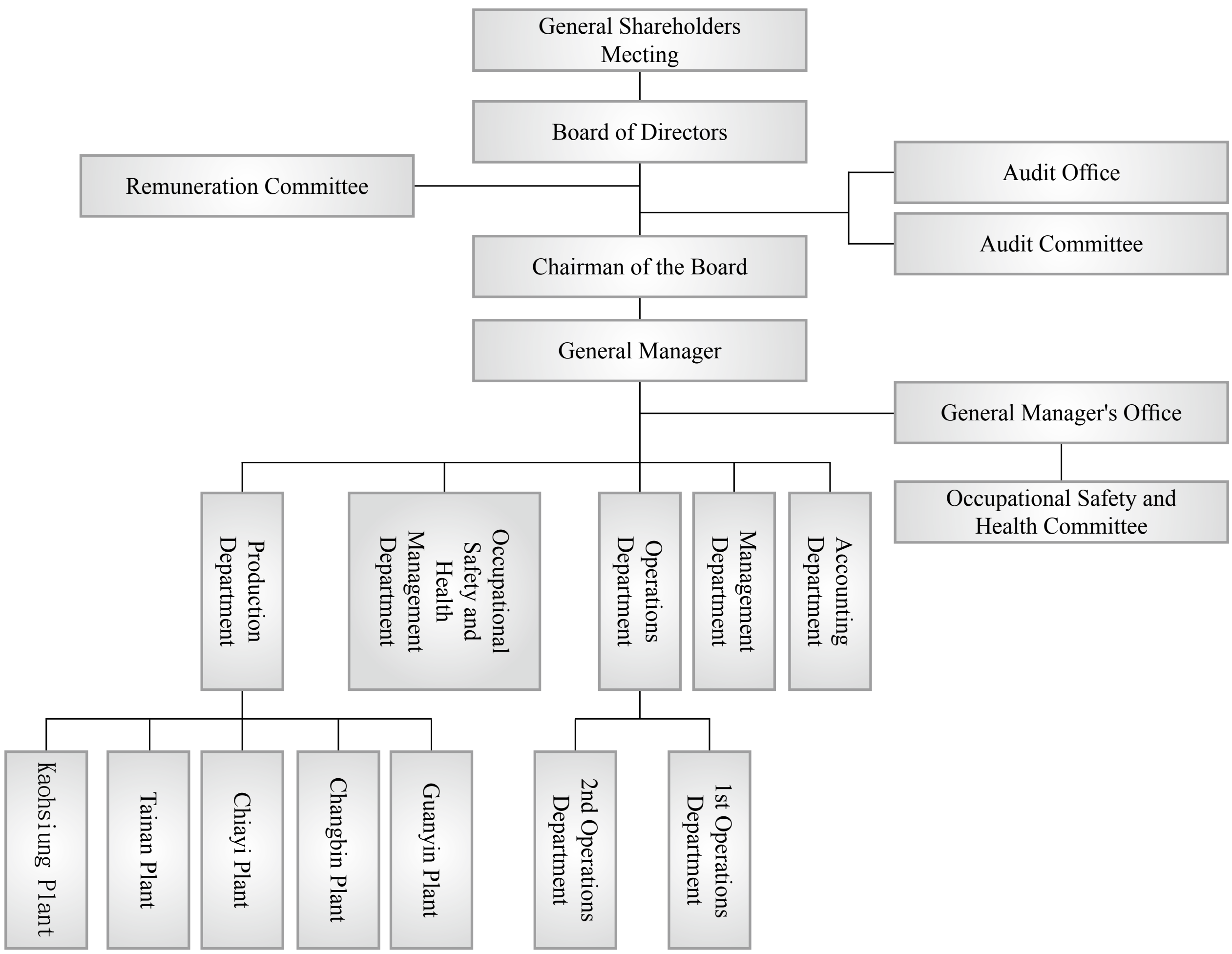
The Company upholds operational transparency and cares about shareholders' interests. We also believe that a sound and efficient Board of Directors is an underlying requirement for optimal corporate governance. Under this principle, the Audit Committee and Remuneration Committee established with the 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 2023

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

II. Organization

(I)Organizational 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
職業安全衛生管理部	Occupational Safety and Health Management Department
營業部	Operations Department
管理部	Management Department
財會部	Accounting 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
營業二部	2nd Operations Department
營業一部	1st Operations 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	1. Storage, management, cutting, processing, and shipping of steel plates. 2. Storage, management, cutting, processing, and shipping of steel coils

Department	Main Duties
Department	(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.
Management 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 the Company's plants. 6. Implement company-wide 6S and TPM and comply with ISO 9001, ISO 14001, ISO 45001, ISO 3834, ISO 14064-1, ISO 50001, and EN1090. 7. Prepare the contents of company contracts and provide opinions and advice for legal affairs and business. 8. Responsible for the development, operation, and maintenance of the Company's information systems, including: the evaluation, adoption, and launching of application systems, maintenance and operation of computer room host equipment, and execution of various information management procedures. 9. 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,

Department	Main Duties
	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. Handle the Company's public relations, including holding investor conferences, announcing material information, and press releases. 7. Review company contracts, establish and promote legal compliance system, and provide counseling on matters relating to any business operations. 8. Responsible for the planning, supervision, development, operation, and maintenance of the company's overall information system, including: formulation of information development strategies, planning of information system architecture, and execution of various information management procedures. 9. Dividend distribution, shareholder services, and other operations. 10. Provide shareholder information and legal declarations, announce the shareholding status of Directors and Supervisors, and other operations. 11. 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 Safety and Health Management Department	1. Formulate occupational accident prevention plans, emergency response plans, 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.

Department	Main Duties
	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 ten 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, 2024

<table>
<tr><th rowspan="2">Title (Note 1)</th><th rowspan="2">Nationality or Place of Registration</th><th rowspan="2">Name</th><th rowspan="2">Gender Age (Note 2)</th><th rowspan="2">Date Elected (Appointed)</th><th rowspan="2">Term</th><th rowspan="2">Date First Elected (Note 3)</th><th colspan="2">Shares Held When Elected</th><th colspan="2">Shares Currently Held</th><th colspan="2">Shares Currently Held by Spouse and Underage Children</th><th colspan="2">Shares Held in the Name of Other Persons</th><th rowspan="2">Education and Work Experiences (Note 4)</th><th rowspan="2">Other Current Positions within the Company</th><th colspan="3">Any Executive Officer, Director or Supervisor Who is a Spouse or Relative within the Second Degree of Kinship</th><th rowspan="2">Note</th></tr>
<tr><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Director</td><td>Republic of China</td><td>Representative of Han De Investment Co., Ltd.: Alexander M.T. Su</td><td>Male Representative: 71-75</td><td>2023.6.15</td><td>3</td><td>2008.6.13</td><td>27,230,276</td><td>8.48%</td><td>28,020,276</td><td>8.73%</td><td>17,321,487</td><td>5.39%</td><td>-</td><td>-</td><td>Executive Management Course, Center for Public and Business Administration Education, National Chengchi University
Chairman of Hsin Kuang Steel Co., Ltd.
Executive Director of Taiwan Steel & Iron Industries Association
Recipient of the 2021 Representative of a Benevolent Person - Eight Virtues Award</td><td>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 Metal Industry Co., Ltd.
New Taipei City Private Hui Jung Welfare and Charity Foundation
Director of:
Cheng Yu Investment Co., Ltd.
Hsin Wei Solar Co., Ltd.
Century Iron and Steel Industrial Co., Ltd.
Hsin Kuang 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.</td><td>Director</td><td>Johnathon Y.J. Su</td><td>Father-son</td><td>Refer to description in Note 5</td></tr>
</table>

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 Trickle Co., Ltd.: Trickle T.C. Chang	Male Representative: 90-95	2023.6.15	3	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. Hsin Kuang 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	2023.6.15	3	1990.7.8	1,812,999	0.59%	1,812,999	0.57%	1,959	-	-	-	Junior high school Director and General Manager of Hsin Kuang Steel Co., Ltd.	Chairman of: Hsin Hua Steel Industry Co., Ltd. Director of: 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
Director	Republic of China	Fisher C.H. Yu	Male 61-65	2023.6.15	3	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 Hsin Kuang 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

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Director	Republic of China	Johnathon Y.J. Su	Male 36-40	2023.6.15	3	2017.6.15	7,704,930	2.51%	7,704,930	2.40%	320,000	0.10%	-	-	Master of Science, University of London Birkbeck (Birbeck,University of Director and Vice General Manager of Operations Department of Hsin Kuang 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. New Taipei City Private Hui Jung Welfare and Charity Foundation Supervisor of: Yingfu Investment Corporation	Chairman	Alexander M.T. Su	Father-son	Refer to description in Note 5
Director	Republic of China	Shih-Yang Chen	Male 66-70	2023.6.15	3	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	2023.6.15	3	2017.6.15	-	-	-	-	-	-	-	-	EMBA, College of Management, National Taiwan University Certified Public Accountant of the Republic of China CPA and Director at Deloitte & Touche Chairman of Ofuna Technology Co., Ltd.	Chairman of: Ofuna Technology Co., Ltd. Shao Rui Development Co., Ltd. Independent Director of: Hold-Key Electric Wire & Cable Co., Ltd. Taiwan Name Plate Co., Ltd. Cica-Huntek Chemical Technology Taiwan Co., Ltd.	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	
Independent Directors	Republic of China	Po-Young Chu	Male 66-70	2023.6.15	3	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 University Honorary Top 10 EMBA Teachers in Taiwan in survey conducted by Cheers Magazine	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	
Independent Directors	Republic of China	Paul T.Y. Huang	Male 71-75	2023.6.15	3	2017.6.15	-	-	-	-	-	-	-	-	BA in Business Administration, National Chengchi University Honorary Consultant, Chung Hung Steel Corporation Consultant, Walsin Lihwa 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
Independent Directors	Republic of China	Wei-Tsung Liu	Male 71-75	2023.6.15	3	2023.6.15	120,000	0.03%	120,000	0.03%	40,000	0.00%	-	-	Bachelor of Laws, National Taiwan University Prosecutor of First Instance Head Prosecutor of First Instance Prosecutor of Second Instance, Chief Prosecutor of the District Prosecutors Office	-	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).

2. Major Shareholders of Corporate Shareholders

(1). Major Shareholders of Corporate Shareholders

April 30, 2024

Name of Corporate Shareholder (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% Tai-Tou Chang holds 11.49% You-Sheng Chang holds 9.34%

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, 2024

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 Administration Education, National Chengchi University Recipient of the 2021 Representative of a Benevolent Person - Eight Virtues Award Experience: Chairman of Hsin Kuang Steel Co., Ltd. General Manager of Hsin Kuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Executive Director of Taiwan Steel & Iron Industries Association Founder and Chairman of New Taipei City Private Hui Jung Welfare and Charity Foundation Director of Hsin Kuang Steel Tian-Cheng Charity Foundation Director of Century Green Energy Vocational Senior High School, Taoyuan City	1. Concurrently holds the position of director at an affiliated enterprise (wholly-owned subsidiary). 2. A top 10 natural person shareholder of the Company. 3. An institutional shareholder (Chairman of Han De Investment Co., Ltd.) who holds directly 5% or more of the Company's shares. 4. The rest have been verified in accordance with the independence requirements set out in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission. It still meets the relevant independence requirements.	0
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 Hsin Kuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Founder and Board Chairman of Hsin Kuang Steel Tian-Cheng Charity Foundation Director of Taipei City An Ho Social Welfare and Charity Foundation	—	0

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Ming-Shan Jheng	Education and Professional Qualification: Junior high school Experience: Director and General Manager, Hsin Kuang Steel Co., Ltd. Vice General Manager of 2nd Operations Department of Hsin Kuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Director of New Taipei City Private Hui Jung Welfare and Charity Foundation	—	0
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 Hsin Kuang Steel Co., Ltd.	—	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 Hsin Kuang Steel Co., Ltd. Positions Currently Held in Non-Profit Organization: Vice Chairperson of Paradise Education Welfare Foundation Taoyuan	—	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 Hsin Kuang Steel Tian-Cheng Charity Foundation	—	0

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Winston Won	Education and Professional Qualification: 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: Director 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 Hsin Kuang 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 Hsin Kuang 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.	Meet the independence requirements stated in Note 2 below.	3
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	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
Po-Young Chu	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 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)		

Name \ Qualifications	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
	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, Walsin Lihwa Corporation Independent Director, Advantech Co., Ltd. Independent Director, Pixart Imaging Inc. Independent director, IC Plus Corp 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 Hsin Kuang 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. Chairman of 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, Walsin Lihwa Corporation	Meet the independence requirements stated in Note 2 below.	0

Qualifications / Name	Professional Qualification and Experience	Independence Status (Note 2)	Number of companies in which the person also serves as an independent director
Wei-Tsung Liu	Education and Professional Qualification: Bachelor of Laws, National Taiwan University Experience: Prosecutor of First Instance Head Prosecutor of First Instance Prosecutor of Second Instance, Chief Prosecutor of the District Prosecutors Office	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:

1. Board Diversity Policy

(1). 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.

(2). 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. Directors who are also managers of the Company may not take up more than one-third of all seats. Standards for two aspects are formulated based on the Company's operations, operating dynamics, and development needs, one of which are basic qualifications and values (e.g., gender, age, nationality, and culture). The other is professional knowledge and skills: Professional background (e.g., business administration, finance, accounting, law, information technology, renewable energy, environmental protection, industrial engineering, and risk management), professional skills, and industry experience.

(3). To achieve the goals of corporate governance, the Board of Directors must have (1) the ability to make sound business judgments, (2) ability to perform accounting and financial analysis, (3) business administration ability, (4) crisis management ability, (5) knowledge of the industry, (6) an international market perspective, (7) leadership, and (8) decision-making ability.

2. Specific Board diversity goals

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. Specific management goals are as follows:

(1). The Company places a great emphasis on gender equality in Board composition, and aims to for at least one fifth of all directors to be female.

(2). The Company's Board of Directors focuses on business judgment, business management, and crisis management abilities, and more than two-thirds of Board members have relevant core abilities.

(3). The majority of independent directors shall not serve for more than three consecutive terms in order to maintain their independence.

(4). Board members who are also employees of the Company shall not exceed one-third of the total number of directors to achieve the purpose of supervision.

(5). Board members who have a spousal relationship or relationship within the second degree of kinship with any other director shall not exceed one fifth of the total number of directors to achieve the purpose of supervision.

3. Achievement of Board diversity

(1). All of the Company's 10 directors are male. We will direct our efforts to increasing the number of female directors to achieve the goal.

(2). None of the Company's four independent directors have served more than three consecutive terms and are independent.

(3). Of the Company's directors, 30% are concurrently employees, and we will direct our efforts to reduce the percentage of directors who are also employees in the future to achieve the goal.

(4). Directors who have a spousal relationship or relationship within the second degree of kinship with any other director account for 20% of the Company's directors. We will direct our efforts to reduce the percentage of directors with a spousal relationship or relationship within the second degree of kinship in the future to achieve the goal.

(5). All of the Company's Board members are R.O.C. citizens and come from diverse backgrounds, including professional backgrounds in industry, academia, and accounting. They have experience in managing industry-leading companies and the knowledge, skills, literacy, and industry decision-making and management abilities required to perform their duties. Of the eight core abilities required by the Board of Directors as a whole to achieve corporate governance goals, Board members have 96% of the abilities required to perform their duties. Of the five core abilities that the Company attaches the most importance to, specifically the ability to make sound business judgments, business management ability, crisis management ability, knowledge of the industry, and an international market perspective, Board members of 96% of the abilities.

Name	Gender	Age	Concurrently an employee of the Company	Relative within the second degree of kinship	Ability to make sound business judgments.	Ability to perform accounting and financial analysis	Ability to manage a business.	Ability to respond to a crisis	Knowledge of the industry	An understanding of international markets	Leadership	Decision-making ability
Alexander M.T. Su	male	71-75		✔	✔	✔	✔	✔	✔	✔	✔	✔
Trickle T.C. Chang	male	91-95			✔	✔	✔	✔	✔	✔	✔	✔
Ming-Shan Jheng	male	61-65	✔		✔	✔	✔	✔	✔	✔	✔	✔
Fisher C.H. Yu	male	56-60	✔		✔	✔	✔	✔	✔	✔	✔	✔
Johnathon Y.J. Su	male	36-40	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Shih-Yang Chen	male	66-70			✔	✔	✔	✔		✔	✔	✔
Winston Won	male	71-75			✔	✔	✔	✔	✔	✔	✔	✔
Po-Young Chu	male	66-70			✔	✔	✔	✔	✔	✔	✔	✔
Paul T.Y. Huang	male	71-75			✔	✔	✔	✔	✔	✔	✔	✔
Wei-Tsung Liu	male	71-75			✔		✔	✔		✔	✔	✔

(6). The Company continues to arrange a variety of continuing education courses for board members, in order to improve the quality of their decisions, fulfill their supervision responsibility, and further strengthen Board functions.

(7). 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. Furthermore, the Audit Committee annually conducts self-evaluations 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:

1. The Company's Board of Directors has ten members, including four independent directors (40%) and six non-independent directors (60%)

2. The ten 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 4 independent directors (40%) and 6 non-independent directors (60%), in which 3 directors are employees/managers (30%) and 2 of the directors has a spouse or relative within the second degree of kinship who is also a director (20%), which complies with Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

3. 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
Wei-Tsung Liu	No	None	No	None

(III) Succession plan and operations of Board members:

1. The Company's directors are elected by the shareholders' meeting using the candidate nomination system in accordance with the Company's "Articles of Incorporation" and "Regulations Governing the Election of Directors." The Board of Directors or shareholders holding more than 1% of shares shall, based on the Company's operations and future development needs, professional abilities of talents, and diversity policy, nominate suitable candidates for the next term from current directors, senior managers, and external professionals, and plan the most appropriate board structure and composition.

2. For the sound development of the Board of Directors and to strengthen corporate governance, the Company's Corporate Governance Best Practice Principles are referenced when planning successors. The composition of the Board of Directors must consider diversity. In addition to the number of directors who are concurrently managers of the Company not exceeding one third of

all director seats, the Company also pays attention to the diversity of gender, age, and professional backgrounds (e.g., business administration, finance, accounting, law, information technology, environmental protection, industrial engineering, and risk management), and whether directors have the knowledge, experience, skills, and literacy required to perform their duties. To achieve the goals of corporate governance, the Board of Directors must have (1) the ability to make sound business judgments, (2) ability to perform accounting and financial analysis, (3) business administration ability, (4) crisis management ability, (5) knowledge of the industry, (6) an international market perspective, (7) leadership, and (8) decision-making ability.

3. The Company arranges continuing education courses for directors each year based on the Company's industry characteristics, directors' needs, and future trends, in order to enhance Board functions. The Company also arranges for senior managers to participate in continuing education to gain new knowledge, so that they have the professional knowledge, abilities, and literacy required for succession. In addition, to let senior managers understand operations of the Board of Directors, the Company regularly arranges for senior managers to attend board meetings to become familiar with operations of each unit and increase their participation experience.
4. An internal Board performance evaluation must be conducted at least once a year according to the "Regulations Governing Performance Evaluation of the Board of Directors and Managers" to implement corporate governance and enhance Board functions. The performance evaluation mechanism ensures the effective operation of the Board of Directors, and Board performance evaluation results are referenced when nominating directors and selecting successors.

(IV) Succession plan for important managers and operations

1. In response to organizational development and the need for succession of supervisors at all levels, each unit sets the job level and number of supervisor positions based on business responsibilities, jurisdiction, importance, and attributes, which serve as the basis for talent cultivation, rotation, filling of vacancies, and promotions of managers. Regularly review operations and management manpower every year, and set the quota for at least one manager and one deputy for key management positions. For managers who will be changed or retire in the short term (1 to 5 years), we also plan and arrange for successor candidates to be trained in advance to ensure smooth transition between talent and business operations of each unit.
2. For the succession plan of important management positions, managers who have development potential with respect to expertise, leadership, operational planning, human resources, decision-making, and cost control, as well as the values and business philosophy of integrity, and show the corporate spirit of challenge, innovation, and teamwork, are evaluated through daily operations, task assignment, project implementation, and annual performance evaluation, and two to three managers with excellent performance are selected into the succession plan.
3. Potential successors gain experience through job rotation in the Group's business units, and continue to hone their management skills and expand their professional fields and international perspectives through project participation, serving as substitutes, participation in the Company's important business management meetings, receiving training through management courses, and cross-department (factory), cross-subsidiary or second-tier subsidiary, and cross-border rotation. Potential successors receive comprehensive training in strategy planning and business management abilities, and shoulder the important responsibility of sustaining sustainable operations.

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

April 30, 2024

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	Ming-Shan Jheng	Male	2023	1,812,999	0.56%	1,959	-	-	-	Junior high school Director and General Manager, Hsin Kuang Steel Co., Ltd.	Chairman of: Hsin Hua Steel Industry Co., Ltd. Director of: Hsin Kuang 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 Operations	Republic of China	Johnathon Y.J. Su	Male	2022	7,704,930	2.40%	320,000	0.10%	-	-	Birkbeck, University of London (Birbeck,University of Master's degree Director and Vice General Manager of Operations Department of Hsin Kuang Steel Co., Ltd.	Chairman of: Chairman of Cheng Yu Investment Co., Ltd. Vice chairperson of: Paradise Education Welfare Foundation Taoyuan Director of: Hsin Kuang 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	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 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 Hsin Kuang Steel Co., Ltd.	Director of: Hsin Kuang 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
Vice General Manager, 2nd Operations Department	Republic of China	Teng-Kui Kao	Male	2014	-	-	-	-	-	-	Junior high school Vice General Manager of Project Engineering of Hsin Kuang 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, 1st Operations Department	Republic of China	Frank C.C. Huang	Male	2023	53,038	0.02%	-	-	-	-	Master's degree Vice General Manager of 1st Operations Department of Hsin Kuang 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	
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 Hsin Kuang Steel Co., Ltd. CFO of Hsin Kuang Steel Co., Ltd. Chief Information Security Officer of Hsin Kuang Steel Co., Ltd. Spokesperson of Hsin Kuang Steel Co., Ltd.	Director of: Hsin Yuan Investment Co., Ltd. APEX Wind Power Equipment Manufacturing 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 Ta Chang Tsuo Industrials Co., Ltd.	None	None	None	None
Vice President of Finance	Republic of China	Lisa H.C. Chien	Female	2021	191,497	0.06%	-	-	-	-	Bachelor's degree Vice President of Finance of Hsin Kuang 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 Hsin Kuang Steel Co., Ltd.	None	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 Hsin Kuang Steel Co., Ltd.	Director of: Mason Metal Industry Co., Ltd.	None	None	None	None
Special Steel Operations Assistant Vice President	Republic of China	Sung-Ru Yang	Male	2021	58,344	0.02%					Master's degree Assistant Vice President of Special Steel Operations at Hsin Kuang 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, Hsin Kuang 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, Hsin Kuang 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, Hsin Kuang 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).

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, 2023; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

Title	Name	Remuneration of Directors								Total remuneration (A+B+C+D) as a percentage of 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)		Business expenses (D) (Note 4)				Salary, bonuses, and allowances (E) (Note 5)		Severance pay and pension (F)		Employee bonuses (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	611	692	-	-	55,254	59,198	2,893	3,013	58,759 3.39%	62,902 3.63%	13,342	13,842	-	-	4,819	-	8,204	-	76,919 4.44%	84,949 4.91%	None
Institutional Director	Han De Investment Co., Ltd.																					None
Institutional Director	Trickle Co., Ltd.																					None
	Trickle T.C. Chang																					None
Director	Ming-Shan Jheng																					None
Director	Fisher C.H. Yu																					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
Independent Directors	Wei-Tsung Liu																					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 2023 (including their employee compensation) was NT$84,948 thousand, which accounted for 4.91% of the 2023 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$1,000,000				
NT$1,000,000 (inclusive) to NT$2,000,000(exclusive)	Trickle T.C. Chang, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang, Wei-Tsung Liu	Trickle T.C. Chang, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang, Wei-Tsung Liu	Trickle T.C. Chang, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang, Wei-Tsung Liu	Trickle T.C. Chang, Shih-Yang Chen, Winston Won, Po-Young Chu, Paul T.Y. Huang, Wei-Tsung Liu
NT$2,000,000 (inclusive) to NT$3,500,000(exclusive)				
NT$3,500,000 (inclusive) to NT$5,000,000(exclusive)	Alexander M.T. Su, Fisher C.H. Yu	Fisher C.H. Yu		
NT$5,000,000 (inclusive) to NT$10,000,000(exclusive)	Trickle Co., Ltd., Ming-Shan Jheng, Johnathon Y.J. Su	Alexander M.T. Su, Trickle Co., Ltd., Ming-Shan Jheng, Johnathon Y.J. Su	Alexander M.T. Su, Trickle Co., Ltd., Fisher C.H. Yu	Trickle Co., Ltd., Fisher C.H.Yu
NT$10,000,000 (inclusive) to NT$15,000,000(exclusive)			Johnathon Y.J. Su	Alexander M.T. Su, Johnathon Y.J. Su
NT$15,000,000 (inclusive) to NT$30,000,000(exclusive)	Han De Investment Co., Ltd.	Han De Investment Co., Ltd.	Han De Investment Co., Ltd., Ming-shan,Jheng	Han De Investment Co., Ltd., Ming-shan,Jheng
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	12	12	12	12

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, 2023; Unit: NT$1,000; market value is in NT$ and number of shares is in share units

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)
(Note 2)</th><th colspan="2">Severance pay and pension
(B)</th><th colspan="2">Bonuses and allowances, etc. (C)
(Note 3)</th><th colspan="4">Employee remuneration (D)
(Note 4)</th><th colspan="2">Total remuneration (A+B+C+D) as a percentage of net income (%) (Note 8)</th><th rowspan="3">Remuneration received from investee companies other than subsidiaries or the parent company
(Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th></tr>
<tr><th>Cash bonus</th><th>Stock bonus</th><th>Cash bonus</th><th>Stock bonus</th></tr>
<tr><td>General Manager Note 1</td><td>Alexander M.T. Su</td><td rowspan="9">12,342</td><td rowspan="9">14,711</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">11,623</td><td rowspan="9">11,623</td><td rowspan="9">11,168</td><td rowspan="9">-</td><td rowspan="9">14,949</td><td rowspan="9">-</td><td rowspan="9">35,133
2.03%</td><td rowspan="9">41,283
2.38%</td><td rowspan="9">None</td></tr>
<tr><td>General Manager Note 1</td><td>Ming-Shan Jheng</td></tr>
<tr><td>Vice General Manager</td><td>Daniel Z.L. Xu</td></tr>
<tr><td>Vice General Manager</td><td>Jessica P.H. Liu</td></tr>
<tr><td>Vice General Manager</td><td>Fisher C.H. Yu</td></tr>
<tr><td>Vice General Manager</td><td>Teng-Kui Kao</td></tr>
<tr><td>Vice General Manager</td><td>Lisa H.C. Chien</td></tr>
<tr><td>Vice General Manager</td><td>Johnathon Y.J. Su</td></tr>
<tr><td>Vice General Manager</td><td>Frank C.C. Huang</td></tr>
</table>

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.

Mr. Alexander M.T. Su served as the general manager from January 1, 2023 to August 6, 2023.

Mr. Ming-Shan Jheng was appointed as the general manager of the Company on August 7, 2023.

Note 2: Frank C.C. Huang was promoted to Vice General Manager on November 7, 2023 The amount in the table above does not include compensation for the period before their promotion.

Note 3: Total remuneration paid to managers from the Company in 2023 accounted for 2.03% of 2023 net profit after tax. Total remuneration paid to managers from all companies in the financial statements in 2023 accounted for 2.38% of 2023 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$1,000,000		
NT$1,000,000 (inclusive) to NT$2,000,000(exclusive)	Daniel Z.L. Xu	Daniel Z.L. Xu
NT$2,000,000 (inclusive) to NT$3,500,000(exclusive)	Fisher C.H. Yu, Lisa H.C. Chien, Teng-Kuei Kao, Frank C.C. Huang	Fisher C.H. Yu, Lisa H.C. Chien
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	Johnathon Y.J. Su.	Johnathon Y.J. Su., Frank C.C. Huang, Teng-Kuei Kao
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Alexander M.T. Su[Note 10], Ming-Shan Jheng[Note 10], Jessica P.H. Liu	Alexander M.T. Su[Note 10], Ming-Shan Jheng[Note 10], Jessica P.H. Liu
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	9	9

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.

Note 10: Mr. Alexander M.T. Su served as the general manager from January 1, 2023 to August 6, 2023. Mr. Ming-Shan Jheng was appointed as the general manager of the Company on August 7, 2023.

*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 Note 8	Alexander M.T. Su	7,843	9,859	-	-	8,968	8,968	7,727	-	10,938	-	24,538 1.42%	29,765 1.72%	None
General Manager Note 8	Ming-Shan Jheng													
Vice General Manager	Jessica P.H. Liu													
Vice General Manager	Johnathon Y.J. Su													
Vice General Manager	Frank C.C. Huang													

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.

Note 8: Mr. Alexander M.T. Su served as the general manager from January 1, 2023 to August 6, 2023. Mr. Ming-Shan Jheng was appointed as the general manager of the Company on August 7, 2023.

＊ 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, 2023; 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 Note 5	Alexander M.T. Su	-	11,645	11,645	0.67%
	General Manager Note 5	Ming-Shan Jheng				
	Vice General Manager of Administration	Daniel Z.L. Xu				
	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 Operations	Frank C.C. Huang				
	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.

Note 5: Mr. Alexander M.T. Su served as the general manager from January 1, 2023 to August 6, 2023. Mr. Ming-Shan Jheng was appointed as the general manager of the Company on August 7, 2023.

(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 %			
	2022		2023	
	The Company	All Companies in Consolidated Statements	The Company	All Companies in Consolidated Statements
Remuneration to Directors	9.14%	9.38%	4.44%	4.91%
Remunerations to General Manager and Vice General Managers	5.91%	6.14%	2.03%	2.38%

(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 4 independent directors (40%) and 6 non-independent directors (60%), in which 3 directors are employees/managers (30%) and 2 of the directors has a spouse or relative within the second degree of kinship who is also a director (20%), which complies with Article 26-3, Paragraphs 3 and 4 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 2023, the average attendance rate of directors in board meetings was 99%. 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 eight (A) meetings of the Board of Directors in 2023 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	8	0	100%	
Director	Representative of Han De Investment Co., Ltd.: Alexander M.T. Su	8	0	100%	
Director	Representative of Trickle Co., Ltd.: Trickle T.C. Chang	7	0	88%	
Director	Ming-Shan Jheng	8	0	100%	
Director	Fisher C.H. Yu	8	0	100%	
Director	Johnathon Y.J. Su	8	0	100%	
Director	Shih-Yang Chen	8	0	100%	
Independent Directors	Winston Won	8	0	100%	
Independent Directors	Po-Young Chu	8	0	100%	
Independent Directors	Paul T.Y. Huang	8	0	100%	
Independent Directors	Wei-Tsung Liu	3	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 17, 2023 (18th Session of 15th-term Board of Directors)	Approved the proposal for the Company's participation in the cash capital increase of the investee company.	Approved by all Independent Directors
June 15, 2023 (21st Session of 15th-term Board of Directors)	Approved the proposal for the Company to provide new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. as collateral for the syndicated loan of no more than NT$8.88 billion for investee company SunnyRich Multifunction Solar Power Co., Ltd.	Approved by all Independent Directors
August 7, 2023 (16th Session of 1st-term Audit Committee)	Approved the proposal for the Company's participation in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd.	Approved by all Independent Directors
November 7, 2023	Approved the renewal of liability insurance for	Approved by all

(16th Session of 2nd-term Audit Committee)	Directors, Supervisors, and important corporate officers in 2024. Approval of the ratification for participating in cash capital increase of the investee company. Approval of amendments to the Endorsement and Guarantee Making Procedure; Approved the provision of new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. held by the Company as collateral.	Independent Directors
December 5, 2023 (16th Session of 3rd-term Audit Committee)	Approved the appointment of the CPAs for 2024 and the resolution of their remuneration. Approved the pre-approval of non-assurance services provided by the accountants, their accounting firm, and affiliates of their accounting firm to the Company and its subsidiaries.	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 2023. 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 2023. 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, 2023 (16th Session of 2nd Audit Committee)	Internal audit reports (separate meeting). Report on internal control self-evaluation results in 2022 (separate meeting). 2022 Statement of Internal Control System (separate meeting).	Listened to the accountant's report on Deloitte China and the KY incident. Audit status of the 2022 financial statements, including any issues or difficulties in audits and the responses of management (separate meeting). 2022 Internal control audit report. Report on regulatory changes. The accountants discussed and communicated the questions raised by attendees of the meeting (separate

		meeting).
May 9, 2023 (18th Session of 2nd-term)	Internal audit reports (separate meeting).	
August 7, 2023 (1st Session of 3rd-term)	Internal audit reports (separate meeting).	
November 7, 2023 (2nd Session of 3rd-term)	Internal audit reports (separate meeting). 2024 Annual internal audit plan (separate meeting).	Internal audit status report
December 5, 2023 (3rd Session of 3rd-term)	Internal audit reports (separate meeting).	Review of the 2023 Q3 financial statements, including any issues or difficulties in reviews and the responses of management (separate meeting). Report on regulatory changes. The accountants discussed and communicated the questions raised by attendees of the meeting (separate meeting).

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:

一 Four out of the ten directors of the Company are independent directors and the number of independent directors is 40% of the entire Board.

一 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 four 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, 2023 to December 31, 2023
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 2023 board performance evaluation includes the following six aspects. 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 Board of Directors established an appropriate internal control system and provides guidance for the Company's ESG strategies, in which the Board of Directors received an "Excellent" rating in 41 items with the overall score: Percentile rank of 93.0%. The chairman commented: "The Board of Directors continues to operate effectively and implements corporate governance, operations, internal controls, and ESG." The Company's 2023 Board member performance evaluation includes the following six aspects. 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, Board members received an "Excellent" rating in 24 items with the overall score: Percentile rank of 92.6%.

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

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 between January 1, 2023 and December 31, 2023.

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 9 meetings between January 1, 2023 and April 30, 2024. In addition to the aforementioned meeting, the members of the Audit Committee, the certifying accountant, the chief internal auditor, and the management conducted three 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 9(A) meetings between January 1, 2023 and April 30, 2024, and the attendance was as follows

Title	Name	Attendance in Person(B)	Attendance by Proxy	Attendance Rate%(B/A)	Note
Independent Directors (Convener)	Winston Won	9	0	100%	
Independent Directors	Po-Young Chu	9	0	100%	
Independent Directors	Paul T.Y. Huang	9	0	100%	
Independent Directors	Wei-Tsung Liu[Note]	5	0	100%	

Note: Wei-Tsung Liu assumed the position of Independent Directors on August 6, 2023.

2.Operations of the Audit Committee

Date of Meeting	Important agenda content	Independent directors' resolution results	The Company's handling of Independent directors' opinions
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 the Company's participation 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

Date of Meeting	Important agenda content	Independent directors' resolution results	The Company's handling of Independent directors' opinions
May 9, 2023 (18th Session of 2nd-term)	Approval of the Company's 2023 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, 2023 (19th Session of 2nd-term)	Approved the proposal for the Company to provide new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. as collateral for the syndicated loan of no more than NT$8.88 billion for investee company 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
August 7, 2023 (1st Session of 3rd-term)	Election of the convener of the Company's 3rd-term Audit Committee. Approval of the Company's 2023 Quarter 2 financial statements Please review the Company's donation of of NT$4 million to the Hsin Kuang Steel Tian-Cheng Charity Foundation for use in charitable social welfare projects that meet the purpose of establishment of the Foundation. Approved the proposal for the Company's participation in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd. Approved the plan of APEX Wind Power Equipment Manufacturing Co., Ltd., a subsidiary of the Company, to apply for public listing of stock in the emerging stock market.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
November 7, 2023 (2nd Session of 3rd-term)	Approval of the Company's 2023 Quarter 3 financial statements Approved the Company's internal audit operations and inspection plans for 2024. Approved the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2024. Approval of the ratification for participating in cash capital increase of the investee company. Approval of amendments to the Endorsement and Guarantee Making Procedure; Approved the provision of new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. held by the Company as collateral.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance

Date of Meeting	Important agenda content	Independent directors' resolution results	The Company's handling of Independent directors' opinions
December 5, 2023 (3rd Session of 3rd-term)	Approved the appointment of the CPAs for 2024 and the resolution of their remuneration. Approved the pre-approval of non-assurance services provided by the accountants, their accounting firm, and affiliates of their accounting firm to the Company and its subsidiaries. Please discuss if the Company's accounts receivables that meet the criteria and other loans constitute lending to others. Approved the Company's business plan for 2024. Approved the Company's 2023-2024 corporate sustainability implementation results and future direction. Approved the Company's appropriation of NT$12 million for donation to the Hsin Kuang Steel Tian-Cheng Charity Foundation in 2024 for use in charitable social welfare projects.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
February 27, 2024 (4th Session of 3rd-term)	Approved the 2023 "Internal Control Effectiveness Evaluation" and "Statement on Internal Control." Approved the proposal to establish the Company's Regulations Governing Financial and Business Transactions Between Related Parties. Approved the Company's distribution of remuneration to Directors and employees for 2023. Approved the 2023 financial statements. Approved the 2023 Earnings Distribution Proposal.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
March 12, 2024 (5th Session of 3rd-term)	Approved the 2023 Earnings Distribution Proposal.	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, 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 the Company's participation in the cash capital increase of the investee company.	Approved by all Independent Directors
June 15, 2023 (19th Session of 2nd-term)	Approved the proposal for the Company to provide new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. as collateral for the syndicated loan of no more than NT$8.88 billion for investee company SunnyRich Multifunction Solar Power Co., Ltd.	Approved by all Independent Directors
August 7, 2023 (1st Session of 3rd-term)	Election of the convener of the Company's 3rd-term Audit Committee. Approval of the Company's 2023 Quarter 2 financial statements Please review the Company's donation of of NT$4 million to the Hsin Kuang Steel Tian-Cheng Charity Foundation for use in charitable social welfare projects that meet the purpose of establishment of the Foundation. Approved the proposal for the Company's participation in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd. Approved the plan of APEX Wind Power Equipment Manufacturing Co., Ltd., a subsidiary of the Company, to apply for public listing of stock in the emerging stock market.	Approved by all Independent Directors
November 7, 2023 (2nd Session of 3rd-term)	Approval of the Company's 2023 Quarter 3 financial statements Approved the Company's internal audit operations and inspection plans for 2024. Approved the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2024. Approval of the ratification for participating in cash capital increase of the investee company. Approval of amendments to the Endorsement and Guarantee Making Procedure; Approved the provision of new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. held by the Company as collateral.	Approved by all Independent Directors

December 5, 2023 (3rd Session of 3rd-term)	Approved the appointment of the CPAs for 2024 and the resolution of their remuneration. Approved the pre-approval of non-assurance services provided by the accountants, their accounting firm, and affiliates of their accounting firm to the Company and its subsidiaries. Please discuss if the Company's accounts receivables that meet the criteria and other loans constitute lending to others. Approved the Company's business plan for 2024. Approved the Company's 2023-2024 corporate sustainability implementation results and future direction. Approved the Company's appropriation of NT$12 million for donation to the Hsin Kuang Steel Tian-Cheng Charity Foundation in 2024 for use in charitable social welfare projects.	Approved by all Independent Directors
February 27, 2024 (4th Session of 3rd-term)	Approved the 2023 "Internal Control Effectiveness Evaluation" and "Statement on Internal Control." Approved the proposal to establish the Company's Regulations Governing Financial and Business Transactions Between Related Parties. Approved the Company's distribution of remuneration to Directors and employees for 2023. Approved the 2023 financial statements. Approved the 2023 Earnings Distribution Proposal.	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 2023. 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 2023. 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, 2023 (16th Session of 2nd Audit Committee)	Internal audit reports (separate meeting). Report on internal control self-evaluation results in 2022 (separate meeting). 2022 Statement of Internal Control System (separate meeting).	Listened to the accountant's report on Deloitte China and the KY incident. Audit status of the 2022 financial statements, including any issues or difficulties in audits and the responses of management (separate meeting). 2022 Internal control audit report. Report on regulatory changes. The accountants discussed and communicated the questions raised by attendees of the meeting (separate meeting).
May 9, 2023 (18th Session of 2nd-term)	Internal audit reports (separate meeting).	
August 7, 2023 (1st Session of 3rd-term)	Internal audit reports (separate meeting).	
November 7, 2023 (2nd Session of 3rd-term)	Internal audit reports (separate meeting). 2024 Annual internal audit plan (separate meeting).	Internal audit status report
December 5, 2023 (2nd Session of 3rd-term)	Internal audit reports (separate meeting).	Review of the 2023 Q3 financial statements, including any issues or difficulties in reviews and the responses of management (separate meeting). Report on regulatory changes. The accountants discussed and communicated the questions raised by attendees of the meeting (separate meeting).

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

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
(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 2023 and up to the date of report). 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").	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
III. Composition and responsibilities of the Board of Directors (I) Has the board of directors devised and implemented a plan for a more diverse composition of the board with concrete management goals?	✓		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 16th-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, Winston Won, Po-Young Chu, 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. Has an expertise in innovation and risk management: Director Po-Young Chu and Winston Won. Has an expertise in law: Director Wei-Tsung Liu and Shih-Yang Chen. 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 are concurrently employees account for 30% of all directors, independent directors account for 40%, and all directors are male. One director is between the ages of 31 and 50 and 9 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 20% of the Company's directors. Specific diversity goals: 1. The Company places a great emphasis on gender equality in Board composition, and aims to for at least one fifth of all directors to be female.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
			2. The Company's Board of Directors focuses on business judgment, business management, and crisis management abilities, and more than two-thirds of Board members have relevant core abilities. 3. The majority of independent directors shall not serve for more than three consecutive terms in order to maintain their independence. 4. Board members who are also employees of the Company shall not exceed one-third of the total number of directors to achieve the purpose of supervision. 5. Board members who have a spousal relationship or relationship within the second degree of kinship with any other director shall not exceed one fifth of the total number of directors to achieve the purpose of supervision. 6. Board members who are also employees of the Company shall not exceed one-third of the total number of directors to achieve the purpose of supervision. Achievement of Board diversity 1. All of the Company's 10 directors are male. We will direct our efforts to increasing the number of female directors to achieve the goal. 2. None of the Company's four independent directors have served more than three consecutive terms and are independent. 3. Of the Company's directors, 30% are concurrently employees, and we will direct our efforts to reduce the percentage of directors who are also employees in the future to achieve the goal. 4. Directors who have a spousal relationship or relationship within the second degree of kinship with any other director account for 20% of the Company's directors. We will direct our efforts to reduce the percentage of directors with a spousal relationship or relationship within the second degree of kinship in the future to achieve the goal. 5. All of the Company's Board members are R.O.C.	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
			citizens and come from diverse backgrounds, including professional backgrounds in industry, academia, and accounting. They have experience in managing industry-leading companies and the knowledge, skills, literacy, and industry decision-making and management abilities required to perform their duties. Of the eight core abilities required by the Board of Directors as a whole to achieve corporate governance goals, Board members have 98% of the abilities required to perform their duties. Of the five core abilities that the Company attaches the most importance to, specifically the ability to make sound business judgments, business management ability, crisis management ability, knowledge of the industry, and an international market perspective, Board members have 94% of the abilities. 6. The Company continues to arrange a variety of continuing education courses for board members, in order to improve the quality of their decisions, fulfill their supervision responsibility, and further strengthen Board functions. 7. 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. Furthermore, the Audit Committee annually conducts self-evaluations 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. 8. 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 2022 and 2023. 9. The Company's Board of Directors convened 8 meetings in 2023 with an attendance rate of 99%.	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
			The term of the 16th-term Board of Directors is from August 6, 2023 to August 5, 2026), the Board has convened a total of 5 meetings as of April 30, 2024 with an attendance rate of 96%.	
(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 an Audit Committee and Remuneration Committee in accordance with the 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. The Audit Committee received an "Excellent" rating in 21 items and the Remuneration Committee received an "Excellent" rating in 15 items. The overall score of the Audit Committee and Remuneration Committee was 96.9% and 95.7%.	None
(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 Gold 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 2023 Board of Directors, board member, and functional committee performance evaluations were completed at the end of January 2024, and results were reported during the 4th meeting of the 16th-term Board of Directors on February 27, 2024. The Board of Directors were assessed on the following six aspects in 2023: (1) Participation in the operation of the Company (2) Improvement of the quality of the Board of	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			Directors' decision making (3) Composition and structure of the Board of Directors (4) Election and continuing education of the Directors (5) Internal control (6) Participation in ESG The Company's board member (self or peer) evaluations in 2023 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 2023 board performance evaluation results are as follows: (1). The average score in the Board of Directors performance self-evaluation was 93%. (2). The average score in the board member performance self-evaluation was 92.6%. 2.The functional committees are assessed on the following five aspects in 2023: (1) Participation in the operation of the Company (2) Understanding of the committee's duties (3) Improvement of committee decision-making quality (4) Composition of committee and member selection (5) Internal control The Company has completed functional committee internal performance evaluations and reported results to the Board of Directors on February 27, 2024. Please refer to the Company's official website for details.	
(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 submitted to the Audit Committee to evaluate the independence, competence, appointment, and fees of the accountants in 2024 based on the Audit Quality Indicators (AQI) provided by the accountants. The AQI framework and disclosure template updated by the FSC in June 2022 was referenced when preparing the AQI information. Evaluation items include professionalism,	None

<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>independence, quality control, supervision, and innovation ability, as well as 13 indicators. Information for the period evaluated is based on statistics provided by Deloitte Taiwan for FY23 (January 1 2023 to December 31, 2023) and FY22 (January 1, 2022 to December 31, 2022). The accountants issued a "Statement of Independence," which was reviewed by the Audit Committee on November 30, 2023 and then submitted to the Board of Directors the same day for approval. The evaluation of the accountants' independence and competence is described below:
<table>
<tr><th>Evaluation Item</th><th>Evaluation results</th><th>Meet the independence criteria</th></tr>
<tr><td>1. Do the accountants have a material financial interest in the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>2. Do the accountants have any inappropriate relationship with the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>3. Do the accountants and their assistants comply with integrity, impartiality, and independence requirements?</td><td>No</td><td>Yes</td></tr>
<tr><td>4. Are the accountants currently a director, supervisor, manager, or holds a position at the Company with significant influence on audit work, or did they hold such positions in the past two years?</td><td>No</td><td>Yes</td></tr>
<tr><td>5. During the period audited, did the accountants and their spouse or dependents hold the</td><td>No</td><td>Yes</td></tr>
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Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	

position of director, supervisor, manager, or other position at the Company with direct and significant influence on audit work? During the period audited, did the accountants' relatives within the fourth degree of kinship hold the position of director, supervisor, manager, or other position at the Company with direct and significant influence on audit work in violation of independence procedure?		
6. Are the names of the accounts used by others?	No	Yes
7. Do the accountants have any loans from the Company? This does not apply to normal financial transactions.	No	Yes
8. Do the accountants operate other businesses that may cause them to lose their independence?	No	Yes
9. Do the accountants receive commission related to any business?	No	Yes
10. Do the accountants hold the Company's shares?	No	Yes
11. Do the accountants receive a fixed salary for handling routine work of the	No	Yes

<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><table>
<tr><td>Company?</td><td></td><td></td></tr>
<tr><td>12. Do the accountants have any joint investments or profit sharing with the Company?</td><td>No</td><td>Yes</td></tr>
<tr><td>13. Do the accountants perform any managerial functions that involve the Company's decision making?</td><td>No</td><td>Yes</td></tr>
</table></td><td></td></tr>
<tr><td>IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?</td><td>✓</td><td></td><td>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 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 August 7, 2023, in which the implementation status of affairs by the corporate governance officer in 2023 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</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	
			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	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
			individual directors according to the "Board of Directors and Functional 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 2023 shall include the following: (1). Participate in the Chinese National Association of Industry and Commerce Organized "Corporate Resilience and Taiwan's Competitiveness"3 hours. (2). Taiwan Stock Exchange and Taipei Exchange Organized the meeting on sustainable development action plans of listed/OTC-traded companies3 hours. (3). Taiwan Corporate Governance Association Organized "ESG Corporate Sustainability" and "Risk Management" Related Performance Evaluation Practices3 hours. (4). Organized by the Chinese National Association of Industry and Commerce2023 Taishin Net Zero Summit3 hours. (5). Organized by Taiwan Corporate Governance AssociationCorporate Governance Regulations and Insider Trading Prevention3 hours. (6). Taiwan Stock ExchangeOrganized the 2023 Cathay Sustainable Finance and Climate Change Summit Forum6 hours.	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			(7). Taiwan Corporate Governance Association Organized the Zero Trust Information Security Governance3 hours. (8). Accounting Research and Development FoundationOrganized the Seminar on Transition Finance and Sustainability Disclosures3 hours. (9). Organized by Taiwan Corporate Governance AssociationBoard Governance Under ESG3 hours. (10). Securities & Futures InstituteOrganized the "2023 Insider Trading Prevention Awareness Meeting" (live stream)3 hours. (11). Securities & Futures InstituteOrganized the 2023 Insider Equity Transaction Legal Compliance Awareness Briefing (Online Seminar)3 hours. (12). Accounting Research and Development FoundationOrganized the 2023 ESG Summit – Digital Technology and Transition Towards Sustainability6 hours. (13). Accounting Research and Development FoundationOrganized Business Ethics and Sustainable Development3 hours.	
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?	✓		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 —AA—1000 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 (ip_mail@hksteel.com.tw) for stakeholders to use for contact. 3. The Company website has a "Corporate Governance – Important Internal Regulations" section for investors to inquire and download corporate governance related regulations.	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
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	✓		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 2023 financial statements on March 12, 2024). 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	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
as its operating status for each month ahead of schedule before the specified deadline?			the aforementioned information..	
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 (pages 159 to 162). 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 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	None

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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. Stakeholders' rights: 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	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 (pages 84 to 117). 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 (pages 80 to 84). 6. Implementation of risk management policies and risk 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 (pages 179 to 196). 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 7, 2023 to purchase liability insurance for directors (including managers), in order to reduce the severity of damages sustained by the Company and	

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 2023 "Corporate Governance Evaluation" results were acceptable. The Company's 2023 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 7, 2024 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 10th 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 Relations 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 Relations Section).
1.18	Does the Company record important contents of questions from shareholders and the Company's response in the shareholders' meeting minutes?	The Company has provided a detailed explanation in the annual report and official website (Investor Relations 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 Relations Section).
2.15	Does the company disclose communication between independent directors with the chief internal auditor and accountants (including the method, items, and results of communication regarding the company's financial statements, financial position, and business performance) on the company	The Company has provided a detailed explanation in the annual report and official website (Investor Relations Section).

Item No.	Indicator Item	Improvement
	website?	
2.18	Does the company conduct internal performance evaluations of functional committees (at least include the Audit Committee and Remuneration Committee) every year, and disclose the implementation status and evaluation results on the company website or annual report?	The Company has provided a detailed explanation in the annual report and official website (Investor Relations 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 continuing education described on the company website and annual report?	The Company has provided a detailed explanation in the annual report and official website (Investor Relations Section).
2.25	Does the company's independent directors complete the required number of hours of continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"?	The Company has provided a detailed explanation in the annual report and official website (Investor Relations Section).
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 Relations 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 Relations 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 Relations 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 Relations Section).

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

Item No.	Indicator Item	Improvement
1.6	Does the company hold the regular shareholders' meeting before the end of May?	The Company will conduct an internal evaluation.
2.6	Does the Company's Board of Directors have at last one female director?	The Company will conduct an internal evaluation.
2.9	Has the company established a Board diversity policy and disclosed the specific management goals and implementation of the diversity policy on its company website and in its annual report?	The Company will conduct an internal evaluation and disclose it in the annual report for the 2024 shareholders' meeting.
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	Does the company's Audit Committee or Board-level functional committee (e.g., Risk Management Committee) supervise risk management? Has the Company established risk management policies and procedures that were approved by the Board of Directors, disclosed the risk management organizational structure, risk management procedures, 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	The Company will conduct an internal evaluation.

Item No.	Indicator Item	Improvement
	it on the company website or annual report?	
2.27	Does the company compile an intellectual property management plan that is linked to business goals and disclose its implementation status on the company website or in the annual report, and report it to the board of directors at least once a year?	The Company will conduct an internal evaluation.
2.30	Does at least one of the company's internal auditors have certificates such as International Certified Internal Auditor, Certified Information Systems Auditor, or Accountant Examination Qualification Certificate?	The Company will conduct an internal evaluation.
3.4	Does the company announce the annual financial statements audited by the accountants within two months after the end of a fiscal year?	The Company will conduct an internal evaluation.
3.6	Does the company disclose the English version of its interim financial report within two months after the deadline for filing the Chinese version interim financial report?	The Company will conduct an internal evaluation.
3.18	Has the company established an English company website to disclose information on the company's financial position, business performance, and corporate governance?	The Company will conduct an internal evaluation.
4.2	Has the company established dedicated (concurrent) ethical corporate management unit responsible for formulating and supervising the implementation of the ethical corporate management policy and prevention plans, described the operations and implementation status of the unit on the company website and annual report, and report it to the board of directors at least once a year?	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,	The Company will conduct an internal evaluation.

Item No.	Indicator Item	Improvement
	specify specific measures and plans to prevent unethical conduct, and describe the implementation status?	
4.19	Does the company invest in energy-saving or green energy-related eco-friendly and sustainable machinery and equipment, or invest in the domestic green energy industry (such as renewable energy power plants), or issue or invest in sustainable development financial products that utilize the proceeds for investment plans with green or social benefits, and disclose their investment status and specific benefits?	The Company will conduct an internal evaluation.
4.22	Does the company invest resources to support domestic cultural development, and disclose the method and results of support on the company website, annual report, or sustainability report?	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, 2024

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 (pages 14 to 18).	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 (pages 14 to 18).	3
Independent Directors	Po-Young Chu			2
Independent Directors	Paul T.Y. Huang			0
Independent Directors	Wei-Tsung Liu			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 4 individuals.

II. Current term for the members: From August 6, 2023 to August 5, 2026. The chair of the Remuneration Committee Mr. Winston Won convened a total of 5 meetings between January 1, 2023 and April 30, 2024. The qualifications and attendance of Remuneration Committee members are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) [B/A] (Note)	Note
Convener	Winston Won	5	0	100%	None
Committee Member	Po-Young Chu	5	0	100%	None
Committee Member	Paul T.Y. Huang	5	0	100%	None
Committee Member	Wei-Tsung Liu	4	0	100%	Appointed as a 5th-term committee member on August 7, 2023

Operations of the Remuneration Committee

Date of Meeting	Important agenda content	Resolutions	The Company's handling of members' opinions
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
August 7, 2023 (1st Session of 5th-term)	Reviewed the distribution of employee bonuses and directors' remuneration in 2022. Approved the promotion of Deputy General Manager Ming-Shan Jheng of	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance

Date of Meeting	Important agenda content	Resolutions	The Company's handling of members' opinions
	the 2nd Operations Department to general manager, effective on August 8, 2023.		
November 7, 2023 (2nd Session of 5th-term)	Approved the monthly salary structure and payment amount of General Manager Ming-Shan Jheng. Approved the promotion of Assistant Vice President Frank C.C. Huang of the 1st Operations Department to Deputy General Manager and the raise of his monthly salary structure and payment amount. Approved the measures related to the Applicable Scope of Managers announced by the Financial Supervisory Commission on October 4, 2023.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
December 5, 2023 (3rd Session of 5th-term)	Reviewed the proposed salary raises for managers in 2024. Approved the year-end bonus and remuneration distribution proposal for managers. Approved the Company's remuneration policy for directors and managers in 2024. Approved the appointment and remuneration of the Company's chief information security officer. Approved the Company's 2023 Board member, Board of Directors, and functional committee performance self-evaluation. Approved the allocation of NT$10 million from the employee bonus reserve as year-end bonuses in 2023.	Proposal approved as proposed by all members	Submitted to the Board of Directors and approved by all directors in attendance
February 27, 2024 (4th Session of 5th-term)	Retirement of the Company's abovementioned managers. Approved the monthly salary structure and payment amount of Chairman Alexander M.T. Su. Approved the retirement of the Company's department managers. Approved the Company's distribution of directors' remuneration and employee bonuses for 2023. Approved the Company's 2023 board and functional committee performance evaluation report. Approved the report on remuneration to directors and managers in 2023. Proposal to implement the employee shareholding trust system.	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 2023 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	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3	Yes
		Taiwan Corporate Governance Association	Corporate Governance Regulations and Insider Trading Prevention	2023.06.08	3	Yes
		Taiwan Corporate Governance Association	Zero Trust Information Security Governance	2023.07.12	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
Director	Trickle T.C. Chang	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
Director	Ming-Shan Jheng	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3	Yes
		Taiwan Corporate Governance Association	Corporate Governance Regulations and Insider Trading Prevention	2023.06.08	3	Yes

Title	Name	Organizer	Course	Course Date	Course Duration	Does continuing education comply with regulations?
		Taiwan Corporate Governance Association	Zero Trust Information Security Governance	2023.07.12	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
Director	Fisher C.H. Yu	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
Director	Johnathon Y.J. Su	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
Director	Shih-Yang Chen	Taiwan CPA Association	Accountant anti-money laundering supervision and practice	2023.03.21	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
		Taiwan CPA Association	IAS 12 Income Tax	2023.09.21	3	Yes
		Taiwan CPA Association	Analysis of Independent Director and Audit Committee Practices	2023.11.08	3	Yes
		Taiwan CPA Association	Investment-grade Sustainability Reports	2023.11.08	3	Yes
Independent Directors	Winston Won	Taiwan Corporate Governance Association	All Matters Related to Inheritance Tax	2023.07.28	3	Yes
		Taiwan Corporate Governance Association	Corporate M&A and Exit Mechanism and Struggle for Management Right	2023.07.28	3	Yes
Independent Directors	Po-Young Chu	Taiwan Corporate	ESG Corporate Sustainability and Risk	2023.05.09	3	Yes

Title	Name	Organizer	Course	Course Date	Course Duration	Does continuing education comply with regulations?
		Governance Association	Management Related Performance Evaluation Practices			
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
		Taiwan Corporate Governance Association	Taiwan's green electricity trading system and procurement practices	2023.08.10	3	Yes
		Taiwan Corporate Governance Association	Taiwan's opportunities in the AI industry; Digital transformation and smart manufacturing accelerated by generative AI	2023.08.21	3	Yes
		Taiwan Corporate Governance Association	The trend of net zero emissions and response strategies of the paper industry; Carbon credit management and contribution to net zero	2023.08.21	3	Yes
Independent Directors	Paul T.Y. Huang	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3	Yes
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
Independent Directors	Wei-Tsung Liu	Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3	Yes
		Securities & Futures Institute	The 2023 Advocacy Briefing on Prevention of Insider Trading	2023.10.13	3	Yes
		Securities & Futures Institute	2023 Insider Equity Transaction Legal Compliance Awareness Briefing	2023.11.22	3	Yes
		Accounting Research and Development Foundation	Effective Internal Control for Sustainability Reporting	2023.12.24	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	the Course
Deputy general manager and CFO, spokesperson, chief information security officer, corporate governance officer Jessica P.H. Liu	2023.03.27	Chinese National Association of Industry and Commerce	"Corporate Resilience and Taiwan's Competitiveness"	3
	2023.04.27	Taiwan Stock Exchange and Taipei Exchange	Meeting on sustainable development action plans of listed/OTC-traded companies	3
	2023.05.09	Taiwan Corporate Governance Association	"ESG Corporate Sustainability" and "Risk Management" Related Performance Evaluation Practices	3
	2023.06.02	Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3
	2023.06.08	Taiwan Corporate Governance Association	Corporate Governance Regulations and Insider Trading Prevention	3
	2023.07.04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit Forum	6
	2023.07.12	Taiwan Corporate Governance Association	Zero Trust Information Security Governance	3
	2023.07.18	Accounting Research and Development Foundation	Seminar on Transition Finance and Sustainability Disclosures	3
	2023.08.07	Taiwan Corporate Governance Association	Board Governance Under ESG	3
	2023.10.13	Securities & Futures Institute	"2023 Insider Trading Prevention Awareness Meeting" (live stream)	3
	2023.11.15	Securities & Futures Institute	2023 Insider Equity Transaction Legal Compliance Awareness Briefing	3

Name	Date	Organizer	Course Title	the Course
			(Online Seminar)	
	2023.11.16	Accounting Research and Development Foundation	2023 ESG Summit – Digital Technology and Transition Towards Sustainability	6
	2023.12.15	Accounting Research and Development Foundation	Business ethics and sustainable development	3

(VII)Performance of Corporate Social Responsibility

Steel is an important material for building a circular economy. Hsin Kuang 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. Hsin Kuang Steel established the "Hsin Kuang Steel Corporate Social Responsibility Policy" and "Hsin Kuang 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 2023, the installed capacity of rooftop solar power generation systems in Hsin Kuang Steel's plants reached 11.53 kw 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 12.94 million kWh of electricity in 2023 and reduced 6,302 metric tons of CO_2 emissions which is equivalent to the CO_2 absorption of 16 Da'an Forest Parks. Over the years, we have produced 75.81 million kWh of electricity and reduced CO_2 emissions by nearly 38,951 metric tons, which is equivalent to 100 times the amount of CO_2 that can be absorbed by Da'an Forest Park.

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	31.3%	28.2%	31.4%	9.1%

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. Hsin Kuang Steel Co., Ltd., Hsin Kuang Steel Tian-Cheng Charity Foundation, and New Taipei City Hui Jung Welfare and Charity Foundation spent a total of NT$37.4 million on community care in 2023.

(I) Talent Development and Promotion of Education and Culture: 1. Sponsored the art contest for families in straitened circumstances to cultivate their aesthetic ability and promote balanced development of body and mind. 2. Supported the book donation activity of Global Views Monthly "Give Children a Big Future." 3. Donated funds for the 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. 4. Established scholarships for elite college students to cultivate outstanding talent, in hopes making them leaders in the nation's progress and development. 5. Sponsored the "One Song Orchestra, Taiwan Travel" event, using the concept of "mobile concert hall" to care for rural areas and bring beautiful music to every corner of Taiwan. 6. Special donations were made to the "Family Support Service Project" and "Safe Schooling Subsidy Project – Safe Schooling Plan for Students" for middle school students. 7. Established the scholarship for students with epilepsy. 8. Donated smart classroom tablet interactive teaching systems to three elementary schools in rural areas of Pingtung County to make the curriculum more diverse and improve the teaching quality. 9. Subsidized the scholarship for students of the Association for Victims Support Shilin Branch.

(II) Community care, giving back to communities: 1. Cooperated with the local government in reducing CO2 emissions from burning grape vines, and donated wood 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. Donated operating table and operating equipment to Chia-Yi Christian Hospital in phases to improve the quality of local healthcare services. 5. Donated disaster perambulator cars to Chiayi County Fire Bureau. 6. Donated funds for the construction of a new building for the Genesis Social Welfare Foundation Chiayi Branch. 7. Sponsored the "Salute to the Heroes" concert organized by the Golden Triangle Culture Foundation to celebrate its 70th anniversary. 8. Sponsored the Run for Honor Armed Forces Day for the 99th anniversary of Huangpu Military Academy. 9. Donated to the public welfare action fund to stop burning rice straw organized by the INRAA. 10. Donated to the Hengshan Social Welfare Foundation for repairs and to deliver supplies to disadvantaged families.

(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. Donated to the Childhood Brain Tumor Association of Taiwan to fund psychological counseling and treatment courses for children with brain tumors. 3. Donated funds to the Naivety ADHD Taiwan Association Federation, which serves "Attention Deficit Hyperactivity Disorder (ADHD)," to protect patients' rights and interests and assimilation into society through services and promotion of correct knowledge. 4. Sponsored disadvantaged students of World Vision Taiwan and the Mustard Seed Mission. 5. Donated one ambulance to Mudan Public Health Center, Pingtung County. 6. Donated one automated CPR device to Chiayi County Fire Bureau.

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.	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 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 reports annual sustainability issues, implementation results, and future implementation plans each quarter. In 2023, the Company continued 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. Hsin Kuang 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 2023 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.	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
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 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	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 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	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 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	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 (pages 84 to 117).	
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 2024. 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. 2.We continued to compile 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 this Annual Report (pages 84 to 117).	None
(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)	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			Performance of Corporate Social Responsibility" section of the Corporate Governance Report in this Annual Report (pages 84 to 117).	
(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 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.	None
(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,	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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.	
IV. Social issues (I) Has the company formulated appropriate management policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		Hsin Kuang 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	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 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	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 277.5 hours in 2023. The Company's human rights policy is disclosed on the official website. For more information, please refer to the descriptions in the "5. Employees-employer relations" section of the Operational Highlights in this Annual Report (pages 159 to 162).	
(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 22.06% of all employees and female managers accounted for 5.34% of all managers at the Company in 2023. The Company strives to create a gender friendly workplace to attract and retain talent. 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	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 2024 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	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			regulations each year, and arranges for employees to receive training and re-training for certifications, such as first aid, 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 1,366 participants received EHS training for a total of 3,189 hours; there were no occupational disease cases in 2023. 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	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			provided to 255 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 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 2 occupational accidents occurred in 2023 and 2 employees were injured as a result, accounting for 0.71% of all employees. The injuries were all due to not following safety rules, and safety precautions training was subsequently arranged. 4. The Company did not have any fire accidents in 2023. Regarding protection and response to fire accidents, the Management Department organized courses and actual disaster prevention drills in the factory in 2023, so that employees will understand fire prevention knowledge and the SOP in the event of a fire accident.	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
(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 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	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 17,990 units of training between January 9, 2023 and April 30, 2024, and 33.8% of employees participated. For more information, please refer to the descriptions in the "5. Employees-employer relations" section of the Operational Highlights in this Annual Report (pages 159 to 162).	
(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	✓		The Company continues to strengthen supply chain management. It requires and encourages suppliers and	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights, and describe the implementation results?			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 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	

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 17 suppliers in 2023.	
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 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,	None

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			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 (pages 84 to 117).

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

Completed a GHG inventory, collected data, and carried out inventory verification in 2023 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. Hsin Kuang Steel Co., Ltd., Hsin Kuang Steel Tian-Cheng Charity Foundation, and New Taipei City Hui Jung Welfare and Charity Foundation spent a total of NT$37.4 million on community care in 2023. Donations to charity were for talent cultivation and promotion of education and culture31.3%, implementation of community care 28.2%, aid for the

Promotion Item	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
disadvantaged 31.4%and medical subsidies 9.1%. 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 generated 12.94 million kWh of electricity in 2023. We have reduced CO2 emissions by nearly 6,302 metric tons, which is equivalent to the CO2 absorption of 16 Da'an Forest Parks. Over the years, we have produced 75.81 million kWh of electricity and reduced CO2 emissions by nearly 38,951 metric tons, which is equivalent to 100 times the amount of CO2 that can be absorbed by Da'an Forest Park. Please refer to the "(7) Performance of corporate social responsibility" section of the Corporate Governance Report in the Annual Report (pages 84 to 117).				

Implementation status of climate-related information

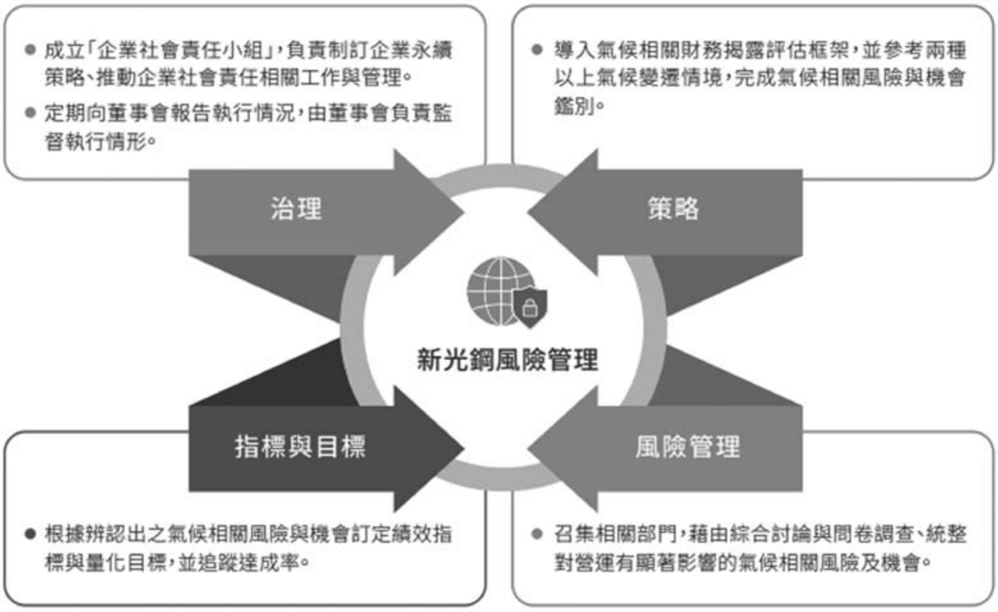
1 Implementation status of climate-related information

(1). Describe supervision and governance of climate-related risks and opportunities by the board of directors and management.

The Company's Board of Directors is responsible for approving and supervising the Company's sustainable development matters, including climate governance and low carbon issues, which are reported to the Board of Directors at least once a year, including the Company's sustainable development and ESG management approach, supervision and tracking of sustainable development implementation and achievement of performance goals.

The chairman of the Company's Board of Directors tasks the general manager to serve as the highest level person in charge of climate-related issues, and to regularly identify and manage the Company's operational risks, including potential physical and transition risks of climate change; oversee the planning of relevant response measures and execution of risk management decisions approved by the Board of Directors; supervise the establishment of the framework of the Company's risk management mechanisms, review the risk management reports submitted according to the tiered responsibilities, handle risk management-related issues, and supervise the implementation and coordination of overall risk management. The Risk Management Executive Committee submits reports on the implementation status and risk management to the Board of Directors at least once a year for reference in strategy, decision-making on major transactions, and risk management processes, and to supervise, track, and review the execution of risk management by the management team (including ESG and climate-related risks) and the achievement of performance goals.

In terms of climate risk management, the Company's "Corporate Social Responsibility Team" is responsible for formulating corporate sustainability strategies, implementing CSR-related work and management, regularly assessing climate risks and opportunities according to the the TCFD framework, and reporting assessment results and the progress of mitigation and adaptation work to the Board of Directors. The Company predicts the probability of risk occurrence and degree of impact, formulates risk response plans, mitigation measures, and crisis handling mechanisms, in order to issue warnings as early as possible to mitigate the impacts of risks on operations.



● 成立「企業社會責任小組」，負責制訂企業永續策略、推動企業社會責任相關工作與管理。 ● 定期向董事會報告執行情況，由董事會負責監督執行情形。	● Established the Corporate Social Responsibility Task Force responsible for establishing corporate sustainability strategies and implementing CSR-related work and management. ● Regularly report the implementation status to the Board of Directors, which is responsible for supervising implementation.
● 導入氣候相關財務揭露評估框架，並參考兩種以上氣候變遷情境，完成氣候相關風險與機會鑑別。	● Implement the TCFD framework and reference two or more climate change scenarios to complete the identification of climate-related risks and opportunities.
治理	Governance
策略	Strategy
新光鋼風險管理	Hsin Kuang Steel's risk management
指標與目標	Metrics and Targets
風險管理	Risk management
● 根據辨認出之氣候相關風險與機會訂定績效指標與量化目標，並追蹤達成率。	● Set performance metrics and quantified targets based on the climate-related risks and opportunities that were identified, and track the achievement rate.
● 召集相關部門，藉由綜合討論與問卷調查、統整對營運有顯著影響的氣候相關風險及機會。	● Call together related departments and summarize climate-related risks and opportunities that have a significant impact on operations through general discussions and questionnaire surveys.

The Company has also set climate-related performance metrics and targets in 2023 and reported them to the Board of Directors. The general manager will regularly report the achievement of each metric to the Board of Directors. In addition to linking the general manager's performance to remuneration, targets for achieving sustainability through circular economy will also be included in the scope of assessment.

(2). Describe how the climate risks and opportunities identified affect the Company's business, strategies, and financial position (short-term, mid-term, long term).

The Company assesses climate risks and opportunities every two years according to the TCFD framework. The scope of the assessment is the Company's steel cutting and processing and logistics service businesses in Taiwan (including the production of steel parts). Considering that the Company's carbon emissions are concentrated in steel cutting and the production of steel parts, senior managers of each department and external consultants identified transition risks, physical risks, and opportunities derived from external changes and trends in policies and regulations, markets, and climate disasters, as well as internal operational strategies.

Based on the TCFD guidelines and industry-specific recommendations, 6 key climate risks and 7 derived opportunities were identified in 2022. The identification results were used in 2023. Besides reviewing current response strategies and adaptation measures, we evaluated the impact of risks and opportunities based on scope and duration, and integrated them into Climate action—Low-carbon cycle, adaptation to natural disasters, mutual prosperity with the supply chain, low-carbon products, R&D and innovation, and new energy business, engaging in transition and strengthening the Company's operational resilience on this basis. Response measures and strategies are formulated based on the duration and severity of impact, climate change risks and opportunities are summarized below:

<table>
<tr><th rowspan="2">Risks</th><th rowspan="2">Opportunities</th><th colspan="2">Financial impact</th><th rowspan="2">Climate action</th><th rowspan="2">Period</th></tr>
<tr><th>Impact of risk</th><th>Impact of opportunity</th></tr>
<tr><td>Total carbon emissions control: carbon trading, carbon fees, and carbon taxes</td><td>Participation in the carbon trading market</td><td>Cost increases</td><td>Increase in income</td><td>Total carbon emissions control: carbon trading, carbon fees, and carbon taxes</td><td>Short-term</td></tr>
<tr><td>Renewable energy regulations and purchase</td><td>Participation in the electricity trading market</td><td>Capital expenditures
Cost increases</td><td>Revenue increases
Cost decreases</td><td></td><td></td></tr>
<tr><td>Investments in low-carbon technologies, equipment, and management costs</td><td rowspan="2">Smart low-carbon production and collaborative waste disposal
Expansion of low-carbon product market</td><td rowspan="2">Capital expenditures
Cost increases</td><td rowspan="2">Revenue increases
Cost decreases</td><td rowspan="2">Low-carbon circulation
Low-carbon products
Mutual prosperity with the supply chain</td><td>Short-term</td></tr>
<tr><td>Rising prices of raw materials and energy</td><td>Mid-term</td></tr>
</table>

Risks	Opportunities	Financial impact		Climate action	Period
		Impact of risk	Impact of opportunity		
Impact on the Company's reputation	Attract investors Long-term investment intention	Decrease in available funds	Increase in available funds	Low-carbon circulation Adaptation to natural disasters Mutual prosperity with the supply chain Low-carbon products R&D and innovation Development of new energy business	Short-term
Impacts the strength of support, such as investment and loans from financial institutions and insurance					
Flood (Production)	-	Decrease in revenue Cost increases	-	Adaptation to natural disasters Mutual prosperity with the supply chain	Short-term
Changes in rainfall patterns and extreme changes in weather (transportation)					
Flood (Production)					

(3). Describe the impact of extreme weather events and transition actions on the Company's financial position.
Facing the potential impact of global warming and extreme weather on operations, the Company has incorporated climate risks into its overall risk management policy. Please refer to Item (2) for details.

(4). Describe how the identification, assessment, and management process of climate risks is integrated in the overall risk management system.
To be able to respond to rapid changes in policies and markets and the high uncertainty of the climate, the Company identifies and assesses climate risks to determine and estimate the potential impacts of climate scenarios. The Company's CSR Team has included climate change-related risks into the scope of assessment and tracking to effectively manage climate-related risks and opportunities, and continues to pay attention to climate risks that will impact the Company's operations, including international regulations and extreme weather events. The Board of Directors is the Company's highest level decision-making unit for risk management, and is responsible for reviewing the risk management policy and monitoring risk management operations. The Board identifies and analyzes risks related to operations, finance, compliance, human resources, national, information security, and ESG. Climate change risks have already been incorporated into the Company's overall risk management process.
The management process for climate risks and opportunities are as follows:

1.Identify risks and opportunities	2.Assess risks and opportunities	3.Response and adaptation	4.Supervision and tracking
Update relevant climate issues based on risks and opportunities that were previously identified, international scientific and technical reports, local regulations, and industry trends.	Convene cross-departmental workshops to understand the actual impact of each risk/opportunity on Hsin Kuang Steel, the time of occurrence, source and potential financial impact[Note 1]. Analyze the assessment questionnaire and incorporate the perspectives of external experts and senior managers to identify key risks/opportunities. Analyze questionnaire results and incorporate the perspectives of external experts and senior managers to identify key risks and opportunities.	Link climate policies, operations and production, products and services, and external communication to existing climate mitigation and adaptation strategies to develop and implement climate actions.	Regularly convene meetings on climate actions in response to risks and opportunities, and review the achievement of each climate action. Monitor the carbon reduction of each factory through the carbon reduction management platform. The general manager will submit a risk management report to the Board of Directors.
Implementation results: The Company's 5 key risks and 6 derived opportunities in 2022 were selected according to categories of the TCFD.	Implementation results: Sent 16 internal questionnaire surveys and finally identified 3 key risks and 3 derived opportunities.	Implementation results: Climate action.	Implementation results: Climate action management indicators and non-financial indicator performance.

Note: Threshold for material financial impact, impact is divided into five levels to reflect on Taiwan Cement's risk tolerance: Very high, high, average, low, very low. The corresponding financial materiality standards are based on the impact on assets/revenue/costs based on the average consolidated pre-tax net profit in the past three years >15%, 10%-15%, 5%-10%, 0.1%-5%, ≤0.1% as a grading standard.

(5). If scenario analysis is carried out to evaluate resilience to climate change risks, describe the scenarios, parameters, assumptions, analysis factors, and main financial impact.

Based on the TCFD supplementary guidelines and recommendations for the building materials sector, the Company controls carbon pricing and carbon emissions, and conducts climate risk scenario analysis and assessment for extreme climate events.

Climate risk scenarios for carbon pricing and carbon emissions control:

To analyze the direction of GHG regulations in the countries where the Company mainly operates, we use the carbon price trends in three scenarios, specifically the Stated Policies Scenario (STEPS), the Announced Pledges Scenario (APS) and the Net Zero Emissions by 2050 Scenario (NZE2050), to assess the financial impact on the Company.

Climate risk scenarios for extreme weather events:

Based on the geographical location of the company's operations, and considering the potential risks to each plant caused by floods, droughts, typhoons, and high temperatures, we further selected the low emission mitigation scenario (SSP1-2.6) and the emission scenario with extremely high impact (SSP5-8.5) to evaluate the financial impact on the Company. The results of the aforementioned scenario analysis are considered in the resilience strategy, and we actively adjust response plan for mitigation and adaptation.

Summarizing the abovementioned risk types and assumptions of different scenarios:

Risk type	Scenario selection	Key parameters	Evaluation Content
Transition Regulatory control of GHG and carbon pricing policy	SBTi 1.5°C path to net zero Nationally Determined Contribution (NDC) of the R.O.C.	The assumed carbon price of the location or region where the Company operates in different scenarios (Note 2)	Assess the risks associated with the low-carbon transition to control temperature rise within approximately 1.5°C. The Company will set a net-zero path that meets SBT requirements, set reduction targets, and refer to the carbon credit prices of NDC and IEA to calculate the financial impact of carbon tax on the Company.
Physical Floods, droughts, typhoons, and long-term climate pattern changes	IPCC-AR6 SSP1-2.6, SSP5-8.5 (Note 3)	The duration of drought, changes in precipitation index, number of typhoons, number of days with extremely high temperature, and annual maximum daily rainstorm intensity caused by extreme weather	Controlling the temperature rise in the maximum warming scenario, we assessed the operational impact of more severe droughts and the increase in the number of strong typhoons caused by extreme weather in the middle of the century, which may increase the cost of alternative transportation and equipment maintenance.

Risk type	Scenario selection	Key parameters	Evaluation Content
			Controlling the temperature rise in the ideal mitigation or maximum warming scenario, we assess the changes in risk of high temperatures, floods, and droughts caused by extreme weather.

Note 1: The STEPS and APS in the World Energy Outlook (WEO) 2022 of the International Energy Agency (IEA) are quoted, and represent the current policy formulation scenarios, which incorporate the specific policies of governments around the world to control carbon emissions, the carbon price trend and reduction path that will increase the global average temperature by about 2.5°C by the end of the century, and the climate commitments of governments at the end of this century, including NDCs and the long-term goal of net zero will all be achieved according to schedule. The global average temperature will increase by about 1.7°C.

Note 2: The source of assumptions for carbon price are the World Energy Outlook 2022 and carbon pricing options for Taiwan 2020, and preferential carbon fee rates is not considered.

Note 3: Cited from the scenarios SSP1-2.6 and SSP5-8.5 in the Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change (IPCC) in 2021. SSP1-2.6 represents a low GHG emission scenario, in which global CO2 emissions are significantly reduced, the goal of net-zero emissions is achieved after 2050, and the global temperature rise by 1.8°C by the end of this century. SSP5-8.5 is a scenario with very high GHG emissions. Assuming high emissions and a substantial increase in coal use in the future, the global temperature will rise by 4.4°C by the end of this century.

(6). If there is a transition plan in place in response to climate-related risks, describe the contents of the plan and the indicators and goals used to identify and manage physical risks and transition risks.

The Company has made climate commitments based on the most stringent scientific standards, and aims to achieve net zero emissions and carbon neutrality of steel by 2050. We planned a comprehensive carbon reduction strategy based on the science-based target (SBT) for 2025, and reduce carbon from operations and products of the steel business. In addition, we will expand the development of the green energy industry and provide various green energy solutions for national energy, cities, enterprises, and electric vehicle consumers, as a driving force for the overall society to move toward energy transition. Therefore, the Company has formulated appropriate indicators for multiple strategic aspects and sets positive goals. We continue to track the progress of the goals every year and examine the results with a rigorous attitude to manage climate-related risks and opportunities.

Climate-related metrics and targets are as follows:

Metric	Targets in 2025	Targets in 2030	Targets in 2050
Reduction of GHG emissions｜Taiwan	0.758(SBT -10%)	0.585(-31%)	
Reduction of water withdrawal intensity｜Taiwan	0.000264	0.000240	0.000192
Thermal substitution ratio｜Taiwan	35%	40%	45%
Raw material substitution ratio｜Taiwan	28%	35%	40%
Accumulated renewable energy installation｜Taiwan	Manage 20 MW	Manage 30MW	Manage 50GW
Percentage of effective carbon emission data collected from tier 1 suppliers	-	-	-

(7). If internal carbon pricing is used as a planning tool, describe the basis for pricing.
In order to strengthen the implementation and management of carbon reduction targets in each of the Company's plants, with reference to the recommendations of the London School of Economics and Political Science in a study on Taiwan's carbon pricing system commissioned by the Environmental Protection Agency (now the Ministry of Environment) in 2020, we set a carbon price of NT$300 per ton as the basis for capital investments, operational transition actions, and major decisions.
We are assessing the use of an AI carbon reduction management platform in the future. The platform will use production data from plants to calculate the carbon emissions of raw materials and energy use through an automated program, analyze emission hot spots and provide carbon reduction suggestions. The platform can further manage the carbon reduction KPIs of each plant and link it to salaries, affecting bonuses for senior managers and employees. The links will be gradually expanded to core businesses and extend management to the Group's overall GHG emissions.

(8). If climate-related goals were set, describe the activities covered, scope of GHG emissions, schedule, and progress each year. If carbon offset or RECs are used to achieve goals, describe the source and amount of offset quota or the number of RECs.
The Company has set climate-related metrics and targets, please refer to the description of Item (6) for details. The Company has not used carbon offsets or renewable energy certificates (RECs) to achieve relevant targets.

(9). Greenhouse gas inventory and assurance, reduction targets, strategies and specific action
A. Information on GHG inventory
Describe the emission volume (metric tons CO_2e), intensity (metric tons CO_2e/million NTD), and data coverage of greenhouse gases in the past two years.

Basic information of the Company	Pursuant to the sustainable development roadmap of TWSE/TPEx-listed companies, at least the following shall be disclosed
✓Company with capital of NT$10 billion and above, steel industry, cement industry ☐Company with capital of NT$5 billion and above but less than NT$10 billion ☐Company with capital less than NT$5 billion	☐Individual inventory of the parent company ☐Inventory of subsidiaries in the consolidated financial statements ✓Individual assurance for the parent company ☐Assurance for subsidiaries in the consolidated financial statements

	2023		2022	
Scope 1 Parent company	Total emissions (metric tons CO2e) **4,313.06**	Intensity (metric ton CO2e/NT$1 million) **0.137**	Total emissions (metric tons CO2e) **2,252.39**	Intensity (metric ton CO2e/NT$1 million) **0.156**
Scope 2 Parent company	Total emissions (metric tons CO2e) **2,715.82**	Intensity (metric ton CO2e/NT$1 million) **0.200**	Total emissions (metric tons CO2e) **2,684.12**	Intensity (metric ton CO2e/NT$1 million) **0.186**
Scope 3 Parent company	Total emissions (metric tons CO2e) **827,455.33**	Intensity (metric ton CO2e/NT$1 million) **60.901**	Total emissions (metric tons CO2e) **756,389.36**	Intensity (metric ton CO2e/NT$1 million) **52.536**

Note 1: Data coverage of direct emissions (scope 1) and indirect energy emissions (scope 2): All factories of the Company in Taiwan.

Note 2: The energy intensity in 2023 and 2022 is calculated based on the Company's net revenue of NT$13,586,827 thousand and NT$14,397,415 thousand, respectively.

Note 3: The Company's data on direct emissions (Scope 1), energy indirect emissions (Scope 2) and other indirect emissions (Scope 3) in 2023 and 2022 were all verified by third-party institutions, including SGS Taiwan. The certificates can be viewed on the sustainability certifications page of our official website.

Note 4: Scope 3: Each plant of the Company took inventory and completed verification of a portion of upstream and downstream transportation and distribution (Category 3). Based on the results of materiality identification, the Head Office takes inventory of a portion of purchased goods and services (Category 4) and downstream leased assets (Category 5). The data types disclosed by the Company for Scope 3 are not all 15 items in the GHG Protocol.

Note 5: The increase in Scope 3 in 2023 compared with 2022 is due to the increase in inventory items and locations in 2023.

B. GHG Assurance Information

Describe the assurance situation in the last two years as of the date of report, including the scope of assurance, the certification body, the criteria for assurance, and assurance opinions.

2023 and 2022: We have not yet obtained a complete GHG assurance opinion before the date of report. Complete assurance information will be disclosed in the 2023 sustainability report.

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
SGS Taiwan Ltd.
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,
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C. Greenhouse gas reduction targets, strategies, and specific action plans

Describe the greenhouse gas reduction baseline year and its data, reduction targets, strategies, specific action plans, and achievement of reduction targets.

(I). The Company's GHG baseline year is 2023 with emissions of 834,484.21 (tons CO2e). The GHG emission data are inspected by a third-party every year in accordance with the requirements of the Ministry of Environment and disclosed in the Company's ESG report.

(II). The Company's GHG reduction targets are set internally. The goal is to reduce carbon emission intensity by 11% by 2030.

(III). The Company's GHG reduction strategy and specific action plans include increasing the use of alternative raw materials, increasing the use of alternative fuels, improving process equipment, and installing renewable energy equipment. We have achieved approximately 1% of the reduction target compared to the baseline year. The Company also works together with its supply chain in carbon reduction.

(IV). The Company is in the steel cutting service industry and GHG emissions are mainly Scope 2 and Scope 3. We aim to reduce our emissions by 1% per year and actively manage Scope 3 emissions.

(V). For the management of Scope 2 emissions, the Company plans to optimize energy management and Scope 2 GHG emissions by implementing ISO 50001.

(VI). The Company's approach to reducing Scope 3 emissions is through supplier management and Code of Conduct for Suppliers, such as requiring suppliers to set GHG reduction goals. Energy consumption and all related Scope 1 and Scope 2 GHG emissions must be tracked, recorded and publicly reported, continuously tracking GHG emissions to achieve GHG reduction goals. Suppliers should seek cost-effective ways to improve energy efficiency and minimize energy consumption and GHG emissions.

(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 TWSE/GTSM Listed Companies?	✓		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 "Investor Relations 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	
(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 will report the business integrity policy and	✓		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. The Company plans to implement ISO 37001 Anti-bribery Management Systems before	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	
programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?			2026, 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 2023.	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 2023 is as follows: 1. The Company provided 50 hours of training on ethical corporate management issues to a total of 50 directors, managers, and employees via online learning in 2023.	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	
			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 target signing rate is 100%. For more information, please see the Company's official website – "Investor Relations 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 website and internal website and assign personnel to take charge of processing reports. The Company shall keep the identity of the	

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	
			whistle-blower and the content confidential.	None
(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 Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The Company's official website (http://www.hksteel.com.tw) has an "Investor Relations Section." 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				

<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">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 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 118).</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</td></tr>
</table>

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	
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 118).				

(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 MOPS (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
Director General Manager	Ming-Shan Jheng	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Corporate Governance Regulations and Insider Trading Prevention	2023.06.08	3
		Taiwan Corporate Governance Association	Zero Trust Information Security Governance	2023.07.12	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
Director Vice General Manager	Fisher C.H. Yu	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
Director Vice General Manager	Johnathon Y.J. Su	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
Vice General Manager of Operations	Teng-Kui Kao	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
Vice General Manager of Operations	Frank C.C. Huang	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Corporate Governance Regulations and Insider Trading Prevention	2023.06.08	3
		Taiwan Corporate Governance Association	Zero Trust Information Security Governance	2023.07.12	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
CFO (Vice General Manager) and Corporate Governance Officer Information Security	Jessica P.H. Liu	Chinese National Association of Industry and Commerce	"Corporate Resilience and Taiwan's Competitiveness"	2023.03.27	3
		Taiwan Stock Exchange and Taipei Exchange	Meeting on sustainable development action plans of listed/OTC-traded companies	2023.04.27	3
		Taiwan Corporate	"ESG Corporate	2023.05.09	3

Title	Name	Continuing education institution	Course	Course Date	Course Duration
Supervisor and Spokesperson:		Governance Association	Sustainability" and "Risk Management" Related Performance Evaluation Practices		
		Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	2023.06.02	3
		Taiwan Corporate Governance Association	Corporate Governance Regulations and Insider Trading Prevention	2023.06.08	3
		Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit Forum	2023.07.04	6
		Taiwan Corporate Governance Association	Zero Trust Information Security Governance	2023.07.12	3
		Accounting Research and Development Foundation	Seminar on Transition Finance and Sustainability Disclosures	2023.07.18	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
		Securities & Futures Institute	"2023 Insider Trading Prevention Awareness Meeting" (live stream)	2023.10.13	3
		Securities & Futures Institute	2023 Insider Equity Transaction Legal Compliance Awareness Briefing (Online Seminar)	2023.11.15	3
		Accounting Research and Development Foundation	2023 ESG Summit – Digital Technology and Transition Towards Sustainability	2023.11.16	6
		Accounting Research and Development Foundation	Business ethics and sustainable development	2023.12.15	3
Chief Finance Officer (Vice General Manager)	Lisa H.C. Chien	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
Vice General Manager and Spokesperson	Daniel Z.L. Xu	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3
Chief Accounting Officer (Assistant Vice President)	Daisy Y.H. Chen	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate	Board Governance Under	2023.08.07	3

Title	Name	Continuing education institution	Course	Course Date	Course Duration
		Governance Association	ESG		
		Accounting Research and Development Foundation	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	2023.12.07 2023.12.08	12
Audit Manager	Hui-Fen Cheng	Accounting Research and Development Foundation	Corporate Governance Literacy Required by Internal Auditors and Financial Statement Risk Assessment Practices	2023.08.23	6
		Accounting Research and Development Foundation	Implementation of Corporate Sustainability Based on Risk Management	2023.08.30	6
Manager and Acting Spokesperson	Tai-Yuan Lin	Taiwan Corporate Governance Association	ESG Corporate Sustainability and Risk Management Related Performance Evaluation Practices	2023.05.09	3
		Taiwan Corporate Governance Association	Board Governance Under ESG	2023.08.07	3

(IX) **Implementation status of the internal control system**

1.Statement on Internal Control

Hsin Kuang Steel Co., Ltd.

Statement on Internal Control

Stock Code: 2031

Date: February 27, 2024

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2023.

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 Thursday, December 31, 2023 (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 passed by the Board of Directors on February 27, 2023, with none of the 10 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Hsin Kuang Steel Co., Ltd.

Chairman:	Alexander M.T. Su	Signature and Seal
General Manager:	Ming-Shan Jheng	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 imposed on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvements 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 2023 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, 2023. The resolutions passed by attending shareholders and their status of implementation are as follows:

(1). Ratification of the 2022 business report and final financial statements.

Implementation status: Ratification of the 2022 business report and final financial statements. The annual consolidated revenue was approximately NT$17.2 billion and the net profit after tax was approximately NT$418 million. The EPS was NT$1.23.

(2). Approved the Company's 2022 earnings distribution proposal.

Implementation status: Approved the distribution of NT$1 in cash dividends to common shares. Set July 12, 2023 as the record date, and distributed cash dividends on August 4, 2023.

2. Important Resolutions of the Board of Directors

The important resolutions adopted in the Board of Directors' meetings in 2023 up to the date of Annual Report are summarized below:

(1). 17th meeting of the 5th-term Board of Directors held on March 15, 2023:

1.Approved the Company's self-reported 2022 financial statements.

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.

(2). 18th meeting of the 15th-term 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 Company's 2022 business report and financial statements.
3. Approved the Company's 2022 earnings distribution proposal.
4. Approved the Company's 2022 "Internal Control Effectiveness Evaluation" and "Statement on Internal Control."
5. Approved the proposal to discuss the results of the 9th meeting of the 4th-term Remuneration Committee.
6. Approved the proposal for participating in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd.

7. Approved the proposal to hold a directors election.
8. Approved the acceptance of director candidates nominated by the Company in the general shareholders meeting and related affairs.
9. Proposal to nominate candidates for the Company's 16th-term independent directors.
10. Proposal to waive the non-compete clause for directors and their representatives.
11. Approved the proposed agenda of the 2023 general shareholders' meeting.
12. 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)."
13. Approved the establishment of the Company's "General Principles and Methods for Pre-approval for Non-assurance Services."
14. Proposal to waive the non-compete clause for managing directors.

Results of resolution: Agenda items of the board meeting were approved in the 16th and 17th meetings of the 2nd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(3). 18th meeting of the 15th-term Board of Directors held on April 25, 2023:

1. Proposal for the Board of Directors to review the list of director (including independent director) candidates nominated by shareholders.

Results of resolution: Agenda items of the board meeting were approved as proposed without objection after the chairperson inquired all directors in attendance.

(4). 20th meeting of the 15th-term Board of Directors held on May 9, 2023:

1. Approved Quarter 1 financial statements for 2023.

Results of resolution: Agenda items of the board meeting were approved in the 18th meeting of the 2nd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(5). 21st meeting of the 15th-term Board of Directors held on June 15, 2023

1. Approved the Company's 2022 ex-dividend date for cash dividends.
2. Approved the proposal for the Company to provide new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. as collateral for the syndicated loan of no more than NT$8.88 billion for investee company SunnyRich Multifunction Solar Power Co., Ltd. The syndicate of banks includes CTBC Bank Co., Ltd., Bank SinoPac Co., Ltd., Taipei Fubon Commercial Bank Co., Ltd., and Cathay United Bank Co., Ltd.

Results of resolution: Agenda items of the board meeting were approved in the 19th meeting of the 2nd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(6). 1st meeting of the 16th-term Board of Directors held on August 7, 2023

1. Proposal to elect the Company's 16th-term chairperson.
2. Approved the proposed amendment to the Company's "MRM023 Remuneration Committee Charter."
3. Approved the proposal to appoint members of the Company's 5th-term Remuneration Committee.
4. Approval the proposal to discuss the results of the 1st meeting of the 5th-term

Remuneration Committee.

5.Proposal to discuss the appointment of the general manager.

6.Approved Quarter 2 financial statements for 2023.

7.Proposal to donate NT$4 million to the Hsin Kuang Steel Tian-Cheng Charity Foundation for use in charitable social welfare projects that meet the purpose of establishment of the Foundation.

8.Approved the proposal to participate in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd.

9.Approved the plan of APEX Wind Power Equipment Manufacturing Co., Ltd., a subsidiary of the Company, to apply for public listing of stock in the emerging stock market (General Board or Pioneer Stock Board).

10.Approved the lease of office space (partial) to the Company's subsidiary APEX Wind Power Equipment Manufacturing Co., Ltd., and approved the relocation of the tenant. Results of resolution: Agenda items of the board meeting were approved in the 1st meeting of the 3rd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(7). 2nd meeting of the 16th-term Board of Directors held on November 7, 2023:

1.Approved Quarter 3 financial statements for 2023.

2.Approved the Company's internal audit operations and inspection plans for 2024.

3.Approved the renewal of liability insurance for Directors, Supervisors, and important corporate officers in 2024.

4.Approved the proposal for participating in the cash capital increase of the investee company [Century Wind Power Co., Ltd. (2072TT/TW)].

5.Approval the proposal to discuss the results of the 2nd meeting of the 5th-term Remuneration Committee.

6.Recommendation to promote Assistant Vice President Frank C.C. Huang of the 1st Operations Department to Deputy General Manager and concurrently hold the position of president of APEX Wind Power Equipment Manufacturing Co., Ltd., and raise his monthly salary structure and payment amount, effective from November 7, 2023.

7.Approved the amendment of "MRM001 Endorsement and Guarantee Making Procedure."

8.Proposal for the Company to provide new shares issued by SunnyRich Multifunction Solar Power Co., Ltd. as collateral for the syndicated loan of no more than NT$8.88 billion (hereinafter referred to as "Syndicated Loan 1" or the "Syndicated Loan") and no more than NT$6.92 billion (hereinafter referred to as "Syndicated Loan 2" or the "Syndicated Loan") for investee company SunnyRich Multifunction Solar Power Co., Ltd. The syndicate of banks includes CTBC Bank Co., Ltd., Bank SinoPac Co., Ltd., Taipei Fubon Commercial Bank Co., Ltd., and Cathay United Bank Co., Ltd.

Results of resolution: Agenda items of the board meeting were approved in the 2nd meeting of the 3rd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(8). 3rd meeting of the 16th-term Board of Directors held on December 19, 2023:

1.The Company's 2024 business plan.

2.Approved the appointment of the CPAs for 2024 and the resolution of their remuneration.

3.Proposal for the Company's to provide pre-approval of non-assurance services provided by the accountants, their accounting firm, and affiliates of their accounting firm to the Company and its subsidiaries.

4.Proposal to discuss if the Company's accounts receivables that meet the criteria and other loans constitute lending to others.

5.Approval the proposal to discuss the results of the 3rd meeting of the 5th-term Remuneration Committee.

6.Approved the appointment of the Company's chief information security officer.

7.Approved the Company's appropriation of NT$12 million for donation to the Hsin Kuang Steel Tian-Cheng Charity Foundation in 2024 for use in charitable social welfare projects that meet the purpose of establishment of the Foundation.

Results of resolution: Agenda items of the board meeting were approved in the 3rd meeting of the 3rd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(9). 4th meeting of the 16th-term Board of Directors held on February 27, 2024

1.Proposal to discuss the retirement of the Company's abovementioned managers.

2.Request for approval of the monthly salary structure and payment amount of the Chairman Alexander M.T. Su.

3.Proposal to discuss the retirement of the Company's department managers.

4.Approved the Company's distribution of directors' remuneration and employee bonuses for 2023.

5.Approval the proposal to discuss the results of the 4th meeting of the 5th-term Remuneration Committee.

6.Approved the 2023 "Internal Control Effectiveness Evaluation" and "Statement on Internal Control."

7.Approved the proposal to establish the Company's Regulations Governing Financial and Business Transactions Between Related Parties.

8.Approved the amendment to the Company's "Rules of Procedure for the Board of Directors' Meetings."

9.Approved the proposed amendment to the Company's Audit Committee Charter.

Results of resolution: Agenda items of the board meeting were approved in the 4th meeting of the 3rd-term Audit Committee, and were approved as proposed without objection after the chairperson inquired all directors in attendance.

(10).5th meeting of the 16th-term Board of Directors held on March 12, 2024:

1.Approved the Company's 2023 business report and financial statements.
2.Approved the Company's 2023 earnings distribution proposal.
3.Approved the proposed agenda of the 2023 general shareholders' meeting.
4.Proposal to discuss the employee shareholding trust system.
5.Approved the proposed amendment to the Company's Guidelines for the Continuing Education of Directors.
6.Approved the proposed amendment to the Company's "Stock Trading Halt and Resumption Application Procedure."
7.Approved the proposed amendment to the Company's "Corporate Governance Best Practice Principles."

Results of resolution: Agenda items of the board meeting were approved in the 5th meeting of the 3rd-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	2023.1.1~ 2023.12.31	7,970	900	8,870	The Company's non-audit fees included ESG assurance in the amount of NT$450 thousand, business registration in the amount of NT$270 thousand, and transfer pricing report fee in the amount of NT$180 thousand.
	Shu-Ju Lin					

VII. Information on change of CPAs: None.

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	2023		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	-	—	-	-
Director	Han De Investment Co., Ltd.	580,000	—	240,000	-
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	-	-	-	-
Independent Directors	Wei-Tsung Liu	-	-	-	-

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 Notes" in the Annual Report (pages 197 to 202).

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 "Capital Overview" in the Annual Report (page 137).

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 4,133,374	99.42%	-	-	USD 4,133,374	99.42%
Hsin Ho Fa Metal Co., Ltd.	22,927,573	83.37%	-	-	22,927,573	83.37%
APEX Wind Power Equipment Manufacturing Co., Ltd.	43,652,040	66.14%	2,459,440	3.73%	46,111,480	69.87%
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	-	-	17,500,000	100%	17,500,000	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, 2024

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 2024	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, 2024

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, 2024

Shareholders structure / Quantity	Government-run Agencies	Financial Institutions	Other Institutions	Individual Investors	Foreign Institutions and Foreigners	Total
Number of Shareholders	-	1	258	56,645	168	57,072
No. of shares held	-	1,497,750	98,478,597	169,891,090	52,626,879	321,146,341
Shareholding percentage	0.00%	0.05%	30.66%	52.90%	16.39%	100.00%

(IV) Shareholding Distribution Status

Face value: NT$10 per shareApril 30, 2024

Shareholding Classification	Number of Shareholders	No. of shares held	Shareholding percentage
1 to 999	34,064	1,369,828	0.43%
1,000 to 5,000	18,338	36,284,767	11.30%
5,001 to 10,000	2,448	19,416,438	6.05%
10,001 to 15,000	713	9,070,309	2.82%
15,001 to 20,000	452	8,494,659	2.65%
20,001 to 30,000	386	9,886,458	3.08%
30,001 to 40,000	177	6,298,620	1.96%
40,001 to 50,000	99	4,655,054	1.45%
50,001 to 100,000	188	13,141,405	4.09%
100,001 to 200,000	89	12,757,909	3.97%
200,001 to 400,000	48	13,379,731	4.17%
400,001 to 600,000	20	9,956,254	3.10%
600,001 to 800,000	11	7,425,777	2.31%
800,001 to 1,000,000	7	5,993,751	1.87%
1,000,001 and above	32	163,015,381	50.76%
Total	57,072	321,146,341	100.00%

(V) List of Main Shareholders

1.List of Main Shareholders

April 30, 2024

Shares / Name of major shareholder	No. of shares held	Shareholding percentage
Han De Investment Co., Ltd.	28,020,276	8.73%
Alexander M.T. Su	16,205,719	5.05%
Hui Jung Investment Co., Ltd.	15,970,916	4.97%
Cheng Yu Investment Co., Ltd.	15,920,603	4.96%
Trickle Co., Ltd.	14,662,469	4.57%
Johnathon Y.J. Su	7,704,930	2.40%
BitGinko's investment account under the trust of HSBC	7,670,000	2.39%
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%
Mitsubishi UFJ Morgan Stanley securities trading account under the trust of HSBC	4,473,000	1.39%

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

April 30, 2024

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	28,020,276	8.73%	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	
Hui Jung Investment Co., Ltd. Representative: Alexander M.T. Su	15,970,916	4.97%	17,321,487	5.39%	-	-	Alexander M.T. Su	The Chairman	
Cheng Yu Investment Co., Ltd. Representative: Johnathon Y.J. Su	15,920,603	4.96%	8,024,930	2.50%	-	-	Johnathon Y.J. Su	The Chairman	
Trickle Co., Ltd. Representative: Trickle T.C. Chang	14,662,469	4.57%	5,228,283	1.63%	-	-	Trickle T.C. Chang	Corporate Director	
Johnathon Y.J. Su	7,704,930	2.40%	320,000	0.10%	-	-	Alexander M.T. Su Cheng Yu Investment Co., Ltd.	Father-son Representative	
BitGinko's investment account under the trust of HSBC	7,670,000	2.39%	—	—	-	-	-	-	
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%	—	—	-	-	Trickle Co., Ltd.	Corporate Director	
Mitsubishi UFJ Morgan Stanley securities trading account under the trust of HSBC	4,473,000	1.39%	—	—	-	-	-	-	

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	2022 (Distributed in 2023)	2023 (Distributed in 2024)	Current year up to March 31, 2024 (Note 5)
Market price per share (Note 1)	High	77.70	63.80	68.50
	Low	32.65	42.50	52.80
	Average	40.62	47.71	61.38
Net Value Per Share	Before distribution	29.15	35.31	36.98
	After distribution	28.15	32.31	36.98
Earnings per share	Weighted Average Shares	321,146,341	321,146,341	321,146,341
	Diluted Earnings Per Share	1.22	5.14	2.30
Dividend per share	Cash dividends	1.00	3.00	-
	Accumulated Unpaid Dividend	-	-	-
Investment Return Analysis	PE ratio(Note 2)	33.30	9.28	-
	Price-dividend ratio(Note 3)	40.62	15.90	-
	Cash dividend yield(Note 4)	2.46%	6.29%	-

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: In 2024 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 12, 2024, the Board of Directors of the Company proposed that the 2023 earnings be distributed as cash dividend at NT$3 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 11, 2024.

2.Dividend Distribution to be Proposed to the Shareholders Meeting

	Amount Distributed Per Share (NT$)	Source
Cash dividends	NT$ 3.00	Undistributed earnings
Total	NT$ 3.00	

(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 2023:

1. The Company's 2023 Earnings Distribution Statement was approved in the 16th meeting of the Company's 5th Board of Directors on March 12, 2024. After the Statement is passed in the general shareholders meeting on June 11, 2024, 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	2023
Director's remuneration	55,254,210
Employees Remuneration (distributed in cash)	55,254,210

Note: 1. The amount of the aforementioned remuneration for Directors and employees is consistent with the resolution by the Board of Directors on March 12, 2024. The aforementioned employee remuneration will be distributed after resolution in the 2024 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)、2022 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	18,388,354	18,388,354
Employees Remuneration (distributed in cash)	18,388,354	18,388,354

Note: 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. 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

Chapter 5. 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 Company's consolidated business operation in 2023, the percentage of revenue from main products out of the total sales revenue were as follows: 41.6% from steel plates, 5.0% from special steel plates, 34.1% from hot-rolled and galvanized steel plates, 8.6% from stainless steel, 1.8%% from steel sections, and 8.9% from processing and others. The ratios for domestic sales and exports are 99.99% and 0.01%.

(III) Industry Overview

In 2023, the global steel industry will encounter a series of challenges, including the U.S. Federal Reserve (Fed) maintaining market interest rates at a high level, manufacturers actively reducing inventories, and the major sluggishness of the real estate market in mainland China. These factors have jointly suppressed the price of steel products, causing steel companies to either fall into losses or suffer a sharp decline in profits. Facing 2024, the recovery prospects of the manufacturing industry are still shrouded in the uncertainty of global economic recovery. Although there is clear investment demand for emerging technologies (such as artificial intelligence, etc.), the development of these fields faces funding, policy support and There are implementation challenges, and its actual impact on the economy still needs to be carefully evaluated, 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, the basic metal industry benefited from the lower base period compared to the base period, and some customers restocked inventories, causing the annual growth rate of the basic metal industry production index to turn from negative to positive. Looking to the future, as the two major economies of China and the United States have made certain progress in price control, the global economic environment will gradually stabilize, which is conducive to the recovery of global steel market demand. Especially at this time, important economies such as China and the United States are actively dealing with inflation and deflation issues, which is expected to help stabilize the global financial market and boost economic confidence, which will have a positive impact on the global steel market.

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 Hsin Kuang 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$16,074,889 thousand and net operating profit was NT$858,289 thousand in 2023, down 6.30% and up 12.23% compared to 2022, respectively. International steel prices have seen abnormally high volatility due to the Russo-Ukrainian War, high inflation and interest rate hikes, weak domestic demand in China, and frequent defaults by real estate developers and unclear economic conditions, international steel prices fluctuated extremely sharply. At the same time, central banks of various countries lowered the inflation rate and continued to implement tightening measures. Monetary policy has restricted end-consumer demand, resulting in weak global economic and trade momentum. However, private consumption has surged, and domestic demand will be the main pillar supporting economic growth. Therefore, the Taiwan stock market has performed very well, resulting in this year's profit performance being better than the previous year. However, as Domestic semiconductor manufacturers continue to expand advanced manufacturing processes, and the three major investment plans in Taiwan and the construction of green energy facilities are gradually implemented. However, the global outlook continues to be extremely uncertain, with fixed investment slowing down significantly by 4.22%, resulting in a 6.30% decrease in revenue performance. to NT$16.07 billion. The sales target for 2012 is 580,000 metric tons of steel products. The annual operating results produced and sold a total of 470,000 metric tons, with an achievement rate of 81%.

In order to establish long-term advantages, the Company has implemented the following business strategy guidelines in 2023 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 2023 are 53% for the Northern Region, 27% for the Central Region, and 20% for the Southern Region. Domestic sales accounted for 99.99% of sales while exports accounted for 0.01% 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 Hsin Kuang 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 Common Wealth Magazine in 2024 of the top 2,000 manufacturers, the Company's consolidated revenue of NT$16.07 billion placed it on the No. 228 spot 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, reconstruction of the elderly, MRT systems for metropolitan areas, the Danjiang Bridge Project, and the Taoyuan Airport Terminal 3 "Apron, Taxiway and Apron Facility Project." and forward-looking infrastructure, 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, 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 demand on steel plates in 2024 is expected to grow 4.1% to 1,316 thousand metric tons. 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 domestic demand in 2024 is expected to grow 6.7% compared to 2023. 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 "2023-2024 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 2023, 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 2024. 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. Demand on hot-rolled steel plates is expected to grow 7.9% to 2,064 thousand metric tons in 2024.

Cold-rolled steel products benefited from the demand from national infrastructure programs. Once downstream industries begin to release their demand, 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 demand for cold-rolled steel products in 2024 is expected to grow 7.6% to 1,216 thousand metric tons.

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 2023 to 2024" 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. The demand for hot-rolled galvanized steel products in 2024 is expected to grow 6.7% to 1,347 thousand metric tons.

According to the "Demand Forecast for Steel Products in Taiwan from 2023 to 2024" compiled by Taiwan Steel & Iron Industries Association, domestic demand for galvanized steel products will grow by 3.1% in 2024 to 70 thousand metric tons. In addition, domestic servers benefited from the domestic server transfer effect, 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.

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 2023 to 2024" compiled by Taiwan Steel & Iron Industries Association, the demand for hot-rolled stainless steel products in 2024 is expected to grow by 4.3% to 1,437 thousand metric tons, 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 main reason for the decline in the output of domestic stainless steel cold-rolled steel products in 2012 is due to the sluggish global terminal market and the continued destocking of the industrial chain. For our stainless steel industry, this has caused a significant decline in overall output. Looking into the future, the nickel market and China The steel market is developing in a positive direction, which will inject momentum into China's stainless steel market in the short term, but whether it can get out of the sluggish atmosphere in the long term still requires attention. Hence, the demand for cold-rolled stainless steel products in 2024 is expected to grow by 7.9% to 473 thousand metric tons.

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 2023 to 2024" 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, demand for steel sections in 2024 is expected to grow 4.8% to 955 thousand metric tons.

F. Comprehensive Analysis

In response to the changing times, the steel industry must promote transformation, focusing on high value-added and green energy industry development, using hydrogen energy direct reduction of iron technology to reduce pollution, and promoting low-carbon transformation through process improvement, energy conversion, circular economy, etc. Only by reaching zero carbon in 2050 can the steel industry continue to be competitive, 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. In addition, solar and wind power generation are expected to make steel widely used in green energy fields, and such demand will grow steadily. The steel and iron industry has shifted its focus to developing higher quality products with higher added-value. Mainland China, which accounts for 50% of global steel demand, has adopted countercyclical monetary and fiscal policies, which may alleviate the pressure from high interest rates in Europe and the United States. However, after twenty years of rapid growth, steel demand in Mainland China has peaked and entered a period of recession. and export excess steel products to the world. However, the Company believes that it can survive and grow in the fiercely competitive market by doing good procurement and inventory planning, 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 2024 is 500,000 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", "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 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, reconstruction of the elderly, MRT systems for metropolitan areas, the Danjiang Bridge Project, and the Taoyuan International Airport Terminal 3 "Apron, Taxiway, Apron Facility Project" and forward-looking infrastructure. By establishing a network of affiliates with Hsin Kuang 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.

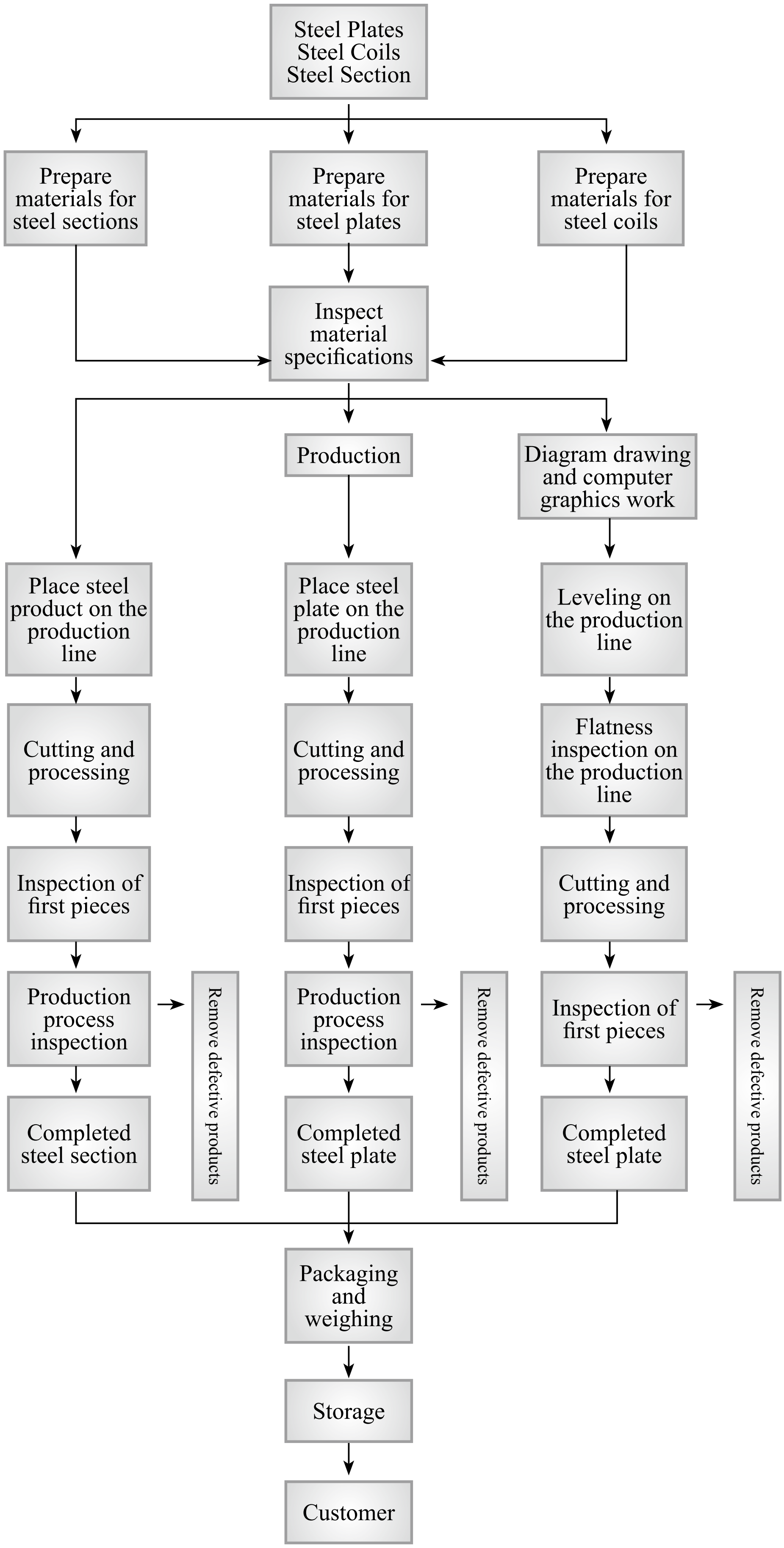
3. Important Applications and Manufacturing Processes of Main Products

(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, 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.

Name of Main Products		Application
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	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, India	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

	2022				2023				2024 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	4,950,832	35.74	None	Supplier A	4,512,257	30.98	None	Note 1			
2	Supplier B	2,108,136	15.22	None	Supplier B	2,916,934	20.03	None				
	Others	6,791,744	49.04	None	Others	7,134,166	48.99	None				
	Net purchase	13,850,712	100.00		Net purchase	14,563,357	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 2024 that has been reviewed by CPAs.

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

Unit: NT$1,000

	2022				2023				2024 up to the end of the first quarter			
Item	Name	Amount	Proportion of net sales (%)	Relationship with the issuer	Name	Amount	Proportion of net sales (%)	Relationship with the issuer	Name	Amount	Percentage of net sales for the current year up to the previous quarter (%)	Relationship with the issuer
	Others	17,155,532	100	None	Others	16,074,889	100	None	Note 1			
	Net sales	17,155,532	100		Net sales	16,074,889	100					

Note 1: As of the publication date of this annual report, there has yet to be financial statements from the first quarter of 2024 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 quality and value / Main products	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Steel Plates	28,000	20,787	541,540	28,000	70,050	2,190,471
Special Steel Plates	6,600	4,198	117,336	6,600	3,964	104,111
Hot-Rolled (Patterned) Steel Plates	161,400	142,473	4,673,611	161,400	73,214	1,919,057
Stainless Steel Plates	15,000	11,161	887,686	15,000	8,594	687,052
Steel Structure Components and Steel Sections	76,400	58,216	835,274	76,400	66,502	943,412
Total	287,400	236,835	7,055,447	287,400	222,324	5,844,103

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	2022				2023			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Steel Plates	225,630	7,143,685	1,380	29,758	236,537	6,332,604	-	-
Special Steel Plates	9,909	291,660	402	13,925	27,542	760,662	-	-
Hot-Rolled (Patterned) Steel Plates	165,666	5,450,857	-	-	160,228	5,188,987	4	238
Stainless Steel Plates	20,561	1,773,680	-	-	17,794	1,312,207	13	962
Steel Structure Components and Steel Sections	45,779	1,984,716	-	-	29,702	1,312,848	-	-
Total	467,545	16,644,598	1,782	43,683	471,803	14,907,308	17	1,200

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

By the end of 2023, the Company had a total of 551 employees, including 55 managers, 38 specialists, 142 assistants, and 316 technicians. The workforce demographics as of the end of April 2024 are as follows:

Year		2022	2023	April 30, 2024
Number of employees	Management	46	55	57
	Specialists	37	38	36
	Assistants	91	142	134
	Technicians	259	316	325
	Total	433	551	552
Education background	PhD	-	-	-
	Master's degree	5.31	5.44	4.89
	Bachelor's degree	49.42	48.82	50.73
	Senior High School	36.03	32.67	31.52
	Senior High School and below	9.24	13.07	12.86
Average age (years)		38.25	39.636	39.63
Average years of service (years)		5.5	6.739	6.84

In 2023, the employee turnover rate was 14.16%. 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 103 new recruits this year, with new recruits accounting for 18.69% 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.

② The 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 2023 and up to the publication date of the 2024 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, company trip subsidies, irregular afternoon tea, and department gatherings, as well as subsidies for holidays, wedding/funeral, and emergency relief to meet the needs of employees.
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 2023, the Company organized a total of 301 courses, reaching a total of 11,209 training hours and 3,697 participants. On average, each employee was trained for approximately 21 hours, with total training expenditure amounting to NT$4.92 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 2023, the Employee Welfare Committee and the Company and the subsidiaries spent a joint total of NT$13,233 thousand on employee benefit-related activities. In 2023, 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, 2023, due to the adoption of IFRS No.18 "employee benefits" in accordance with regulations with December 31, 2023 as the baseline date, the present value of the Company's defined benefit obligation was NT$104,178 thousand, the balance of the Company's pension reserve fund at the Bank of Taiwan was NT$70,552 thousand, the accrued pension liability was NT$33,626 thousand, NT$3,749 thousand was appropriated into the pension reserve account in 2023, and the amount of pension paid was NT$782 thousand.

Since the establishment of the Labor Retirement Reserve Supervisory Committee and as of December 31, 2023, a total of 32 employees have retired, and NT$56,802 thousand 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 2023 and up to the publication date of the 2024 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 2024, 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 2023 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 2024, 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 2024, 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 since 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 2023 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 2023 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$150,000 thousand.	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
Long-term loan contract	Mega International Commercial Bank	2022.06~2027.06	Financing of working capital for subsidiary Mason Metal Industry Co., Ltd.	Provided property and plant in Pingzhen as collateral
Material supply contract	Hung Hua Construction Co., Ltd.	2023.01~2027.06	Second-tier subsidiary Hsin Hua Steel Industry Co., Ltd. supplies the water	Provided a performance bond in the amount of

Nature of contract	Contracting party	Start and end dates of the contract	Content	Restrictions
			intake and outlet and pipe frame for the cooling water circulation system and subsea water intake and outlet pipelines of the Phase II Renewal and Reconstruction Project of Tongxiao Power Plant. The contract amount including tax is approximately NT$3.45 billion.	approximately NT$345 million
Mid-term loan contract	First Commercial Bank	2023.03~2027.09	For the material supply contract for the cooling water circulation system and subsea water intake and outlet pipelines of the Phase II Renewal and Reconstruction Project of Tongxiao Power Plant, second-tier subsidiary Hsin Hua Steel Industry Co., Ltd. contacted a bank for project financing in the amount of NT$1.545 billion.	Provided NT$51.81 million in deposits for repayment

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) 2019	2020	2021	2022	2023	Financial information of the current year up to March 31, 2024
Current assets		8,597,616	10,218,301	14,467,615	13,161,655	16,080,068	(Note 2)
Property, plant and equipment		3,887,599	5,294,370	3,821,909	4,168,757	4,052,985	
Investment properties		984,659	963,590	3,766,202	3,658,733	3,680,535	
Other assets		2,618,017	3,417,012	3,866,157	3,450,106	4,539,742	
Total Assets		16,087,891	19,893,273	25,921,883	24,439,251	28,353,330	
Current liabilities	Before distribution	6,264,484	7,267,245	9,334,158	9,743,421	10,250,950	
	After distribution	6,513,034	7,883,760	10,618,743	10,064,568	11,214,389	
Non-current liabilities		3,012,621	4,524,598	4,979,955	4,620,470	6,039,027	
Total Liabilities	Before distribution	9,277,105	11,791,843	14,314,113	14,363,891	16,289,977	
	After distribution	9,525,655	12,408,358	15,598,698	14,685,038	17,253,416	
Equity attributable to owners of parent company		6,284,080	7,671,454	10,891,301	9,362,722	11,338,565	
Share capital		3,106,877	3,082,226	3,211,463	3,211,463	3,211,463	
Capital reserve	Before distribution	817,716	823,197	943,451	943,451	943,445	
	After distribution	817,716	669,068	943,451	943,451	943,445	
Retained earnings	Before distribution	2,467,747	3,043,378	5,358,912	4,533,390	6,017,307	
	After distribution	2,219,197	2,580,992	4,074,327	4,212,243	5,053,868	
Other equity		(108,260)	722,653	1,377,475	674,418	1,166,350	
Treasury stock		-	-	-	-	-	
Non-controlling equity		526,706	429,976	716,469	712,638	724,788	
Total equity	Before distribution	6,810,786	8,101,430	11,607,770	10,075,360	12,063,353	
	After distribution	6,562,236	7,484,915	10,323,185	9,754,213	11,099,914	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2024 was unavailable as of the publication date of annual report.

(II) Condensed individual balance sheet

Unit: NT$1,000

Item \ Year		Financial Data for the Most Recent Five Years(Note 1)					Financial information of the current year up to March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		7,632,887	9,005,141	11,716,533	10,658,018	11,989,331	(Note 2)
Property, plant and equipment		3,276,213	4,506,352	2,099,792	2,453,203	2,416,682	
Investment properties		947,208	932,625	3,742,322	3,627,614	3,659,077	
Other assets		3,849,051	4,967,231	6,489,751	6,054,638	7,131,190	
Total Assets		15,705,359	19,411,349	24,048,398	22,793,473	25,196,280	
Current liabilities	Before distribution	6,157,944	7,012,712	8,365,227	8,940,943	7,820,727	
	After distribution	6,406,494	7,629,227	9,649,812	9,262,090	8,784,166	
Non-current liabilities		3,263,335	4,727,183	4,791,870	4,489,808	6,036,988	
Total Liabilities	Before distribution	9,421,279	11,739,895	13,157,097	13,430,751	13,857,715	
	After distribution	9,669,829	12,356,410	14,441,682	13,751,898	14,821,154	
Equity		6,284,080	7,671,454	10,891,301	9,362,722	11,338,565	
Share capital		3,106,877	3,082,226	3,211,463	3,211,463	3,211,463	
Capital reserve	Before distribution	817,716	823,197	943,451	943,451	943,445	
	After distribution	817,716	669,068	943,451	943,451	943,445	
Retained earnings	Before distribution	2,467,747	3,043,378	5,358,912	4,533,390	6,017,307	
	After distribution	2,219,197	2,580,992	4,074,327	4,212,243	5,053,868	
Other equity		(108,260)	722,653	1,377,475	674,418	1,166,350	
Treasury stock		-	-	-	-	-	
Total equity	Before distribution	6,284,080	7,671,454	10,891,301	9,362,722	11,338,565	
	After distribution	6,035,530	7,054,939	9,606,716	9,041,575	10,375,126	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2024 was unavailable as of the publication date of annual report.

(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)					Financial information of the current year up to March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	8,477,785	9,852,311	14,103,042	17,155,532	16,074,889	(Note 2)
Realized gross profit	176,779	812,114	3,116,076	1,188,904	1,445,751	
Operating profit/loss	(97,900)	469,738	2,637,114	764,779	858,289	
Non-operating income and expenses	222,357	443,285	671,254	(104,979)	999,244	
Net income before tax	124,457	913,023	3,308,368	659,800	1,857,533	
Current period net income from continuing operations	118,116	845,733	2,770,838	417,568	1,731,580	
Loss from discontinued operations	-	-	-	-	-	
Net profit of the current period	118,116	845,733	2,770,838	417,568	1,731,580	
Other comprehensive income (net income after-tax)	(65,330)	830,675	652,522	(702,001)	643,728	
Total comprehensive income for the period	52,786	1,676,408	3,423,360	(284,433)	2,375,308	
Net income attributable to owners of the parent	120,674	829,113	2,720,273	393,563	1,654,842	
Net income attributable to non-controlling equity	(2,558)	16,620	50,565	24,005	76,738	
	118,116	845,733	2,770,838	417,568	1,731,580	
Total comprehensive income attributed to owners of parent company	55,351	1,659,801	3,372,787	(308,464)	2,299,000	
Total comprehensive income attributed to non-controlling equity	(2,565)	16,607	50,573	24,031	76,308	
	52,786	1,676,408	3,423,360	(284,433)	2,375,308	
Earnings per share	0.39	2.69	8.62	1.23	5.15	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2024 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)					Financial information of the current year up to March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	8,413,665	9,870,098	13,418,865	14,397,415	13,586,827	(Note 2)
Gross profit	178,646	730,527	2,867,518	836,400	1,047,478	
Operating profit/loss	(76,184)	446,982	2,434,599	508,866	601,590	
Non-operating income and expenses	207,744	443,049	807,093	67,303	1,129,709	
Net income before tax	131,560	890,031	3,241,692	576,169	1,731,299	
Current period net income from continuing operations	120,674	829,113	2,720,273	393,563	1,654,842	
Loss from discontinued operations	-	-	-	-	-	
Current net income (loss)	120,674	829,113	2,720,273	393,563	1,654,842	
Other comprehensive income (net income after-tax)	(65,323)	830,688	652,514	(702,027)	644,158	
Total comprehensive income for the period	55,351	1,659,801	3,372,787	(308,464)	2,299,000	
Earnings per share	0.39	2.69	8.62	1.23	5.15	

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2024 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 of certification	CPA Name	Opinions for the Audit Report
2023	Sheng-Hsiung Yao, Shu-Ju Lin	Unqualified opinion
2022	Sheng-Hsiung Yao, Shu-Ju (Note 1)	Unqualified opinion
2021	Sheng-Hsiung Yao, Jui-Na Chang	Unqualified opinion
2020	Sheng-Hsiung Yao, Jui-Na Chang	Unqualified opinion
2019	Sheng-Hsiung Yao, Jui-Na Chang	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, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt-to-assets ratio	57.67	59.28	55.22	58.77	57.45	(Note 2)
	Ratio of long-term capital to property, plant and equipment	252.69	238.48	218.60	187.75	234.08	
Solvency %	Current ratio	137.24	140.61	155.00	135.08	156.86	
	Quick ratio	80.05	85.19	81.64	78.80	95.20	
	Interest protection multiples	1.74	8.19	30.49	4.00	5.85	
Operating performance	Average collection turnover (times)	3.36	3.35	3.61	3.75	3.16	
	Average collection period	108.63	108.95	101.10	97.33	115.50	
	Average inventory turnover (times)	2.20	2.41	2.04	2.59	2.38	
	Average payables turnover (times)	14.45	20.73	16.04	21.86	23.92	
	Average days of sales	165.91	151.45	178.92	140.92	153.36	
	Average property, plant and equipment turnover (times)	2.27	2.13	3.06	4.22	4.06	
	Total assets turnover (times)	0.53	0.50	0.62	0.68	0.61	
Profitability	Return on assets (%)	1.51	5.27	12.49	2.36	7.72	
	Return on equity (%)	1.68	11.34	28.12	3.85	15.64	
	Pre-tax profit to paid-in capital ratio (%)	4.01	29.62	103.02	20.55	57.84	
	Net profit ratio (%)	1.39	8.58	19.65	2.43	10.77	
	Earnings per share ($)	0.39	2.69	8.62	1.23	5.15	
Cash flow	Cash flow ratio (%)	6.56	(3.77)	5.53	13.73	3.41	
	Cash flow adequacy ratio (%)	39.21	18.87	12.32	19.71	24.71	
	Cash reinvestment ratio (%)	(0.51)	(4.14)	(0.49)	0.42	0.18	
Leverage	Operating leverage	(2.70)	1.95	1.25	1.84	2.17	
	Financial leverage	0.37	1.37	1.04	1.40	1.81	

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

1. Ratio of long-term capital to property, plant and equipment: The increase in the Company's net income and unrealized gains (losses) from financial assets measured at fair value through other comprehensive income resulted in an increase in equity.

2.Quick ratio in the current period: Due to the increase in current assets at the end of the year.

3. Interest protection multiples: The increase in interest protection multiples was due to the increase in earnings before interest and taxes and increase in interest expenses in the current year.
4. Return on assets: Return on assets increased due to the increase in net income in the current year.
5. Return on equity: Return on equity increased due to the increase in net income in the current year.
6. Pre-tax profit to paid-up capital ratio: Pre-tax profit to paid-up capital ratio increased due to the increase in pre-tax profit in the current year.
7. Net profit ratio: Net profit margin increased due to the increase in net income in the current year.
8. Earnings per share: Earnings per share increased due to the increase in net income in the current year.
9. Cash flow ratio: The decrease in cash inflow from operations this year resulted in a decrease in the cash flow ratio.
10. Cash flow adequacy ratio: The increase in cash flow adequacy ratio was due to the increase in net cash flow from operating activities in the past five years.
11. Cash reinvestment ratio: The decrease in cash adequacy ratio was due to the decrease in cash inflow from operating activities in the current year.
12. Financial leverage: The increase in financial leverage was due to the increase in operating profit in the current year.

(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, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt-to-assets ratio	59.99	60.48	54.71	58.92	55.00	(Note 2)
	Ratio of long-term capital to property, plant and equipment	291.42	275.14	268.45	227.81	285.98	
Solvency %	Current ratio	123.95	128.41	140.06	119.20	153.30	
	Quick ratio	67.97	77.17	71.71	68.59	95.05	
	Interest protection multiples	1.81	8.34	31.46	3.81	6.00	
Operating performance	Average collection turnover (times)	3.35	3.24	3.57	3.53	2.97	
	Average collection period	108.96	112.65	102.24	103.39	122.89	
	Average inventory turnover (times)	2.23	2.64	2.30	2.65	2.60	
	Average payables turnover (times)	14.51	21.81	21.41	34.60	42.69	
	Average days of sales	163.68	138.25	158.69	137.73	140.38	
	Average property, plant and equipment turnover (times)	2.60	2.52	4.02	6.21	5.80	
	Total assets turnover (times)	0.54	0.51	0.62	0.61	0.57	
Profitability	Return on assets (%)	1.53	5.27	12.91	2.38	8.05	
	Return on equity (%)	1.86	11.88	29.31	3.89	15.99	
	Pre-tax profit to paid-in capital ratio (%)	4.23	28.88	100.94	15.85	53.91	
	Net profit ratio (%)	1.43	8.40	20.27	2.73	12.18	
	Earnings per share ($)	0.39	2.69	8.62	1.23	5.15	
Cash flow	Cash flow ratio (%)	9.18	(4.19)	5.20	12.47	0.16	
	Cash flow adequacy ratio (%)	36.11	21.60	12.84	19.18	22.70	
	Cash reinvestment ratio (%)	0.96	(4.09)	(1.16)	(1.52)	(2.10)	
Leverage	Operating leverage	(3.20)	1.93	1.15	1.10	2.19	
	Financial leverage	0.32	1.37	1.05	1.67	2.36	

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

1. Ratio of long-term capital to property, plant and equipment: The increase in the Company's net income and unrealized gains (losses) from financial assets measured at fair value through other comprehensive income resulted in an increase in equity.
2. Current ratio: Due to an increase in financial assets and receivables measured at fair value through profit or loss and a decrease in long-term liabilities due within one year at the end of the year.
3. Quick ratio in the current period: Due to the increase in current assets at the end of the year.
4. Interest protection multiples: The increase in interest protection multiples was due to the increase in earnings before interest and taxes and increase in interest expenses in the current year.
5. Payables turnover: The decrease in payables at the end of the year resulted in an increase in payables turnover

6. Return on assets: Return on assets increased due to the increase in net income in the current year.
7. Return on equity: Return on equity increased due to the increase in net income in the current year.
8. Pre-tax profit to paid-up capital ratio: Pre-tax profit to paid-up capital ratio increased due to the increase in pre-tax profit in the current year.
9. Net profit ratio: Net profit margin increased due to the increase in net income in the current year.
10. Earnings per share: Earnings per share increased due to the increase in net income in the current year.
11. Cash flow ratio: The decrease in cash inflow from operations this year resulted in a decrease in the cash flow ratio.
12. Cash reinvestment ratio: The decrease in cash adequacy ratio was due to the decrease in cash inflow from operating activities in the current year.
13. Operating leverage: The increase in operating leverage was due to the decrease in variable operating costs and expenses in the current year.
14. Financial leverage: The increase in financial leverage was due to the increase in operating profit in the current year.

Note 1: All yearly financial information has been audited.

Note 2: Auditor-reviewed financial information for the first quarter of 2024 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

Hsin Kuang Steel Co., Ltd.

Audit Committee's Report

The Board of Directors has prepared and submitted the 2023 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 Hsin Kuang Steel Co., Ltd.

Audit Committee Convener

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March 12, 2024

IV. Individual Financial Statements and Audit Reports: Please refer to page 203 to page 271

V. Consolidated Financial Statements of Parent Company and Subsidiaries Certified by CPA: Please refer to page 272 to page 342.

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	2023	2022	Difference	
			Amount	%
Current assets	16,080,068	13,161,655	2,918,413	22.17
Property, plant and equipment	4,052,985	3,860,784	192,201	4.98
Investment properties	3,680,535	3,658,733	21,802	0.60
Long-term investments and other assets	4,539,742	3,758,079	781,663	20.80
Total Assets	**28,353,330**	**24,439,251**	**3,914,079**	**16.02**
Current liabilities	10,250,950	9,743,421	507,529	5.21
Non-current liabilities	6,039,027	4,620,470	1,418,557	30.70
Total Liabilities	**16,289,977**	**14,363,891**	**1,926,086**	**13.41**
Share capital	3,211,463	3,211,463	-	-
Capital reserve	943,445	943,451	(6)	-
Retained earnings	6,017,307	4,533,390	1,483,917	32.73
Other equity	1,166,350	674,418	491,932	72.94
Non-controlling equity	724,788	712,638	12,150	1.70
Total equity	**12,063,353**	**10,075,360**	**1,987,993**	**19.73**

Analysis and explanation of increase (decrease) in proportions:

1. Current assets: Mainly due to the increase in unrealized valuation gains on equity instruments measured at fair value through profit or loss and the increase in inventory in the current period.
2. Long-term investments and other assets: Mainly due to the capital increase of affiliated enterprises and the increase in unrealized valuation gains on equity instruments measured at fair value through other comprehensive income in the current period.
3. Non-current liabilities: Mainly due to the increase in long-term borrowings in the current period.
4. Retained earnings: Mainly due to the increase in net profit in the current year.
5. Other equity: Mainly due to the increase in unrealized gains from financial assets at fair value through other comprehensive income in the current period.

(II) Analysis of Individual Financial Status

Unit: NT$1,000

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	11,989,331	10,658,018	1,331,313	12.49
Property, plant and equipment	2,416,682	2,453,203	(36,521)	(1.49)
Investment properties	3,659,077	3,627,614	31,463	0.87
Long-term investments and other assets	7,131,190	6,054,638	1,076,552	17.78
Total Assets	**25,196,280**	**22,793,473**	**2,402,807**	**10.54**
Current liabilities	7,820,727	8,940,943	(1,120,216)	(12.53)
Non-current liabilities	6,036,988	4,489,808	1,547,180	34.46
Total Liabilities	**13,857,715**	**13,430,751**	**426,964**	**3.18**
Share capital	3,211,463	3,211,463	-	-
Capital reserve	943,445	943,451	(6)	-
Retained earnings	6,017,307	4,533,390	1,483,917	32.73
Other equity	1,166,350	674,418	491,932	72.94
Total equity	**11,338,565**	**9,362,722**	**1,975,843**	**21.10**

Analysis and explanation of increase (decrease) in proportions:

1. Non-current liabilities: Mainly due to the increase in long-term borrowings in the current period.
2. Retained earnings: Mainly due to the increase in net profit in the current year.
3. Other equity: Mainly due to the increase 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 / Item	2023	2022	Increase (decrease) amount	Percentage of change
Operating revenue	16,074,889	17,155,532	(1,080,643)	(6.30)
Operating costs	(14,629,138)	(15,966,628)	(1,337,490)	(8.38)
Gross profit	1,445,751	1,188,904	256,847	21.60
Operating expenses	(587,462)	(424,125)	163,337	38.51
Operating net profit	858,289	764,779	93,510	12.23
Non-operating income and expenses				
Interest income	4,022	1,746	2,276	130.36
Other income	115,722	248,118	(132,396)	(53.36)
Other gains and losses	1,258,678	(125,019)	1,383,697	1,106.79
Financial costs	(383,287)	(220,086)	(163,201)	(74.15)
Share of profits on equity-accounted associated companies and joint ventures	4,109	(9,738)	13,847	142.20
Total Non-operating income and expenses	999,244	(104,979)	1,104,223	1,051.85
Net income before tax	1,857,533	659,800	1,197,733	181.53
Income tax expenses	(125,953)	(242,232)	(116,279)	(48.00)
Net profit of the current period	1,731,580	417,568	1,314,012	314.68
Other comprehensive income				
Items not reclassified as income				
Re-measurement of defined benefit plan	(841)	1,030	(1,871)	(181.65)
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	696,855	(713,606)	1,410,461	197.65
Share of other comprehensive income/losses on affiliated enterprises and joint ventures recognized under the equity method	(52,257)	-	(52,257)	-
	643,757	(712,576)	1,356,333	190.34
Items that may be reclassified as income				
Translation differences in financial statements from foreign operations	(29)	10,575	(10,604)	(100.27)
Other comprehensive income (net income after-tax)	643,728	(702,001)	1,345,729	191.70
Total comprehensive income for the period	2,375,308	(284,433)	2,659,741	935.10
Profit attributable to				
Owners of the Company	1,654,842	393,563	1,261,279	320.48
Non-controlling equity	76,738	24,005	52,733	219.68
	1,731,580	417,568	1,314,012	314.68
Total comprehensive income attributable to:				
Owners of the Company	2,299,000	(308,464)	2,607,464	845.31
Non-controlling shares	76,308	24,031	52,277	217.54
	2,375,308	(284,433)	2,659,741	935.10

Analysis and explanation of increase (decrease) in proportions:

1. Realized gross profit: The increase in gross profit was mainly due to the decrease in the cost of goods sold in the current period.
2. Operating Expenses: The increase in amount of directors' remuneration and employee bonuses recognized according to the Articles of Incorporation was mainly due to the increase in profit before tax in the current period.
3. Non-operating income and expenses: Mainly due to the increase in financial costs, increase in valuation gains on financial assets at fair value through profit and loss, and increase in net foreign exchange gains in the current period.
4. Income tax expenses: The decrease in income tax expenses was mainly due to the recognition of deferred income tax benefits in the current year.
5. Net profit of the current period: Mainly due to the increase in non-operating income.
6. Other comprehensive net profit: Due to the increase in unrealized valuation gains on equity instruments measured at fair value through other comprehensive income in the current period.

(II) Analysis of Individual Financial Performance

Unit: NT$1,000

Item \ Year	2023	2022	Increase (decrease) amount	Percentage of change
Operating revenue	13,586,827	14,397,415	(810,588)	(5.63)
Operating costs	(12,312,495)	(13,629,065)	(1,316,570)	(9.66)
Gross profit	1,274,332	768,350	505,982	65.85
Unrealized gains from sales	(281,321)	(11,600)	269,721	2,325.18
Realized gains from sales	54,467	79,650	(25,183)	(31.62)
Realized gross profit	1,047,478	836,400	211,078	25.24
Operating expenses	(445,888)	(327,534)	118,354	36.13
Operating net profit	601,590	508,866	92,724	18.22
Non-operating income and expenses				
Interest income	1,740	1,366	374	27.38
Other income	93,316	228,641	(135,325)	(59.19)
Other gains and losses	914,996	36,881	878,115	2,380.94
Financial costs	(346,419)	(204,974)	141,445	69.01
Share of profits on equity-accounted associated companies and joint ventures	466,076	5,389	460,687	8,548.65
Total Non-operating income and expenses	1,129,709	67,303	1,062,406	1,578.54
Net income before tax	1,731,299	576,169	1,155,130	200.48
Income tax expenses	(76,457)	(182,606)	(106,149)	(58.13)
Net profit of the current period	1,654,842	393,563	1,261,279	320.48
Other comprehensive income				
Items not reclassified as income				
Re-measurement of defined benefit plan	(414)	1,030	(1,444)	140.19
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	696,855	(713,606)	1,410,461	(197.65)
Unrealized valuation loss (gain) on investments in an equity instrument measured at fair value through other comprehensive income	(52,257)	-	(52,257)	-
	644,184	(712,576)	1,356,760	(190.40)
Items that may be reclassified as income				
Translation differences in financial statements from foreign operations	(26)	10,549	(10,575)	100.25
Other comprehensive income (net income after-tax)	644,158	(702,027)	1,346,185	(191.76)
Total comprehensive income for the period	2,299,000	(308,464)	2,607,464	(845.31)

Analysis and explanation of increase (decrease) in proportions:

1. Gross profit: The increase in gross profit was mainly due to the decrease in the cost of goods sold in the current period.
2. Unrealized gains from net sales: Mainly due to the increase in unrealized gross profit from sales to second-tier subsidiary - Hsin Hua Steel Industry Co., Ltd. in the current period.

3. Operating Expenses: The increase in amount of directors' remuneration and employee bonuses recognized according to the Articles of Incorporation was mainly due to the increase in profit before tax in the current period.
4. Non-operating income and expenses: Mainly due to the increase in financial costs, increase in valuation gains on financial assets at fair value through profit and loss, increase in net foreign exchange gains, and profits of subsidiaries recognized under the equity method in the current period.
5. Income tax expenses: The decrease in income tax expenses was mainly due to the recognition of deferred income tax benefits in the current year.
6. Net profit of the current period: Mainly due to the increase in non-operating income.
7. Other comprehensive net profit: Due to the increase in unrealized valuation gains on equity instruments 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	256,847	(1,366,760)	1,597,620	141,622	(115,635)
Description	The increase in gross margin was mainly due to the decrease in the Company's cost of goods sold in 2023.				

(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: On the demand side, the international steel market will benefit from the easing of inflation. Central banks of various countries may implement looser monetary policies in 2024, and countries around the world will continue to invest in innovative and sustainable infrastructure in response to extreme weather events. These two parts will support global steel demand. According to the forecast of the World Steel Association (WSA), steel demand in the Eurozone will resume growth by 5.8% in 2024, and steel demand in the United States will show positive growth of 1.6%; Steel demand has shrunk significantly in China due to the risk of bankruptcy faced by real estate developers, and is expected to grow by 1.9% in 2024. We will exert every effort to pursue business opportunities. With the combination of our management capabilities and processing technology, we are confident that we will reach our operating goal of 500,000 tons this year (2024).

III. Cash flow analysis

Unit: NT$1,000

Balance at the start of the year December 31, 2023 ①	Net cash flow from operating activities ②	Net cash flow from investment and financing activities ③	Cash balance December 31, 2024 ① + ②- ③	Plan to improve insufficient liquidity	
				Investment plan	Financial plan
1,098,666	349,865	(494,952)	953,579	None	None

1.Analysis of cash flow changes in the current year:
（1）Cash inflow from operating activities amounted to approximately NT$349,865,000: Mainly due to the increase in inventory and receivables.
（2）Cash outflow from investment activities amounted to approximately NT$649,068,000: Mainly due to the capital increase of affiliated enterprises and expenditures on plant and equipment.
（3）Cash inflow from financing activities amounted to approximately NT$154,134,000: Mainly due to the increase in the Company's long-term borrowings.
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, 2023	December 31, 2022	Change (%)
Cash flow ratio (%)	3.41	13.73	(75.14%)
Cash flow adequacy ratio (%)	24.71	19.71	25.36%
Cash reinvestment ratio (%)	0.18	0.42	(57.84%)

Analysis and explanation of increase/decrease in proportions:

1. Cash flow ratio: The decrease in cash inflow from operations this year resulted in a decrease in the cash flow ratio.
2. Cash flow adequacy ratio: The increase in cash flow adequacy ratio was due to the increase in net cash flow from operating activities in the past five years.
3. Cash reinvestment ratio: The decrease in cash adequacy ratio was due to the decrease in cash inflow from operating activities in the current year.

IV. Effects of significant capital expenditures on financial operations in the current year:

Unit: NT$1,000

Plan	Actual or expected source of funds	Actual fund use	
		2023	2022
Production and factory equipment	Self-own funds and bank borrowings	435,190	354,735
Implementation of ERP system	Self-owned funds	36,058	-
Total		471,248	354,735

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

The Company's reinvestments using the equity method all have long-term strategic purposes, realize sustainable development investments, and achieve profit performance in coordination with the Company's product promotion.

In 2023, the Company increased its investment in affiliated enterprises by NT$420,000, mainly due to participation in the cash capital increase of SunnyRich Multifunction Solar Power Co., Ltd. The affiliate enterprise's main business strategy is to promote fishery and electricity symbiosis and generate green energy through solar photovoltaic electricity generation. At the same time, indoor aquaculture gives consideration to the working rights and interests of fishermen and the development of non-toxic aquaculture products, thereby achieving a true win-win situation of fishery and electricity symbiosis. The company's fishery and electricity symbiosis site in Yizhu Township, Chiayi County not only introduced smart equipment and installed a monitoring system combined with photovoltaic facilities, but also built an automatic feeding machine and water quality monitoring and early warning equipment through complete indoor farming. This reduces evaporation and slows down water salinization, oxidation, cold damage and fish and shrimp virus infection caused by bird excrements, so that the aquaculture output can grow stably. It also provides green electricity sold to domestic electronics companies. The Company benefited from the domestic stock market and the positive performance of AI industry stocks in 2023, which resulted in the Company's impressive returns from domestic and foreign stock investments. The performance of investments outside the industry in 2023 includes: The profit from disposal of investment and valuation gains (including net profit for the current period and other comprehensive income) amounted to NT$1,662,764,000, an increase of 324.87% from the previous year. Looking towards 2024, the market expects that the U.S. Federal Reserve will suspend interest rate hikes and start a cycle of interest rate cuts, as well as the rapid growth of the AI industry, which will push the stock index higher. In the future, the Company will continue to strategically plan short, medium and long-term investment principles, and continue to prudently evaluate investment plans.

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 2023

Unit: NT$1,000

Item	2023
Net interest income (expenses)	(379,265)
Net exchange income (loss)	249,315
Net interest income (expenses) as a ratio of net operating revenue	2.36%
Ratio of net exchange (loss) profit to net revenue	1.55%

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$379,265 thousand in 2023, accounting for 2.36% of net revenue and higher than in 2022. This was mainly due to the Federal Reserve continuing to raise interest rates, which led to a rise in interest rates of USD-denominated loans and increase in interest expenses, which reduced profits.

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. When financing is required, the Company will plan suitable long-term and short-term bank loans and seek competitive interest rates to minimize interest rate fluctuations and the risks caused by the cost of capital on the Company's operations. In terms of financial investments, the Company mainly invests in certificates of deposit and purchases NTD money market funds. 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

At least half of the Company's raw materials procurements are paid in USD, but the Company's revenue is mainly in TWD. Therefore, any significant changes in international exchange rates may have unfavorable effects on the Company's finances. In the first three quarters of 2023, the U.S. Federal Reserve will continue to raise interest rates, and interest rate difference maintain a strong U.S. dollar.

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 31.178 in 2023 due to the spread and flow of international capital, and depreciated 4.44% compared with the NTD/USD exchange rate of 29.852 in 2022 (source: website of the Central Bank of the Republic of China). Exchange rates fluctuated massively in 2023 with the difference reaching NT$2.784 (NT$32.484-NT$29.7). However, thanks to proper hedging, the Company generated a net exchange profit of NT$249,315,000 in 2023, which accounted for 1.55% 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.

Future countermeasures

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 2023 and April 2024, and the closing exchange rate was 30.735 in 2023. The exchange rate was 30.866 on January 2, 2023, and then NTD began to depreciate, reaching 32.542 at the end of April, which is a difference reaching NT$1.676. 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 2023, the inflation rate in Taiwan (calculated with the Consumer Price Index of the Directorate-General of Budget, Accounting, and Statistics) was approximately 105.51% (an annual increase of 2.56%); It is projected that in 2024, the inflation rate in Taiwan (calculated using the Consumer Price Index of the Directorate-General of Budget, Accounting and Statistics) will increase by 1.85%.

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 2023. 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 2023 and up to the publication date of this Annual Report.

During 2023, 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 168). 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 2023 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 2023 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 farm 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 143 to page 167).

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

In 2023, the Company received the Taiwan Corporate Sustainability Awards (TCSA) and the Gold Award, Manufacturing Industry, Taiwan Corporate Sustainability Report from the Taiwan Institute for Sustainable Energy for its achievements in corporate governance, sustainable development, and information disclosure, and has received awards for five 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, sharing, and sustainability. 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 2023 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 2023 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 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.

From 2023 to the date of report, the Company continues 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 2023 and 2022 accounted for approximately 35.64% and 33.30% of the Company's net revenue from sales and the largest customer accounted for 5.94% and 9.21%. 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 2023 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 2023 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 2023 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 203). 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 2023 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 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 2023 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 2023, 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 143).

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 2023 and up to the date of report. The Company also has not been involved in any legal cases or investigation.

(XVII) Other critical risks:

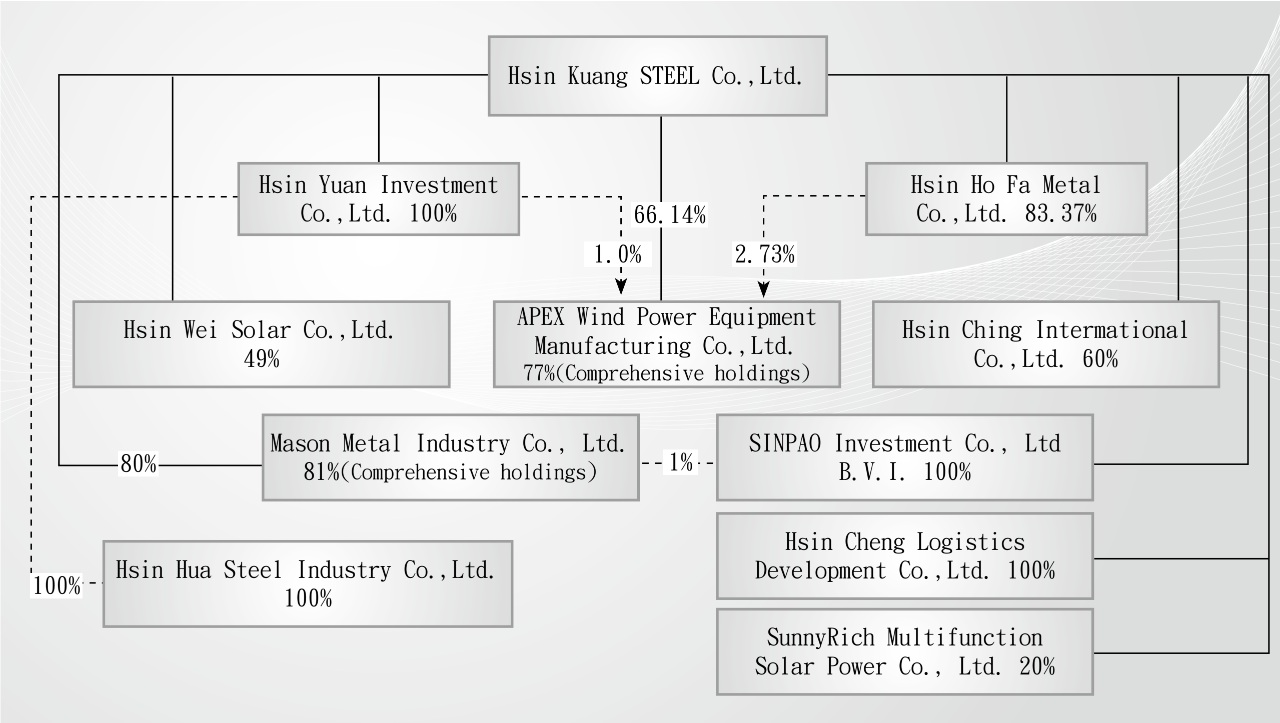
From 2023 and as of the publication date of this Annual Report, the Company experienced no other critical risks.

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	Hsin Kuang 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 69.87%(綜合持股)	APEX Wind Power Equipment Manufacturing Co. Ltd. 69.87% (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%
向陽多元光電股份有限公司 20%	SunnyRich Multifunction Solar Power Co., Ltd. 20%

(II) Profile of affiliated companies:

As of December 31, 2023

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 4,140,000	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	17F, 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
SunnyRich Multifunction Solar Power Co., Ltd.	2018/8/23	12F., No. 99, Sec. 2, Dunhua S. Rd., Da’an Dist., Taipei City	4,300,000	self-usage power generation equipment utilizing renewable energy industry

(III) Common shareholders in controlling and controlled companies

None as of December 31, 2023.

(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 Hsin Kuang Steel Co., Ltd

As of December 31, 2023

Unit: Share: %

Name of entity	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Hsin Yuan Investment Co., Ltd.	Chairman and General Manager	Representative of Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	62,000,000	100.00%
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Xiao-Ru Su		
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Jessica P.H. Liu		
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Lisa H.C. Chien		
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Teng-Kui Kao		
	Supervisor	Representative of Hsin Kuang Steel Co., Ltd.: Yu-Sheng Chang		
SINPAO INVESTMENT CO.,LTD(B.V.I)	Chairman	Representative of Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	US$$4,139,988	99.82%
Hsin Ho Fa Metal Co., Ltd.	Chairman and General Manager	Representative of Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	22,927,573	83.37%
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Teng-Kui Kao		
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Fisher C.H. Yu		
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Daniel Z.L. Xu		
	Director	Vacancy		
	Supervisor	Tai-Tou Chang	151,612	0.55%
APEX Wind Power Equipment Manufacturing Co., Ltd.	Chairman	Representative of Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	43,652,040	66.14%
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Jessica P.H. Liu		
	Director	Frank J.C. Huang	260,000	0.39%
	Director	Chang-Mao Luo	300,000	0.45%
	Director	Hui-Sen Hu	-	-
	Independent Director	Kang-Chi Chou	-	-
	Independent Director	Min-Hun Chen	-	-
	Independent Director	Chou-Son Lin	-	-

Name of entity	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
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 Hsin Kuang 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 Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	15,000,000	60.00%
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Ming-Shan Jheng		
	Director	Representative of Hsin Kuang 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 Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	40,000,000	80.00%
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Johnathon Y.J. Su		
	Director	Hsin Kuang Steel Co., Ltd. Representative: Kuo-San Yang		
	Director	Hsin Kuang Steel Co., Ltd. Representative: Shu-Hsien Huang		
	Director	Hsin Kuang 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 Hsin Kuang Steel Co., Ltd.: Alexander M.T. Su	20,000	100.00%

Name of entity	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Hsin Hua Steel Industry Co., Ltd.	Chairman	Representative of Hsin Yuan Investment Co., Ltd.: Ming-Shan Jheng	16,000,000	100.00%
SunnyRich Multifunction Solar Power Co., Ltd.	Chairman	Representative of Sunny Rich Power CO., LTD. Kui-Kuang Chen	150,500,000	35.00%
	Director	Representative of Hsin Kuang Steel Co., Ltd.: Johnathon Y.J. Su	86,000,000	20.00%
	Director	Representative of Mirai Partners International Investment Holdings Co., Ltd. Junji Asai	141,900,000	33.00%
	Director	Kang-Sheng Chen	-	-
	Supervisor	Jackie Chang	-	-

(VI) Operational overview of affiliated enterprises

As of December 31, 2023

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	927,166	20,099	907,067	257,544	237,528	234,747	3.79
SINPAO INVESTMENT CO.,LTD(B.V.I)	US4,140	US2,617	US$0	US2,617	US14	US11	US11	NA
Hsin Ho Fa Metal Co., Ltd.	275,000	767,489	384,822	382,667	102,955	(5,847)	95,089	3.46
APEX Wind Power Equipment Manufacturing Co. Ltd.	660,000	1,026,841	198,748	828,093	1,068,826	144,016	122,693	1.86
Hsin Wei Solar Co., Ltd.	200,000	690,030	464,407	225,623	93,766	33,031	18,100	0.90
Hsin Ching International Co., Ltd.	250,000	796,719	300,000	496,719	109,990	54,328	39,487	1.58
Mason Metal Industry Co., Ltd.	500,000	1,551,381	838,657	712,724	2,347,114	65,183	46,626	0.93
Hsin Cheng Logistics Development Co., Ltd.	200	909	-	909	-	-	5	0.25
Hsin Hua Steel Industry Co., Ltd.	160,000	1,910,072	1,721,153	188,919	644,459	12,308	5,708	0.40
SunnyRich Multifunction Solar Power Co., Ltd.	4,300,000	11,499,567	7,364,026	4,135,542	358,492	73,297	(27,589)	(0.06)

(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, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2023 is described as follows:

Revenue Recognition

The Company mainly engages in the sale, cutting, slitting, steel structure processing, logistics of various steel products and constructing services. The sales revenue of steel products accounts for over 90% of the annual operating revenue. The Company's operating revenue for the year ended December 31, 2023 decreased by 6% in comparison with the previous year. For certain customers whose sales amount is material and with significant growth in comparison with the previous year, as the sales amount from such customers is significant to the parent company only 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 of 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, 2023 and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

<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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 483,629	2	$ 754,398	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,961,078	8	1,091,015	5
Financial assets at amortized cost - current (Notes 4, 9 and 30)	22,509	-	16,811	-
Contract assets - current (Note 22)	84,659	1	-	-
Notes receivable from unrelated parties (Notes 4, 10 and 30)	2,046,784	8	1,581,510	7
Notes receivable from related parties (Notes 4, 10, 29 and 30)	-	-	28,532	-
Trade receivables from unrelated parties (Notes 4 and 10)	2,563,550	10	2,500,440	11
Trade receivables from related parties (Notes 4, 10 and 29)	268,053	1	142,924	1
Inventories (Notes 4, 5 and 11)	4,515,099	18	4,449,990	20
Prepayments	40,743	-	75,292	-
Other current assets (Note 16)	3,227	-	17,106	-
Total current assets	11,989,331	48	10,658,018	47
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	297,484	1	272,687	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	2,738,983	11	2,406,617	11
Investments accounted for using the equity method (Notes 4, 12 and 30)	3,762,491	15	3,300,104	14
Property, plant and equipment (Notes 4, 13, 29 and 30)	2,416,682	10	2,270,255	10
Investment properties (Notes 4, 14 and 30)	3,659,077	14	3,627,614	16
Other intangible assets (Notes 4 and 15)	39,602	-	2,499	-
Deferred tax assets (Notes 4 and 24)	78,244	-	36,533	-
Other non-current assets (Notes 10 and 16)	214,386	1	219,146	1
Total non-current assets	13,206,949	52	12,135,455	53
TOTAL	$ 25,196,280	100	$ 22,793,473	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	$ 6,271,907	25	$ 6,932,944	30
Short-term bills payable (Notes 4 and 17)	648,760	3	549,146	2
Contract liabilities - current (Note 22)	185,378	1	275,031	1
Notes payable to unrelated parties (Notes 4 and 18)	133,898	-	212,821	1
Notes payable to related parties (Notes 4, 18 and 29)	17,816	-	11,373	-
Trade payables to unrelated parties (Notes 4 and 18)	75,473	-	100,685	1
Trade payables to related parties (Notes 4, 18 and 29)	3,695	-	3,695	-
Other payables (Notes 4, 19 and 29)	304,684	1	261,158	1
Current tax liabilities (Notes 4 and 24)	145,633	1	162,130	1
Current portion of long-term liabilities (Notes 4 and 17)	10,526	-	410,526	2
Other current liabilities	22,957	-	21,434	-
Total current liabilities	7,820,727	31	8,940,943	39
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 17)	5,465,186	22	1,470,202	6
Long-term bills payable (Notes 4 and 17)	-	-	2,399,515	11
Deferred tax liabilities (Notes 4 and 24)	9,254	-	35,691	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	20,127	-	23,081	-
Other non-current liabilities (Note 29)	542,421	2	561,319	3
Total non-current liabilities	6,036,988	24	4,489,808	20
Total liabilities	13,857,715	55	13,430,751	59
EQUITY (Notes 4 and 21)				
Share capital	3,211,463	13	3,211,463	14
Capital surplus	943,445	4	943,451	4
Retained earnings				
Legal reserve	1,275,497	5	1,229,590	5
Unappropriated earnings	4,741,810	19	3,303,800	15
Total retained earnings	6,017,307	24	4,533,390	20
Other equity	1,166,350	4	674,418	3
Total equity	11,338,565	45	9,362,722	41
TOTAL	$ 25,196,280	100	$ 22,793,473	100

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 22 and 29)				
Sales	$ 12,852,719	95	$ 14,086,221	98
Other operating revenue	734,108	5	311,194	2
Total operating revenue	13,586,827	100	14,397,415	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 23 and 29)	(11,924,991)	(88)	(13,545,320)	(94)
Other operating costs (Note 29)	(387,504)	(3)	(83,745)	(1)
Total operating costs	(12,312,495)	(91)	(13,629,065)	(95)
GROSS PROFIT	1,274,332	9	768,350	5
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(281,321)	(2)	(11,600)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	54,467	1	79,650	1
REALIZED GROSS PROFIT	1,047,478	8	836,400	6
OPERATING EXPENSES				
Selling and marketing expenses (Note 23)	(241,019)	(2)	(217,971)	(1)
General and administrative expenses (Notes 23 and 29)	(172,407)	(1)	(112,712)	(1)
Expected credit (loss)/gain (Note 10)	(32,462)	-	3,149	-
Total operating expenses	(445,888)	(3)	(327,534)	(2)
PROFIT FROM OPERATIONS	601,590	5	508,866	4
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Interest income	1,740	-	1,366	-
Other income	93,316	1	228,641	2
Other gains and losses	914,996	7	36,881	-
Finance costs	(346,419)	(3)	(204,974)	(2)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	466,076	3	5,389	-
Total non-operating income and expenses	1,129,709	8	67,303	-

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX	$ 1,731,299	13	$ 576,169	4
INCOME TAX EXPENSE (Notes 4 and 24)	(76,457)	(1)	(182,606)	(1)
NET PROFIT FOR THE YEAR	1,654,842	12	393,563	3
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(414)	-	1,030	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	696,855	5	(713,606)	(5)
Share of other comprehensive income/(loss) of associates and joint ventures accounted for using the equity method	(52,257)	-	-	-
	644,184	5	(712,576)	(5)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(26)	-	10,549	-
Other comprehensive income/(loss) for the year, net of income tax	644,158	5	(702,027)	(5)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	$ 2,299,000	17	$ (308,464)	(2)
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	$ 5.15		$ 1.23	
Diluted	$ 5.14		$ 1.22	

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings		Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal 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, 2022	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
Appropriation of 2022 earnings								
Legal reserve	-	-	-	45,907	(45,907)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(321,147)	-	-	(321,147)
Changes in percentage of ownership interests in subsidiaries	-	-	(6)	-	(2,004)	-	-	(2,010)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	152,640	-	(152,640)	-
Net profit for the year ended December 31, 2023	-	-	-	-	1,654,842	-	-	1,654,842
Other comprehensive income/(loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(414)	(26)	644,598	644,158
Total comprehensive income/(loss) for the year ended December 31, 2023	-	-	-	-	1,654,428	(26)	644,598	2,299,000
BALANCE AT DECEMBER 31, 2023	321,146	$ 3,211,463	$ 943,445	$ 1,275,497	$ 4,741,810	$ 1,943	$ 1,164,407	$ 11,338,565

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,731,299	$ 576,169
Adjustments for:		
Depreciation expense	124,645	125,968
Amortization expense	7,148	6,508
Expected credit loss recognized/(reversed) on trade receivables	32,462	(3,149)
Net (gain)/loss on fair value changes of financial assets and liabilities at fair value through profit or loss	(665,326)	83,224
Finance costs	346,419	204,974
Interest income	(1,740)	(1,366)
Dividend income	(79,394)	(201,095)
Loss/(gain) on disposal of property, plant and equipment	5,036	(109)
Gain on disposal of investment property	(52)	(6,007)
Share of profit of subsidiaries, associates and joint ventures	(466,076)	(5,389)
(Reversal of) write-downs of inventories	(15,225)	113,502
Unrealized gain on transactions with associates	281,321	11,600
Realized gain on transactions with associates	(54,467)	(79,650)
Unrealized net (gain)/loss on foreign currency exchange	(31,163)	9,967
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(229,532)	181,073
Contract assets	(84,659)	-
Notes receivable	(454,418)	265,992
Trade receivables	(200,053)	(609,915)
Other receivables	13,983	35,031
Inventories	(49,884)	1,070,444
Prepayments	34,549	8,213
Other current assets	(229)	(511)
Notes payable	(72,481)	(136,436)
Trade payables	(25,212)	10,722
Other payables	57,111	(231,778)
Contract liabilities	(89,653)	(31,867)
Advance lease payments received	(15,815)	(16,631)
Net defined benefit liabilities	(3,472)	(2,209)
Other current liabilities	(2,818)	(1,802)
Cash generated from operations	92,304	1,375,473
Interest received	1,740	1,366
Dividends received	79,393	201,095
Income tax paid	(160,992)	(462,570)
Net cash generated from operating activities	12,445	1,115,364

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
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	364,490	114,798
Purchase of financial assets at fair value through profit or loss	-	(24,830)
Purchase of financial assets at amortized cost	(5,698)	-
Proceeds from sale of financial assets at amortized cost	-	60,263
Acquisition of associates	(414,165)	(229,800)
Payments for property, plant and equipment	(255,376)	(227,187)
Proceeds from disposal of property, plant and equipment	7,905	546
Payments for investment properties	(472)	(1,723)
Proceeds from disposal of investment properties	148	38,195
Payments for intangible assets	(34,536)	-
Increase in other non-current assets	(295)	(14,069)
Increase in prepayments for equipment	(62,517)	(30,909)
Dividends received from investees	136,702	89,789
Increase in refundable deposits	(4,894)	(3,217)
Net cash used in investing activities	(268,708)	(326,880)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	21,531,056	16,234,082
Decrease in short-term borrowings	(22,161,494)	(15,469,498)
Increase in short-term bills payable	100,000	250,000
Proceeds from long-term borrowings	5,400,000	-
Repayments of long-term borrowings	(1,810,526)	(210,526)
Decrease in long-term bills payable	(2,400,000)	-
Increase/(decrease) in guarantee deposits received	1,255	(405)
Interest paid	(353,650)	(172,954)
Dividends paid	(321,147)	(1,284,585)
Net cash used in financing activities	(14,506)	(653,886)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(270,769)	134,598
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	754,398	619,800
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 483,629	$ 754,398

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

(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 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 12, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the FSC

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

1) Amendments to IFRS 16, "Lease 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 such a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The 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.

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 exist 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, which may have difficulty complying with the covenants and repaying 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, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such an 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 IAS 7 and IFRS 7 "Supplier Finance Arrangements"

   Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, the suppliers are paid. The amendments stipulate that the Company shall disclose the relevant information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the Company's liabilities and cash flows and on the Company's exposure to liquidity risk.

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.

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

New, Amended and Revised Standards and Interpretations	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
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 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 21 “Lack of Exchangeability”

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Company shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

d. Presentation reclassification

The management of the Company determined that the land applied for purchase by the Industrial Development Bureau of the Ministry of Economic Affairs, for which deposits have been paid and classified as the prepayment for land and equipment, would be more appropriate to reclassify to the item of property, plant and equipment upon completion of the land construction and the registration of the transfer of land ownership. Therefore, the Company has changed the presentation of the balance sheets in 2023. Comparative information of 2022 was reclassified to conform to the current year's presentation.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

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.

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.

The Company 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 Company's construction-related assets and liabilities.

d. 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 attributed to the owners of the Company and non-controlling interests.

e. 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.

f. 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.

g. Investments in associates

An associate is an entity over which the Company has significant influence which is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

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 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 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. 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 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, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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 equals or exceeds its interest in that associate (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), the Company discontinues recognizing its share of further loss, if any. 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.

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 Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent of interests in the associate are not related to the Company.

h. 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.

i. 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.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of an item of property for subsequent accounting is its carrying amount at the commencement of development for owner-occupation. For a transfer of classification from property, plant and equipment and right-of-use assets to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized 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 Company 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 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, 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 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 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 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 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 and contract assets

The Company 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 Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, operating lease receivables and contract assets. 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 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 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 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 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 other gains or losses.

  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) 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. 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 products. Revenue from a contract to provide services is recognized when services are provided by reference to the stage of completion of services provided.

3) Construction contract revenue

While the construction is in progress, the Company recognizes revenue over time. The Company 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 Company 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 Company adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Company 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.

n. 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 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 Company as lessee

The Company 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.

o. 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.

p. 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.

q. 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 forwards 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. MATERIAL 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

<u>Write-down of inventories</u>

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	
	2023	2022
Cash on hand	$ 838	$ 819
Checking accounts and demand deposits	482,791	753,579
	$ 483,629	$ 754,398

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2023	2022
Bank balance	0.001%-1.45%	0.001%-1.05%

As of December 31, 2023 and 2022, pledged time deposits were NT$22,509 thousand and NT$16,811 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	
	2023	2022
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 1,937,274	$ 905,354
Mutual funds	8,720	9,666
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	15,084	175,995
	$ 1,961,078	$ 1,091,015
Financial assets - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 297,484	$ 272,687

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2023			
Buy	NTD/USD	2024.01-2024.12	NTD1,051,715/USD35,616
Sell	USD/NTD	2024.03	NTD60,579/USD1,984

(Continued)

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2022			
Buy	NTD/USD	2023.01-2023.09	NTD4,376,269/USD150,328
Sell	USD/NTD	2023.07	NTD63,063/USD2,021

(Concluded)

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	
	2023	2022
Non-current		
Investments in equity instruments	$ 2,738,983	$ 2,406,617

Investments in equity instruments at FVTOCI

	December 31	
	2023	2022
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - China Steel Corporation	$ 1,031,422	$ 1,346,985
Ordinary shares - Century Wind Power Co., Ltd.	1,350,623	751,344
Unlisted shares		
Ordinary shares - Envirolink Corporation	56,525	17,500
Ordinary shares - Linkou Entertainment Corporation	4,518	4,600
Ordinary shares - Shin Ji Technology Corporation	4,761	3,450
Ordinary shares - Hua Mian Corporation	1,073	1,500
	2,448,922	2,125,379
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	290,061	281,238
	$ 2,738,983	$ 2,406,617

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 2023	December 31 2022
Current		
Domestic investments		
Pledged time deposits	$ 16,844	$ 16,811
Restricted demand deposits	5,665	-
	$ 22,509	$ 16,811

a. The ranges of interest rates for pledged time deposits were 0.20% and 0.20% per annum as of December 31, 2023 and 2022, respectively.

b. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31 2023	December 31 2022
Notes receivable		
Operating - unrelated parties	$ 2,064,461	$ 1,581,510
Operating - related parties	-	28,532
Less: Allowance for impairment loss	(17,677)	-
	$ 2,046,784	$ 1,610,042
Trade receivables		
At amortized cost - unrelated parties	$ 2,576,680	$ 2,501,154
At amortized cost - related parties	268,053	142,924
Less: Allowance for impairment loss	(13,130)	(714)
	$ 2,831,603	$ 2,643,364
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 7,903	$ 41,649
Less: Allowance for impairment loss	(7,903)	(38,649)
	$ -	$ 3,000

a. Notes receivable and trade receivables

The average credit period for sales of goods is 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, 2023

	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	0.59%	0.00%	100.00%	0.00%	0.00%	
Gross carrying amount	$ 4,907,125	$ -	$ 2,069	$ -	$ -	$ 4,909,194
Loss allowance (Lifetime ECL)	(28,738)	-	(2,069)	-	-	(30,807)
Amortized cost	$ 4,878,387	$ -	$ -	$ -	$ -	$ 4,878,387

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

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 714	$ 3,317
Add: Net remeasurement of loss allowance	30,807	-
Less: Net remeasurement of loss allowance	-	(2,603)
Less: Reclassification	(714)	-
Balance at December 31	$ 30,807	$ 714

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$0 thousand and NT$3,000 thousand as of December 31, 2023 and 2022, 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	
	2023	2022
Over 1 year	$ -	$ 3,000

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	
	2023	2022
Balance at January 1	$ 38,649	$ 39,194
Add: Reclassification	714	-
Add: Net remeasurement of loss allowance	3,108	129
Add: Amounts recovered	1,042	-
Less: Net remeasurement of loss allowance	(1,453)	(674)
Less: Amounts written off	(34,157)	-
Balance at December 31	$ 7,903	$ 38,649

The Company recognized an impairment loss on overdue receivables amounting to NT$7,903 thousand and NT$38,649 thousand as of December 31, 2023 and 2022, respectively. These amounts were mainly related to customers for whom the Company was pursuing legal claims. In 2023, the Company received the debt certificate and wrote off trade receivables of NT$34,157 thousand due to the status of discontinuance, dissolution or abolition of the customers.

11. INVENTORIES

	December 31	
	2023	2022
Raw materials	$ 3,949,560	$ 3,843,731
Finished goods	411,702	441,614
Raw materials in transit	153,837	164,645
	$ 4,515,099	$ 4,449,990

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	$ 11,940,216	$ 13,431,818
(Reversal) write-downs of inventories	(15,225)	113,502
	$ 11,924,991	$ 13,545,320

As of December 31, 2023 and 2022, the allowance for inventory write-downs were NT$98,277 thousand and NT$113,502 thousand, respectively.

Inventory write-downs were reversed as a result of the fluctuation in the market price of the steel market.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	$ 2,824,486	$ 2,780,264
Investments in associates	938,005	519,840
	$ 3,762,491	$ 3,300,104

a. Investments in subsidiaries

	December 31	
	2023	2022
Hsin Ching International Co., Ltd.	$ 333,221	$ 386,223
Hsin Yuan Investment Co., Ltd.	636,308	627,731
Sinpao Investment Co., Ltd.	80,127	137,271
Hsin Ho Fa Metal Co., Ltd.	319,030	239,754
APEX Wind Power Equipment Co., Ltd.	545,863	479,844
Hsin Cheng Logistics Development Co., Ltd.	909	904
Mason Metal Industry Co., Ltd.	909,028	908,537
	$ 2,824,486	$ 2,780,264

Name of Subsidiary	Proportion of Ownership and Voting Rights December 31 2023	2022
Hsin Ching International Co., Ltd.	60.00%	60.00%
Hsin Yuan Investment Co., Ltd.	100.00%	100.00%
Sinpao Investment Co., Ltd.	99.42%	99.82%
Hsin Ho Fa Metal Co., Ltd.	83.37%	83.37%
APEX Wind Power Equipment Co., Ltd.	66.14%	66.71%
Hsin Cheng Logistics Development Co., Ltd.	100.00%	100.00%
Mason Metal Industry Co., Ltd.	80.00%	80.00%

b. Investments in associates

	December 31 2023	2022
Material associates	$ 827,386	$ 412,676
Associates that are not individually material	110,619	107,164
	$ 938,005	$ 519,840

1) Material associate(s)

Name of Associate	Nature of Business	Proportion of Ownership and Voting Rights December 31 2023	2022
SunnyRich Multifunction Solar Power Co., Ltd.	Renewable energy private power generation equipment	20.00%	20.00%

In 2023 and 2022, the Company acquired 42,000 thousand and 21,000 thousand ordinary shares of SunnyRich Multifunction Solar Power Co., Ltd., respectively, in cash for a total amount of NT$420,000 thousand and NT$210,000 thousand, respectively. The proportion of the Company's ownership after the acquisition was 20.00%.

The Company pledged 50,000 thousand shares of SunnyRich Multifunction Solar Power Co., Ltd. as collateral for bank borrowings (refer to Note 30 and Table 1).

Duo Yuan Solar Corporation

	December 31 2023	2022
Current assets	$ 1,052,128	$ 421,913
Non-current assets	10,447,439	4,633,271
Current liabilities	(1,145,637)	(340,807)
Non-current liabilities	(6,218,389)	(2,650,998)
Equity	$ 4,135,541	$ 2,063,379
Proportion of the Company's ownership	20%	20%

(Continued)

	December 31	
	2023	2022
Equity attributable to the Company	$ 827,108	$ 412,676
Carrying amount	$ 827,386	$ 412,676

(Concluded)

	For the Year Ended December 31	
	2023	2022
Operating revenue	$ 358,492	$ 61,073
Net loss for the year	$ (27,589)	$ (87,997)
Total comprehensive loss for the year	$ (27,589)	$ (87,997)

2) Aggregate information of associates that are not individually material is as follows:

	For the Year Ended December 31	
	2023	2022
The Company's share of:		
Net income	$ 9,399	$ 6,182
Total comprehensive income for the year	$ 9,399	$ 6,182

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Company	$ 2,416,682	$ 2,270,255

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, 2023	$ 1,275,751	$ 1,044,991	$ 567,148	$ 174,884	$ 66,630	$ 77,935	$ 3,207,339
Additions	-	-	-	-	-	255,376	255,376
Disposals	-	-	(20,054)	(478)	(6,571)	-	(27,103)
Transfers to investment properties	-	(89,052)	-	-	-	-	(89,052)
Reclassified	-	90,225	32,394	18,386	8,821	(90,225)	59,601
Balance at December 31, 2023	$ 1,275,751	$ 1,046,164	$ 579,488	$ 192,792	$ 68,880	$ 243,086	$ 3,406,161
Accumulated depreciation and impairment							
Balance at January 1, 2023	$ -	$ 336,216	$ 456,830	$ 121,537	$ 22,501	$ -	$ 937,084
Depreciation expense	-	30,988	17,950	12,306	10,343	-	71,587
Disposals	-	-	(12,121)	(192)	(1,972)	-	(14,285)
Transfers to investment properties	-	(4,907)	-	-	-	-	(4,907)
Balance at December 31, 2023	$ -	$ 362,297	$ 462,659	$ 133,651	$ 30,872	$ -	$ 989,479
Carrying amount at December 31, 2023	$ 1,275,751	$ 683,867	$ 116,829	$ 59,141	$ 38,008	$ 243,086	$ 2,416,682
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	21,907	44,239
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	$ 77,935	$ 3,207,339

(Continued)

	Freehold Land	Buildings	Equipment	Transportation Equipment	Miscellaneous Equipment	Property under Construction and Equipment Awaiting Inspection	Total
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	$ 77,935	$ 2,270,255

(Concluded)

No impairment loss was recognized or reversed for the years ended December 31, 2023 and 2022 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 Company purchased land located in Guanyin for operational use from 2005 to 2020. As of December 31, 2023, 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, 2023	$ 1,421,115	$ 2,333,533	$ 3,754,648
Additions	-	472	472
Disposals	-	(288)	(288)
Reclassified	-	89,052	89,052
Balance at December 31, 2023	$ 1,421,115	$ 2,422,769	$ 3,843,884
Accumulated depreciation and impairment			
Balance at January 1, 2023	$ -	$ 127,034	$ 127,034
Depreciation expense	-	53,058	53,058
Disposals	-	(192)	(192)
Reclassified	-	4,907	4,907
Balance at December 31, 2023	$ -	$ 184,807	$ 184,807
Carrying amount at December 31, 2023	$ 1,421,115	$ 2,237,962	$ 3,659,077
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

The investment properties were leased out for 2 to 31 years, without an option to extend. The lease contracts contain market review clauses to adjust the lease expense 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 indicate 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, 2023 and 2022 was as follows:

	December 31	
	2023	**2022**
Year 1	$ 262,958	$ 255,500
Year 2	263,162	262,958
Year 3	266,718	263,162
Year 4	257,482	266,718
Year 5	236,383	257,482
Year 6 onwards	691,254	927,637
	$ 1,977,957	$ 2,233,457

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

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	
	2023	**2022**
Fair value	$ 7,659,005	$ 7,390,214

The investment properties pledged as collateral for bank borrowings are set out in Note 30.

15. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2023	$ 6,893
Additions	34,536
Disposals	(4,610)
Reclassified	8,120
Balance at December 31, 2023	$ 44,939
Accumulated amortization	
Balance at January 1, 2023	$ 4,394
Amortization expenses	5,553
Disposals	(4,610)
Balance at December 31, 2023	$ 5,337
Carrying amount at December 31, 2023	$ 39,602

The addition was mainly due to the acquisition of information systems and software from external sources of the Company's other intangible assets for the years ended December 31, 2023 and 2022.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years

16. OTHER ASSETS

	December 31	
	2023	2022
Current		
Other receivables	$ 2,487	$ 16,595
Temporary payments (payment on behalf of others)	740	511
	$ 3,227	$ 17,106
Non-current		
Refundable deposits	$ 8,502	$ 16,661
Prepayments for equipment	205,516	195,166
Overdue receivables	-	3,000
Others	368	4,319
	$ 214,386	$ 219,146

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Secured borrowings (Notes 28 and 30)		
Issuance credit payable	$ 825,133	$ 1,110,250
Unsecured borrowings		
Line of credit borrowings (Note 28)	850,000	1,439,585
Issuance credit payable	4,596,774	4,383,109
	5,446,774	5,822,694
	$ 6,271,907	$ 6,932,944

The range of weighted average effective interest rates on bank loans was 1.8%-6.8% and 1.51%-6.29% per annum as of December 31, 2023 and 2022, respectively.

b. Short-term bills payable

	December 31 2023	December 31 2022
Commercial paper (Notes 28 and 30)	$ 650,000	$ 550,000
Less: Discount on bills payable	(1,240)	(854)
	$ 648,760	$ 549,146

Outstanding short-term bills payable were as follows:

December 31, 2023

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 100,000	$ 165	$ 99,835	2.01%	Head office	$ 19,048
B bank	100,000	144	99,856	2.01%	-	-
C bank	100,000	166	99,834	2.01%	-	-
E bank	350,000	765	349,235	2.04%	-	-
	$ 650,000	$ 1,240	$ 648,760			

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			

c. Long-term borrowings

	December 31 2023	December 31 2022
Secured borrowings (Notes 28 and 30)		
Syndicated bank loans - Mega Bank (1)	$ 5,400,000	$ -
Syndicated bank loans - Yushan Bank (2)	-	1,800,000
Bank loans - Banking Division of Mega Bank (3)	86,842	97,368
	5,486,842	1,897,368
Less: Current portions	(10,526)	(410,526)
Syndicated loan fees	(11,130)	(16,640)
	(21,656)	(427,166)
Long-term borrowings	$ 5,465,186	$ 1,470,202

1) The Company signed a joint credit line contract with Mega 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-1 is NT$3,500,000 thousand, A-2 is NT$4,500,000 thousand, B is NT$5,000,000 thousand and the total credit line of loan items A and B is not more than NT$8,000,000 thousand which is a revolving credit line within 5 years from the date of first use. When the credit line of the loan is used for the first time, the entire outstanding balance of the syndicated bank loan - Yushan Bank, which was signed in 2018, will be paid off in advance. The first period is 36 months after the date of first use. Hereafter, every 12 months is considered a period, and the total credit line will decrease within 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 the remaining credit line will be totally cancelled upon the expiry of the credit period.

   During the loan period, the current ratio, debt ratio and interest earned ratio, which are calculated based on the annual financial audit report, should comply with the criteria in the credit line contract. If the financial ratios do not comply with the criteria in the contract, the Company should remedy it from the date of submission of the annual consolidated financial statements to the next review date. It will not be considered a breach of the contract if the financial ratios are remedied and comply with the contract within the remediation period. As of December 31, 2023, the weighted average effective interest rate was 2.04%-2.09% per annum.

2) 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. The Company's annual financial statements comply with comply with the criteria of financial ratios and no breaches of the contract have occurred. The loan has been fully repaid in January 2023. The weighted average effective interest rate was 1.82% per annum as of December 31, 2022.

3) 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 will mature in January 2032. Starting from January 2018, the repayment of principal is divided into 56 installments of every 3 months, with NT$2,632 thousand per installment. The weighted average effective interest rates were 2.23% and 2.10% per annum as of December 31, 2023 and 2022, respectively.

d. Long-term bills payable

	December 31	
	2023	2022
Commercial paper issued under syndicated bank loans - Yushan Bank	$ -	$ 2,400,000
Less: Unamortized discount	-	(485)
	$ -	$ 2,399,515

The Company issued commercial paper under syndicated bank loans - Yushan Bank with terms of 5 years which was fully repaid in January 2023. The weighted average effective interest rate was 1.98%-2.19% per annum as of December 31, 2022. Refer to c. long-term borrowings item 2 for more information.

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2023	2022
Notes payable		
Operating - unrelated parties	$ 133,898	$ 212,821
Operating - related parties	$ 17,816	$ 11,373
Trade payables		
Operating - unrelated parties	$ 75,473	$ 100,685
Operating - related parties	$ 3,695	$ 3,695

19. OTHER PAYABLES

	December 31	
	2023	2022
Payables for salaries and bonuses	$ 161,456	$ 110,905
Interest payable	25,327	38,912
Other accrued expenses	37,783	31,202
Other payables	80,118	80,139
	$ 304,684	$ 261,158

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	
	2023	**2022**
Present value of defined benefit obligation	$ 50,403	$ 50,964
Fair value of plan assets	(30,276)	(27,883)
Net defined benefit liabilities	$ 20,127	$ 23,081

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, 2022	$ 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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	$ -	$ -	$ -
Net interest expense (income)	701	(401)	300
Recognized in profit or loss	701	(401)	300
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(195)	(195)
Actuarial (gain) loss			
Changes in financial assumptions	406	-	406
Experience adjustments	307	-	307
Recognized in other comprehensive income	713	(195)	518
Contributions from the employer	-	(2,579)	(2,579)
Benefits paid	(1,975)	782	(1,193)
Balance at December 31, 2023	$ 50,403	$ (30,276)	$ 20,127

(Concluded)

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	
	2023	2022
Operating costs	$ 40	$ 19
Selling and marketing expenses	$ 123	$ 135
General and administrative expenses	$ 137	$ 55

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	
	2023	2022
Discount rates	1.25%	1.38%
Expected rates of salary increase	2.00%	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	
	2023	2022
Discount rates		
0.50% increase	$ (805)	$ (892)
0.50% decrease	$ 828	$ 920
Expected rates of salary increase/decrease		
0.50% increase	$ 810	$ 899
0.50% decrease	$ (791)	$ (876)

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	
	2023	2022
Expected contributions to the plans for the next year	$ 2,644	$ 2,523
Average duration of the defined benefit obligation	6.5 years	7.1 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
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	
	2023	2022
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
May not be used for any purpose (3)		
Employee share options	36,648	36,648
	$ 943,445	$ 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.

The appropriations of earnings for the years ended December 31, 2022 and 2021 approved in the shareholders' meetings on June 15, 2023 and June 15, 2022, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31 2022	2021
Legal reserve	$ 45,907	$ 277,792
Cash dividends	$ 321,147	$ 1,284,585
Cash dividends per share (NT$)	$ 1.0	$ 4.0

The appropriation of earnings for the year ended December 31, 2023 was proposed by the Company's board of directors on March 12, 2024. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2023
Legal reserve	$ 180,506
Cash dividends	$ 963,439
Dividends per share (NT$)	$ 3.0

The appropriation of earnings for the year ended December 31, 2023 is subject to the resolution in the shareholders' meeting to be held on June 14, 2024.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31 2023	2022
Balance at January 1	$ 1,969	$ (8,580)
Exchange differences on translating the financial statements of foreign operations	(26)	10,549
Balance at December 31	$ 1,943	$ 1,969

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31 2023	2022
Balance at January 1	$ 672,449	$ 1,386,055
Recognized for the year		
Unrealized gain (loss) - equity instruments	696,855	(713,606)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(52,257)	-
Reclassification adjustments		
Disposals of investments in equity instruments as at fair value through other comprehensive income	(152,640)	-
Balance at December 31	$ 1,164,407	$ 672,449

22. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sales of goods	$ 12,852,719	$ 14,086,221
Revenue from processing	39,538	47,898
Construction contract revenue	424,887	-
Rental income	269,683	263,296
	$ 13,586,827	$ 14,397,415

Contract balances

	December 31	
	2023	2022
Trade receivables (including related parties) (Note 10)	$ 2,831,603	$ 2,643,364
Contract assets - current		
Construction of properties	$ 84,659	$ -
Contract liabilities - current		
Sales of goods	$ 184,177	$ 275,031
Construction of properties	1,201	-
	$ 185,378	$ 275,031

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2023	2022
Dividend income		
Financial assets at FVTPL	$ 30,532	$ 36,127
Financial assets at FVTOCI	48,862	164,968
Others	13,922	27,546
	$ 93,316	$ 228,641

b. Other gains/(losses)

	For the Year Ended December 31	
	2023	2022
(Loss)/gain on disposal of property, plant and equipment	$ (5,036)	$ 109
Gain on disposal of investment properties	52	6,007
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	665,326	(83,224)
Net foreign exchange gains	254,657	113,989
Other losses	(3)	-
	$ 914,996	$ 36,881

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 352,243	$ 207,405
Less: Amounts included in the cost of qualifying assets	(5,824)	(2,431)
	$ 346,419	$ 204,974

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest	$ 5,824	$ 2,431
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	$ 71,587	$ 74,812
Investment properties	53,058	51,156
Intangible assets	5,553	-
Long-term prepayments	1,595	6,508
	$ 131,793	$ 132,476
An analysis of depreciation by function		
Operating costs	$ 107,240	$ 110,208
Operating expenses	17,405	15,760
	$ 124,645	$ 125,968
An analysis of amortization by function		
Operating costs	$ 4,007	$ 3,670
Operating expenses	3,141	2,838
	$ 7,148	$ 6,508

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct operating expenses of investment properties generating rental income	$ 85,270	$ 83,745

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	$ 345,852	$ 283,880
Post-employment benefits (Note 20)		
Defined contribution plans	6,454	6,152
Defined benefit plans	300	209
	$ 352,606	$ 290,241
An analysis of employee benefits expense by function		
Operating costs	$ 127,693	$ 136,094
Operating expenses	224,913	154,147
	$ 352,606	$ 290,241

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, 2023 and 2022 which have been approved by the Company's board of directors on March 12, 2024 and March 17, 2023, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	3%	3%
Remuneration of directors	3%	3%

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	$ 55,254	$ 18,388
Remuneration of directors	$ 55,254	$ 18,388

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, 2022.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors for the year ended December 31, 2023 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	
	2023	2022
Foreign exchange gains	$ 490,743	$ 499,986
Foreign exchange losses	(236,086)	(385,997)
	$ 254,657	$ 113,989

24. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 141,403	$ 100,516
Income tax on unappropriated earnings	4,372	60,997
Integrated house and land tax	-	645
Adjustments for prior years	(1,279)	(1,898)
	144,496	160,260
Deferred tax		
In respect of the current year	(68,039)	22,346
Income tax expense recognized in profit or loss	$ 76,457	$ 182,606

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	$ 1,731,299	$ 576,169
Income tax expense calculated at the statutory rate	$ 346,260	$ 115,234
Non-deductible expenses and non-taxable income	(257,017)	47,455
Tax-exempt income	(15,879)	(40,219)
Income tax on unappropriated earnings	4,372	60,997
Integrated house and land tax	-	645
Unrecognized loss carryforwards and deductible temporary differences	-	392
Adjustments for prior years' tax	(1,279)	(1,898)
Income tax expense recognized in profit or loss	$ 76,457	$ 182,606

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (6)	$ 2,637
Remeasurement on defined benefit plans	(104)	257
Total income tax (benefit)/expense recognized in other comprehensive income	$ (110)	$ 2,894

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	$ 145,633	$ 162,130

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, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory write-down	$ 22,700	$ (3,045)	$ -	$ 19,655
Losses on foreign currency exchange	263	(263)	-	-
Unrealized gross profit	10,109	45,371	-	55,480
Defined benefit obligation	3,461	(456)	104	3,109
	$ 36,533	$ 41,607	$ 104	$ 78,244
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 35,199	$ (32,182)	$ -	$ 3,017
Gains on foreign currency exchange	-	5,751	-	5,751
Exchange differences on translation of the financial statements of foreign operations	492	-	(6)	486
	$ 35,691	$ (26,431)	$ (6)	$ 9,254

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory write-down	$ -	$ 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

e. Income tax assessments

The income tax returns through 2021 and income tax returns on unappropriated earnings through 2020 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic earnings per share		
From continuing operations	$ 5.15	$ 1.23
Diluted earnings per share		
From continuing operations	$ 5.14	$ 1.22

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	
	2023	2022
Earnings used in the computation of basic earnings per share	$ 1,654,842	$ 393,563

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	321,146	321,146
Effect of potentially dilutive ordinary shares:		
Compensation of employees	958	429
Weighted average number of ordinary shares used in the computation of diluted earnings per share	322,104	321,575

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.

26. PARTIAL DISPOSAL OF SUBSIDIARIES - NO IMPACT ON CONTROL

The Company's proportion of ownership in APEX Wind Power Equipment Manufacturing Company Limited and Sinpao Investment Co., Ltd., decreased from 70.44% to 69.87% and from 99.82% to 99.42%, respectively.

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, 2023

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 16,844	$ 16,844
Restricted demand deposits	5,665	5,665
Notes receivable (including related parties)	2,046,784	2,046,784
Trade receivables (including related parties)	2,831,603	2,831,603
Cash and cash equivalents	483,629	483,629
Refundable deposits	8,502	8,502
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	11,747,619	11,747,619
Short-term bills payable	648,760	648,760
Notes payable, trade payables and other payables (including related parties)	535,566	535,566

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

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, restricted demand 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 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 1,937,274	$ -	$ -	$ 1,937,274
Domestic unlisted shares	-	-	297,484	297,484
Mutual funds	8,720	-	-	8,720
Derivatives	-	15,084	-	15,084
	$ 1,945,994	$ 15,084	$ 297,484	$ 2,258,562
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 2,382,045	$ -	$ -	$ 2,382,045
Domestic unlisted shares	-	-	66,877	66,877
Foreign unlisted shares	-	-	290,061	290,061
	$ 2,382,045	$ -	$ 356,938	$ 2,738,983

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

(Continued)

	Level 1	Level 2	Level 3	Total
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

(Concluded)

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, 2023

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 272,687	$ 308,288	$ 580,975
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	24,797	48,650	73,447
Balance at December 31	$ 297,484	$ 356,938	$ 654,422

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

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.

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	
	2023	**2022**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 2,258,562	$ 1,363,702
Financial assets at amortized cost (1)	5,393,027	5,044,276
Financial assets at FVTOCI - equity instruments	2,738,983	2,406,617
Financial liabilities		
Financial liabilities at amortized cost (2)	12,931,945	12,352,065

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, overdue receivables, refundable deposits, pledged time deposits and restricted demand 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, monetary liabilities and the derivatives exposed to foreign currency risk at the end of reporting period 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 their adjusted 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	
	2023	**2022**
Profit or loss	$ 10,932 (i)	$ 35,545 (i)

	EUR Impact			
	For the Year Ended December 31			
	2023		2022	
Profit or loss	$ (47)	(ii)	$ (45)	(ii)

	JPY Impact			
	For the Year Ended December 31			
	2023		2022	
Profit or loss	$ 2	(iii)	$ (54)	(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	
	2023	2022
Cash flow interest rate risk		
Financial assets	$ 199,822	$ 487,477
Financial liabilities	12,396,379	11,762,332

<u>Sensitivity analysis</u>

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, 2023 and 2022 would decrease/increase by NT$117,820 thousand and NT$108,878 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.

<u>Sensitivity analysis</u>

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, 2023 and 2022 would have increased/decreased by NT$22,504 thousand and NT$11,930 thousand, respectively, as a result of the changes in and the fair value of financial assets at FVTPL, respectively, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT$27,450 thousand and NT$24,099 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 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. The concentration of credit risk to any other counterparty did not exceed 10% of the gross monetary assets of the Company at any time during 2023 and 2022.

The Company's concentration of credit risk by geographical locations was mainly in Taiwan, which accounted for 99% and 98% of the total trade receivables as of December 31, 2023 and 2022, 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. The Company's management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. The Company had available unutilized bank loan facilities set out in (b) below.

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, 2023

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 150,895	$ 146,386	$ 238,285	$ 19,859	$ -
Variable interest rate liabilities	1,145,111	2,378,435	3,407,647	5,442,105	23,081
	$ 1,296,006	$ 2,524,821	$ 3,645,932	$ 5,461,964	$ 23,081

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

b) Financing facilities

	December 31	
	2023	2022
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 4,667,090	$ 5,457,620
Amount unused	-	-
	$ 4,667,090	$ 5,457,620
Unsecured bank loan facilities:		
Amount used	$ 8,924,681	$ 7,689,394
Amount unused	7,275,649	8,938,946
	$ 16,200,330	$ 16,628,340

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
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
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
Hsin Yuan Hsin Industry Co., Ltd.	Related party in substance

b. Operating revenue

	For the Year Ended December 31	
Related Party Category/Name	**2023**	**2022**
Sale of goods		
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 63	$ 388
Mason Metal Industry Co., Ltd.	78,889	115,941
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	1,450,959	97,992

(Continued)

Related Party Category/Name	For the Year Ended December 31 2023	2022
Processing income		
Subsidiaries		
Mason Metal Industry Co., Ltd.	$ 1,317	$ -
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	293	-
	$ 1,531,521	$ 214,321

(Concluded)

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2023	2022
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ -	$ 7,626
Mason Metal Industry Co., Ltd.	267	36,503
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	8,702	70,888
	$ 8,969	$ 115,017

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 2023	2022
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 3,155	$ 31
Mason Metal Industry Co., Ltd.	11,850	13,266
	$ 15,005	$ 13,297

e. Construction cost

Related Party Category/Name	For the Year Ended December 31 2023	2022
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	$ 12,179	$ -

f. In 2023, the Company commissioned Hsin Hua Steel Industry Co., Ltd. to sign the engineering contract for the steel structure for the construction of a new factory. The monthly payment of NT$136,060 thousand is made based on construction progress, which is classified as property under construction and equipment awaiting inspection.

g. Logistics management expense

	For the Year Ended December 31	
Related Party Category/Name	**2023**	**2022**
Subsidiaries		
Hsin Ho Fa Metal Co., Ltd.	$ 15,912	$ 14,061
Mason Metal Industry Co., Ltd.	467	-
Associates		
Hsin Yuan Hsin Industry Co., Ltd.	2,694	-
	$ 19,073	$ 14,061

h. Other revenue

	For the Year Ended December 31	
Related Party Category/Name	**2023**	**2022**
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 4,886	$ 7,808
Hsin Ho Fa Metal Co., Ltd.	1,122	540
Mason Metal Industry Co., Ltd.	1,200	1,882
Hsin Ching International Co., Ltd.	-	483
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	120	59
	$ 7,328	$ 10,772

i. Receivables from related parties (excluding loans to related parties)

	December 31	
Related Party Category/Name	**2023**	**2022**
Subsidiaries		
Hsin Ho Fa Metal Co., Ltd.	$ 95	$ 65
APEX Wind Power Equipment Manufacturing Company., Ltd.	439	3,212
Hsin Ching International Co., Ltd.	184	507
Mason Metal Industry Co., Ltd.	27,309	44,315
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	240,327	123,357
	$ 268,354	$ 171,456

The outstanding receivables from related parties (including trade receivables and other receivables) are unsecured. As of December 31, 2023 and 2022, no allowance for impairment loss was recognized for receivables from related parties.

j. Payables to related parties

Related Party Category/Name	December 31 2023	December 31 2022
Subsidiaries		
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 779	$ 339
Hsin Ho Fa Metal Co., Ltd.	4,385	2,799
Mason Metal Industry Co., Ltd.	1,799	3,243
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	21,902	8,687
	$ 28,865	$ 15,068

The outstanding payables to related parties (including notes payable, trade payables and other payables) are unsecured and will be paid in cash.

k. Lease arrangements

Future lease payments receivable are as follows:

Related Party Category/Name	December 31 2023	December 31 2022
Subsidiaries		
Hsin Ching International Co., Ltd.	$ 270,818	$ 278,942
APEX Wind Power Equipment Manufacturing Company., Ltd.	69,407	78,455
Mason Metal Industry Co., Ltd.	48,953	66,754
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	72,197	86,081
	$ 461,375	$ 510,232

Lease income was as follows:

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Subsidiaries		
Hsin Ching International Co., Ltd.	$ 27,703	$ 27,488
Mason Metal Industry Co., Ltd.	16,146	15,865
APEX Wind Power Equipment Manufacturing Company., Ltd.	11,902	11,627
Sub-subsidiaries		
Hsin Hua Steel Industry Co., Ltd.	13,884	9,192
	$ 69,635	$ 64,172

In 2018, the Company entered into a contractual agreement to rent out its logistic center to its subsidiary, Hsin Ching International Co., Ltd. The contract period for land and buildings are 31 years and 30 years, respectively. The monthly rent is NT$1,921 thousand, and adjustments to the monthly rent for land and buildings will be made at the end of the second year and third year, respectively.

As of December 31, 2023 and 2022, the amount of unearned rental revenue was NT$542,718 thousand and NT$451,629 thousand, respectively.

l. Guarantee deposits

Related Party Category/Name	December 31	
	2023	2022
Subsidiaries		
Mason Metal Industry Co., Ltd.	$ 2,641	$ 2,641

m. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
	2023	2022	2023	2022
Subsidiaries				
APEX Wind Power Equipment Manufacturing Company., Ltd.	$ 4,571	$ -	$ 122	$ -
Hsin Ching International Co., Ltd.	165	-	16	-
	$ 4,736	$ -	$ 138	$ -

n. Endorsements and guarantees

Refer to Table 1 for the Company's endorsements and guarantees to SunnyRich Multifunction Solar Power Co., Ltd.

o. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2023	2022
Donations	Hsin Kuang Steel Tian-Cheng Charity Foundation	$ 8,000	$ 4,000

p. 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 2023	2022
Short-term employee benefits	$ 102,768	$ 42,008

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, collateral for construction contracts and lease guarantee deposits:

	December 31 2023	2022
Notes receivable	$ 424,223	$ 352,506
Restricted demand deposits (classified as financial assets at amortized cost)	5,665	-
Pledged time deposits (classified as financial assets at amortized cost)	16,844	16,811
Investments accounted for using the equity method	481,038	412,676
Freehold land	948,818	1,072,847
Buildings, net	573,940	608,302
Investment properties - land	331,487	342,985
Investment properties - buildings	627,064	634,339
	$ 3,409,079	$ 3,440,466

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, 2023 and 2022 were as follows:

Significant Commitments

a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	December 31	
	2023	**2022**
NTD	$ 505,409	$ 591,172
USD	21,460	15,026
JPY	293	-

b. Unrecognized commitments were as follows:

	December 31	
	2023	**2022**
Acquisition of property, plant and equipment	$ 53,525	$ 30,487

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, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,140	30.71 (USD:NTD)	$ 96,428
EUR	137	33.98 (EUR:NTD)	4,666
JPY	716	0.22 (JPY:NTD)	156
			$ 101,250
Financial liabilities			
Monetary items			
USD	38,984	30.71 (USD:NTD)	$ 1,196,990

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

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.71 (USD:NTD)	$ 254,584	30.71 (USD:NTD)	$ 113,728

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 and associates) (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: (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Table 5)

9) Trading in derivative instruments: (Note 7)

b. Information on investees (Table 6)

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 7)

34. SEGMENT INFORMATION

The segment information for the years ended December 31, 2023 and 2022 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, 2023 and 2022, 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 material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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, 2023 is described as follows:

Revenue Recognition

The Group mainly engages in the sale, cutting, slitting, steel structure processing, logistics of various steel products and constructing services. The sales revenue of steel products accounts for over 90% of the annual operating revenue. The Group's operating revenue for the year ended December 31, 2023 decreased by 6% in comparison with the previous year. For certain customers whose sales amount is material and with significant growth in comparison with the previous year, 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 of 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, 2023 and 2022, 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, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

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

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

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 953,579	3	$ 1,098,666	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,987,779	11	1,760,930	7
Financial assets at amortized cost - current (Notes 4, 9 and 31)	151,500	-	22,524	-
Contract assets - current (Note 23)	240,360	1	27,769	-
Notes receivable from unrelated parties (Notes 4, 10 and 31)	2,168,059	8	1,740,817	7
Trade receivables from unrelated parties (Notes 4 and 10)	3,244,113	11	2,997,367	12
Prepayments	163,210	1	140,452	1
Inventories (Notes 4, 5 and 11)	6,157,480	22	5,343,525	22
Other current assets (Notes 17 and 25)	13,988	-	29,605	-
Total current assets	16,080,068	57	13,161,655	54
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	297,484	1	272,687	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	2,778,841	10	2,498,747	10
Investments accounted for using the equity method (Notes 4, 13 and 31)	938,005	3	519,840	2
Property, plant and equipment (Notes 4, 14 and 31)	4,052,985	14	3,860,784	16
Right-of-use assets (Note 4)	1,487	-	3,399	-
Investment properties (Notes 4, 15 and 31)	3,680,535	13	3,658,733	15
Intangible assets (Notes 4 and 16)	41,756	-	5,030	-
Deferred tax assets (Notes 4 and 25)	97,968	-	61,605	-
Other non-current assets (Notes 10 and 17)	384,201	2	396,771	2
Total non-current assets	12,273,262	43	11,277,596	46
TOTAL	$ 28,353,330	100	$ 24,439,251	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 18)	$ 6,679,741	23	$ 7,205,994	30
Short-term bills payable (Notes 4 and 18)	798,599	3	549,146	2
Contract liabilities - current (Note 23)	1,416,282	5	311,344	1
Notes payable to unrelated parties (Notes 4 and 19)	288,156	1	392,838	2
Trade payables to unrelated parties (Notes 4 and 19)	238,449	1	250,565	1
Other payables (Note 20)	413,316	1	326,909	1
Current tax liabilities (Notes 4 and 25)	171,819	1	198,010	1
Current portion of long-term liabilities (Notes 4 and 18)	232,814	1	496,814	2
Other current liabilities	11,774	-	11,801	-
Total current liabilities	10,250,950	36	9,743,421	40
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 18)	5,847,573	21	2,004,042	8
Long-term bills payable (Notes 4 and 18)	-	-	2,399,515	10
Provisions - non-current (Note 4)	2,702	-	2,262	-
Deferred tax liabilities (Notes 4 and 25)	117,961	-	144,420	1
Net defined benefit liabilities - non-current (Notes 4 and 21)	33,626	-	33,160	-
Other non-current liabilities	37,165	-	37,071	-
Total non-current liabilities	6,039,027	21	4,620,470	19
Total liabilities	16,289,977	57	14,363,891	59
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital	3,211,463	11	3,211,463	13
Capital surplus	943,445	4	943,451	4
Retained earnings				
Legal reserve	1,275,497	4	1,229,590	5
Unappropriated earnings	4,741,810	17	3,303,800	13
Total retained earnings	6,017,307	21	4,533,390	18
Other equity	1,166,350	4	674,418	3
Total equity attributable to owners of the Company	11,338,565	40	9,362,722	38
NON-CONTROLLING INTERESTS	724,788	3	712,638	3
Total equity	12,063,353	43	10,075,360	41
TOTAL	$ 28,353,330	100	$ 24,439,251	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, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)				
Sales	$ 14,853,856	92	$ 16,447,500	96
Other operating revenue	1,221,033	8	708,032	4
Total operating revenue	16,074,889	100	17,155,532	100
OPERATING COSTS				
Cost of goods sold (Notes 4, 11 and 24)	(13,978,724)	(87)	(15,596,989)	(91)
Other operating costs	(650,414)	(4)	(369,639)	(2)
Total operating costs	(14,629,138)	(91)	(15,966,628)	(93)
GROSS PROFIT	1,445,751	9	1,188,904	7
OPERATING EXPENSES				
Selling and marketing expenses (Note 24)	(318,122)	(2)	(294,727)	(1)
General and administrative expenses (Notes 24 and 30)	(236,035)	(1)	(132,338)	(1)
Expected credit (loss)/gain (Note 10)	(33,305)	-	2,940	-
Total operating expenses	(587,462)	(3)	(424,125)	(2)
PROFIT FROM OPERATIONS	858,289	6	764,779	5
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 24)				
Interest income	4,022	-	1,746	-
Other income	115,722	1	248,118	1
Other gains and losses	1,258,678	8	(125,019)	(1)
Finance costs	(383,287)	(3)	(220,086)	(1)
Share of profit or loss of associates and joint ventures accounted for using the equity method	4,109	-	(9,738)	-
Total non-operating income and expenses	999,244	6	(104,979)	(1)
PROFIT BEFORE INCOME TAX	1,857,533	12	659,800	4
INCOME TAX EXPENSE (Note 25)	(125,953)	(1)	(242,232)	(2)
NET PROFIT FOR THE YEAR	1,731,580	11	417,568	2

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (841)	-	$ 1,030	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	696,855	4	(713,606)	(4)
Share of other comprehensive income/(loss) of associates and joint ventures accounted for using the equity method	(52,257)	-	-	-
	643,757	4	(712,576)	(4)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(29)	-	10,575	-
Other comprehensive income/(loss) for the year, net of income tax	643,728	4	(702,001)	(4)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	$ 2,375,308	15	$ (284,433)	(2)
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,654,842	10	$ 393,563	2
Non-controlling interests	76,738	1	24,005	-
	$ 1,731,580	11	$ 417,568	2
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 2,299,000	14	$ (308,464)	(2)
Non-controlling interests	76,308	1	24,031	-
	$ 2,375,308	15	$ (284,433)	(2)
EARNINGS PER SHARE (Note 26)				
From continuing operations				
Basic	$ 5.15		$ 1.23	
Diluted	$ 5.14		$ 1.22	

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, 2023 AND 2022
(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	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, 2022	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
Appropriation of 2022 earnings										
Legal reserve	-	-	-	45,907	(45,907)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(321,147)	-	-	(321,147)	-	(321,147)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(67,947)	(67,947)
Changes in percentage of ownership interests in subsidiaries	-	-	(6)	-	(2,004)	-	-	(2,010)	189	(1,821)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	152,640	-	(152,640)	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	1,654,842	-	-	1,654,842	76,738	1,731,580
Other comprehensive income/(loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(414)	(26)	644,598	644,158	(430)	643,728
Total comprehensive income/(loss) for the year ended December 31, 2023	-	-	-	-	1,654,428	(26)	644,598	2,299,000	76,308	2,375,308
Changes of non-controlling interests	-	-	-	-	-	-	-	-	3,600	3,600
BALANCE AT DECEMBER 31, 2023	321,146	$ 3,211,463	$ 943,445	$ 1,275,497	$ 4,741,810	$ 1,943	$ 1,164,407	$ 11,338,565	$ 724,788	$ 12,063,353

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,857,533	$ 659,800
Adjustments for:		
Depreciation expense	231,430	188,921
Amortization expense	11,526	8,497
Expected credit loss recognized/(reversed) on trade receivables	33,305	(2,940)
Net (gain)/loss on fair value changes of financial assets and liabilities at fair value through profit or loss	(1,014,572)	239,787
Finance costs	383,287	220,086
Interest income	(4,022)	(1,746)
Dividend income	(93,594)	(213,975)
Loss/(gain) on disposal of property, plant and equipment	5,257	(103)
Gain on disposal of investment properties	(52)	(6,007)
Share of (profit)/loss of associates and joint ventures	(4,109)	9,738
(Reversal of) write-downs of inventories	(16,829)	111,144
Net (gain)/loss on foreign currency exchange	(31,259)	9,948
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(237,073)	121,178
Contract assets	(212,591)	(11,917)
Notes receivable	(444,919)	338,826
Trade receivables	(259,288)	(671,009)
Other receivables	20,828	9,722
Inventories	(797,126)	1,112,145
Prepayments	(39,669)	25,558
Other current assets	(187)	5,378
Notes payable	(104,682)	(212,267)
Trade payables	(12,117)	72,398
Other payables	99,633	(269,084)
Provisions	440	2,262
Contract liabilities	1,104,938	(108,123)
Other current liabilities	(1,535)	3,354
Net defined benefit liabilities	(2,859)	(3,569)
Cash generated from operations	471,694	1,638,002
Interest received	4,022	1,746
Dividends received	93,594	213,975
Income tax paid	(219,445)	(515,945)
Net cash generated from operating activities	349,865	1,337,778
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	364,490	114,798

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
Purchase of financial assets at fair value through profit or loss	$ -	$ (24,830)
Purchase of financial assets at amortized cost	(128,976)	-
Proceeds from sale of financial assets at amortized cost	-	58,674
Acquisition of associate	(420,000)	(229,800)
Payments for property, plant and equipment	(257,761)	(242,516)
Proceeds from disposal of property, plant and equipment	7,905	764
Payments for right-of-use assets	-	(623)
Payments for investment properties	(995)	(1,723)
Proceeds from disposal of investment properties	148	38,195
Payments for intangible assets	(36,058)	-
Increase in other non-current assets	(1,602)	(18,432)
Increase in prepayments for equipment	(177,429)	(112,219)
Dividends received from investees	5,944	7,016
Increase in refundable deposits	(4,734)	(3,246)
Net cash used in investing activities	(649,068)	(512,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	23,576,437	17,005,856
Decrease in short-term borrowings	(24,072,111)	(16,275,352)
Increase in short-term bills payable	250,000	250,000
Proceeds from long-term borrowings	5,568,650	300,000
Repayments of long-term borrowings	(1,994,631)	(478,709)
Decrease in long-term bills payable	(2,400,000)	-
Increase in guarantee deposits received	1,603	4,697
Interest paid	(390,320)	(187,914)
Dividends paid to owners of the Company	(321,147)	(1,284,585)
Dividends paid to non-controlling interests	(67,947)	(28,297)
Change in non-controlling interests	3,600	(625)
Net cash generated from/(used in) financing activities	154,134	(694,929)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(18)	4,122
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(145,087)	134,294
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,098,666	964,372
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 953,579	$ 1,098,666

The accompanying notes are an integral part of the consolidated 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 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 12, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the FSC.

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

1) 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 such a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The 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.

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 exist 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, which may have difficulty complying with the covenants and repaying 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, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such an 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 IAS 7 and IFRS 7 "Supplier Finance Arrangements

Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, the suppliers are paid. The amendments stipulate that the Group shall disclose the relevant information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the Group's liabilities and cash flows and on the Group's exposure to liquidity risk.

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.

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

New, Amended and Revised Standards and Interpretations	**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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 21 "Lack of Exchangeability"

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Group shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

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 of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

d. Presentation reclassification

The management of the Group determined that the land applied for purchase by the Industrial Development Bureau of the Ministry of Economic Affairs, for which deposits have been paid and classified as the prepayment for land and equipment, would be more appropriate to reclassify to the item of property, plant and equipment upon completion of the land construction and the registration of the transfer of land ownership. Therefore, the Group has changed the presentation of the consolidated balance sheets in 2023. Comparative information of 2022 was reclassified to conform to the current year's presentation.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 IFRS Accounting Standards 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 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. 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.

f. Inventories

Inventories consist of raw materials, work in process 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. Investment in associates

An associate is an entity over which the Group has significant influence which is not subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate 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. The Group also recognizes the changes in the Group’s share of the equity of associates.

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 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 Company subscribes for additional new shares of an associate 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. 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 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, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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 equals or exceeds its interest in that associate (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), 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.

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, profits and losses resulting from the transactions with the associate are recognized in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. 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.

i. 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.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of development for owner-occupation. For a transfer of classification from property, plant and equipment and right-of-use assets to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized 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 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 29.

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 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 other gains or losses.

  Fair value is determined in the manner described in Note 29.

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) 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>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 Group of the expenditures required to settle the Group's obligations.

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 steel products. Revenue from a contract to provide services is recognized when services are provided by reference to the stage of completion of services provided.

3) Construction contract revenue

While the construction is in progress, 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. MATERIAL 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

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 2023	December 31 2022
Cash on hand	$ 1,260	$ 1,189
Checking accounts and demand deposits	952,319	1,097,477
	$ 953,579	$ 1,098,666

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31 2023	December 31 2022
Bank balance	0.001%-1.45%	0.001%-1.05%

As of December 31, 2023 and 2022, pledged time deposits and restricted demand deposits were NT$151,500 thousand and NT$22,524 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 2023	December 31 2022
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 2,896,943	$ 1,438,031
Mutual funds	75,752	146,917
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	15,084	175,982
	$ 2,987,779	$ 1,760,930
Financial assets - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 297,484	$ 272,687

a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amounts (In Thousands)
December 31, 2023			
Buy	NTD/USD	2024.01-2024.12	NTD1,051,715/USD35,616
Sell	USD/NTD	2024.03	NTD60,579/USD1,984

(Continued)

	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

(Concluded)

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	
	2023	2022
Non-current		
Investments in equity instruments	$ 2,778,841	$ 2,498,747

Investments in equity instruments at FVTOCI

	December 31	
	2023	2022
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - China Steel Corporation	$ 1,031,422	$ 1,346,985
Ordinary shares - Century Wind Power Co., Ltd.	1,350,623	751,344
Unlisted shares		
Ordinary shares - Envirolink Corporation	56,525	17,500
Ordinary shares - Linkou Entertainment Corporation	4,518	4,600
Ordinary shares - Shin Ji Technology Corporation	4,761	3,450
Ordinary shares - Hua Mian Corporation	1,073	1,500
	2,448,922	2,125,379
Foreign investments		
Unlisted shares		
Ordinary shares - China Steel and Nippon Steel Vietnam Stock Company	290,061	281,238
Ordinary shares - Century International Co., Ltd.	39,858	92,130
	329,919	373,368
	$ 2,778,841	$ 2,498,747

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	
	2023	2022
Current		
Domestic investments		
Pledged time deposits	$ 58,357	$ 22,524
Restricted demand deposits	93,143	-
	$ 151,500	$ 22,524

a. The ranges of interest rates for pledged time deposits were 0.2%-1.31% and 0.2%-0.935% per annum as of December 31, 2023 and 2022, respectively.

b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2023	2022
Notes receivable		
Operating - unrelated parties	$ 2,185,736	$ 1,740,817
Less: Allowance for impairment loss	(17,677)	-
	$ 2,168,059	$ 1,740,817
Trade receivables		
At amortized cost - unrelated parties	$ 3,263,011	$ 3,003,006
Less: Allowance for impairment loss	(18,898)	(5,639)
	$ 3,244,113	$ 2,997,367
Overdue receivables (presented under other non-current assets)		
Overdue receivables	$ 7,903	$ 41,649
Less: Allowance for impairment loss	(7,903)	(38,649)
	$ -	$ 3,000

a. Notes receivable and trade receivables

The average credit period for sales of goods is 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, 2023

	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	0.63%	0.00%	100.00%	0.00%	0.00%	
Gross carrying amount	$ 5,446,678	$ -	$ 2,069	$ -	$ -	$ 5,448,747
Loss allowance (Lifetime ECL)	(34,506)	-	(2,069)	-	-	(36,575)
Amortized cost	$ 5,412,172	$ -	$ -	$ -	$ -	$ 5,412,172

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	$ 4,738,184	$ -	$ -	$ -	$ -	$ 4,738,184

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 5,639	$ 8,033
Add: Net remeasurement of loss allowance	31,650	-
Less: Net remeasurement of loss allowance	-	(2,394)
Less: Reclassification	(714)	-
Balance at December 31	$ 36,575	$ 5,639

Compared to January 1, 2023 and 2022, the increase in loss allowance of NT$30,936 thousand and decrease of NT$2,394 thousand at December 31, 2023 and 2022, respectively, resulted from the changes in the gross carrying amounts of notes receivables and trade receivables, which increased by NT$704,924 thousand and NT$343,784 thousand, respectively.

Refer to Note 31 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$0 thousand and NT$3,000 thousand as of December 31, 2023 and 2022, 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	
	2023	**2022**
Over 1 year	$ -	$ 3,000

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	
	2023	**2022**
Balance at January 1	$ 38,649	$ 39,194
Add: Reclassification	714	-
Add: Net remeasurement of loss allowance	3,108	129
Add: Amounts recovered	1,042	-
Less: Net remeasurement of loss allowance	(1,453)	(674)
Less: Amounts written off	(34,157)	-
Balance at December 31	$ 7,903	$ 38,649

The Group recognized an impairment loss on overdue receivables amounting to NT$7,903 thousand and NT$38,649 thousand as of December 31, 2023 and 2022, respectively. These amounts were mainly related to customers for whom the Group was pursuing legal claims. In 2023, the Group wrote off trade receivables of NT$34,157 thousand as the Group received the debt certificate and the customer discontinued business and was dissolved.

11. INVENTORIES

	December 31	
	2023	**2022**
Raw materials	$ 5,233,372	$ 4,387,975
Finished goods	573,294	606,082
Work in process	195,592	184,188
Raw materials in transit	155,222	165,280
	$ 6,157,480	$ 5,343,525

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	$ 13,995,553	$ 15,485,845
(Reversal) inventory write-downs	(16,829)	111,144
	$ 13,978,724	$ 15,596,989

As of December 31, 2023 and 2022, the allowance for inventory write-downs were NT$103,472 thousand and NT$120,301 thousand, respectively.

Inventory write-downs were reversed 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	2023	2022
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	99.42	99.82
Hsin Kuang Steel Corporation	APEX Wind Power Equipment Manufacturing Company Limited	Manufacture of metal structures, architectural components and energy related equipment	66.14	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
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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Investments in associates	$ 938,005	$ 519,840

a. Investments in associates

	December 31	
	2023	2022
Material associate	$ 827,386	$ 412,676
Associates that are not individually material	110,619	107,164
	$ 938,005	$ 519,840

1) Material associate

Name of Associate	Nature of Business	Proportion of Ownership and Voting Rights December 31 2023	2022
SunnyRich Multifunction Solar Power Co., Ltd.	Renewable energy private power generation equipment	20.00%	20.00%

In 2023 and 2022, the Group acquired 42,000 thousand and 21,000 thousand ordinary shares of SunnyRich Multifunction Solar Power Co., Ltd., respectively, in cash for a total amount of NT$420,000 thousand and NT$210,000 thousand, respectively. The proportion of the Group's ownership after the acquisition was 20.00%.

The Company pledged 50,000 thousand shares of SunnyRich Multifunction Solar Power Co., Ltd. as collateral for bank borrowings (refer to Note 31 and Table 1).

SunnyRich Multifunction Solar Power Corporation

	December 31 2023	2022
Current assets	$ 1,052,128	$ 421,913
Non-current assets	10,447,439	4,633,271
Current liabilities	(1,145,637)	(340,807)
Non-current liabilities	(6,218,389)	(2,650,998)
Equity	$ 4,135,541	$ 2,063,379
Proportion of the Group's ownership	20%	20%
Equity attributable to the Group	$ 827,108	$ 412,676
Carrying amount	$ 827,386	$ 412,676

	For the Year Ended December 31 2023	2022
Operating revenue	$ 358,492	$ 61,073
Net loss for the year	$ (27,589)	$ (87,997)
Total comprehensive loss for the year	$ (27,589)	$ (87,997)

2) Aggregate information of associates that are not individually material is as follows:

	For the Year Ended December 31 2023	2022
The Group's share of:		
Net income	$ 9,399	$ 6,182
Total comprehensive income for the year	$ 9,399	$ 6,182

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	$ 4,052,985	$ 3,860,784

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, 2023	$ 2,184,887	$ 1,297,709	$ 1,481,659	$ 229,704	$ 88,812	$ 49,289	$ 78,244	$ 5,410,304
Additions	-	-	-	-	-	1,183	256,578	257,761
Disposals	-	-	(20,054)	(478)	(8,359)	-	-	(28,891)
Transfers to investment properties	-	(89,052)	-	-	-	-	-	(89,052)
Reclassified	-	90,445	143,598	20,975	26,565	7,143	(90,526)	198,200
Balance at December 31, 2023	$ 2,184,887	$ 1,299,102	$ 1,605,203	$ 250,201	$ 107,018	$ 57,615	$ 244,296	$ 5,748,322
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 446,644	$ 891,872	$ 161,878	$ 32,267	$ 17,159	$ -	$ 1,549,820
Depreciation expense	-	37,302	92,495	16,505	14,295	5,678	-	166,275
Disposals	-	-	(12,121)	(192)	(3,538)	-	-	(15,851)
Transfers to investment properties	-	(4,907)	-	-	-	-	-	(4,907)
Balance at December 31, 2023	$ -	$ 479,039	$ 972,246	$ 178,191	$ 43,024	$ 22,837	$ -	$ 1,695,337
Carrying amount at December 31, 2023	$ 2,184,887	$ 820,063	$ 632,957	$ 72,010	$ 63,994	$ 34,778	$ 244,296	$ 4,052,985
Cost								
Balance at January 1, 2022	$ 2,011,571	$ 1,265,610	$ 1,430,865	$ 226,555	$ 66,829	$ 46,210	$ 79,614	$ 5,127,254
Additions	-	6,351	14,005	855	13,940	1,504	22,180	58,835
Disposals	-	(5,184)	(580)	(5,266)	(2,185)	-	-	(13,215)
Reclassified	173,316	30,932	37,369	7,560	10,528	1,575	(23,550)	237,730
Balance at December 31, 2022	$ 2,184,887	$ 1,297,709	$ 1,481,659	$ 229,704	$ 89,112	$ 49,289	$ 78,244	$ 5,410,604
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	$ 2,184,887	$ 851,065	$ 589,787	$ 67,826	$ 56,845	$ 32,130	$ 78,244	$ 3,860,784

No impairment loss was recognized or reversed for the years ended December 31, 2023 and 2022 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

(Continued)

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
Leasehold improvements	3-15 years

(Concluded)

The Group purchased land located in Guanyin for operational use from 2005 to 2020. As of December 31, 2023, 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 31.

15. INVESTMENT PROPERTIES

	Investment Properties - Land	Investment Properties - Buildings	Investment Properties - Leasehold Improvements	Total
Cost				
Balance at January 1, 2023	$ 1,421,115	$ 2,333,532	$ 64,533	$ 3,819,180
Additions	-	995	-	995
Disposals	-	(288)	-	(288)
Reclassified	-	89,051	-	89,051
Balance at December 31, 2023	$ 1,421,115	$ 2,423,290	$ 64,533	$ 3,908,938
Accumulated depreciation and impairment				
Balance at January 1, 2023	$ -	$ 127,033	$ 33,414	$ 160,447
Depreciation expense	-	53,228	10,013	63,241
Disposals	-	(192)	-	(192)
Reclassified	-	4,907	-	4,907
Balance at December 31, 2023	$ -	$ 184,976	$ 43,427	$ 228,403
Carrying amount at December 31, 2023	$ 1,421,115	$ 2,238,314	$ 21,106	$ 3,680,535

(Continued)

	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

(Concluded)

The investment properties were leased out for 2 to 10 years, without an option to extend. The lease contracts contain market review clauses to adjust the lease expense 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 indicate 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 was as follows:

	December 31	
	2023	2022
Year 1	$ 327,562	$ 294,233
Year 2	328,870	279,446
Year 3	292,389	265,344
Year 4	265,016	247,179
Year 5	231,153	241,801
Year 6 onwards	459,559	686,862
	$ 1,904,549	$ 2,014,865

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	
	2023	**2022**
Fair value	$ 7,659,005	$ 7,390,214

The investment properties pledged as collateral for bank borrowings are set out in Note 31.

16. OTHER INTANGIBLE ASSETS

	Computer Software Cost
Cost	
Balance at January 1, 2023	$ 11,067
Additions	36,058
Disposals	(4,610)
Reclassified	8,489
Balance at December 31, 2023	$ 51,004
Accumulated amortization	
Balance at January 1, 2023	$ 6,037
Amortization expenses	7,821
Disposals	(4,610)
Balance at December 31, 2023	$ 9,248
Carrying amount at December 31, 2023	$ 41,756

The additions in other intangible assets of the Group for the years December 31, 2023 and 2022 were mainly due to the external purchase of information systems and software. Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years

17. OTHER ASSETS

	December 31 2023	December 31 2022
Current		
Other receivables	$ 8,023	$ 28,974
Tax refund receivable (Note 25)	5,149	-
Payment on behalf of others	816	631
	$ 13,988	$ 29,605
Non-current		
Refundable deposits	$ 8,783	$ 17,103
Prepayments for equipment	373,707	372,402
Overdue receivables	-	3,000
Others	1,711	4,266
	$ 384,201	$ 396,771

18. BORROWINGS

a. Short-term borrowings

	December 31 2023	December 31 2022
Secured borrowings (Notes 29 and 31)		
Bank loans	$ 60,000	$ 10,000
Issuance credit payable	825,133	1,110,746
	885,133	1,120,746
Unsecured borrowings		
Line of credit borrowings (Note 29)	1,180,000	1,671,135
Issuance credit payable	4,614,608	4,414,113
	5,794,608	6,085,248
	$ 6,679,741	$ 7,205,994

The range of weighted average effective interest rates on bank loans was 1.8%-6.8% and 1.51%-6.29% per annum as of December 31, 2023 and 2022, respectively.

b. Short-term bills payable

	December 31 2023	December 31 2022
Commercial paper (Notes 29 and 31)	$ 800,000	$ 550,000
Less: Discount on bills payable	(1,401)	(854)
	$ 798,599	$ 549,146

Outstanding short-term bills payable were as follows:

December 31, 2023

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial paper						
A bank	$ 100,000	$ 166	$ 99,834	2.02%	Head office	$ 19,048
B bank	200,000	254	199,746	2.02%-2.07%	-	-
C bank	150,000	216	149,784	2.02%-2.07%	-	-
E bank	350,000	765	349,235	2.05%	-	-
	$ 800,000	$ 1,401	$ 798,599			

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			

c. Long-term borrowings

	December 31	
	2023	2022
Secured borrowings (Note 31)		
Syndicated bank loans - Mega Bank (1)	$ 5,400,000	$ -
Syndicated bank loans - Yushan Bank (2)	-	1,800,000
Bank loans - Banking Division of Mega Bank (3)	86,842	97,368
Bank loans - Chang Hwa Bank Sanchungpu Branch (4)	218,750	239,583
Bank loans - Land Bank of Taiwan (5)	86,000	86,000
Bank loans - Mega International Commercial Bank (6)	229,091	294,545
Bank loans - Banking Division of Far Eastern International Bank (7)	70,833	-
	6,091,516	2,517,496
Less: Current portions	(232,814)	(496,814)
Syndicated loan fees	(11,129)	(16,640)
	(243,943)	(513,454)
Long-term borrowings	$ 5,847,573	$ 2,004,042

1) The Company signed a joint credit line contract with Mega Bank, and such syndicated loan was collateralized by the Company's freehold land and plant (refer to Note 31). The credit line of loan item A-1 is NT$3,500,000 thousand, A-2 is NT$4,500,000 thousand, B is NT$5,000,000 thousand and the total credit line of loan items A and B is not more than NT$8,000,000 thousand, which is a revolving credit line within 5 years from the date of first use. When the credit line of the loan is used for the first time, the entire outstanding balance of the syndicated bank loan - Yushan Bank, which was signed in 2018, will be paid off in advance. The first period is 36 months after the date of first use. Hereafter, every 12 months is considered a period, and the total credit line will decrease within 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 the remaining credit line will be totally cancelled upon the expiry of the credit period.

   During the loan period, the current ratio, debt ratio and interest earned ratio, which are calculated based on the annual financial audit report, should comply with the criteria in the credit line contract. If the financial ratios do not comply with the criteria in the contract, the Group should remedy it from the date of submission of the annual consolidated financial statements to the next review date. It will not be considered a breach of the contract if the financial ratios are remedied and comply with the contract within the remediation period. As of December 31, 2023, the weighted average effective interest rate was 2.04%-2.09% per annum.

2) 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 31). 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. The Group's annual consolidated financial statements comply with comply with the criteria of financial ratios and no breaches of the contract have occurred. The loan has been fully repaid in January 2023. The weighted average effective interest rate was 1.82% per annum as of December 31, 2022.

3) 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 31), which will mature in January 2032. Starting from January 2018, the repayment of principal is divided into 56 installments of every 3 months, with NT$2,632 thousand per installment. The weighted average effective interest rates were 2.23% and 2.10% per annum as of December 31, 2023 and 2022, respectively.

4) In April 2019, Hsin Ho Fa Metal Co., Ltd. acquired NT$250,000 thousand of bank loans from Chang Hwa Bank Sanchungpu Branch, secured by the freehold land (refer to Note 31), 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 2.06% and 1.81% per annum as of December 31, 2023 and 2022, respectively.

5) In September 2021, APEX Wind Power Equipment Manufacturing Company Limited acquired NT$86,000 thousand of bank loans from the Land Bank of Taiwan, secured by machinery and equipment (refer to Note 31), 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 2.15% and 1.90% per annum as of December 31, 2023 and 2022, respectively.

6) In November 2017, Mason Metal Industry Co., Ltd. acquired NT$80,000 thousand of bank loans from Mega International Commercial Bank, secured by the freehold land and buildings (refer to Note 31), which will mature in November 2022. 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 rates were 2.23% and 2.10% per annum as of December 31, 2023 and 2022, respectively.

7) In May 2023, Hsin Ching International Co., Ltd. acquired NT$100,000 thousand of unsecured bank loans from Far Eastern International Bank, which will mature in May 2025. The principal shall be repaid in 24 equal installments on the 5th of each month, and interest is calculated on the outstanding balance which shall be paid on the 5th of each month. As of December 31, 2023, the weighted average effective interest rate was 2.28% per annum.

d. Long-term bills payable

	December 31	
	2023	2022
Commercial paper issued under syndicated bank loans - Yushan Bank	$ -	$ 2,400,000
Less: Unamortized discount	-	(485)
	$ -	$ 2,399,515

The Group issued commercial paper under syndicated bank loans - Yushan Bank with terms of 5 years which was fully repaid in January 2023. The weighted average effective interest rate was 1.98%-2.19% per annum as of December 31, 2022. Refer to c. long-term borrowings item 2 for more information.

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2023	2022
Notes payable		
Operating - unrelated parties	$ 288,156	$ 392,838
Trade payables		
Operating - unrelated parties	$ 238,449	$ 250,565

20. OTHER PAYABLES

	December 31	
	2023	2022
Payables for salaries and bonuses	$ 236,557	$ 144,632
Interest payable	25,965	39,191
Other accrued expenses	60,331	55,616
Other payables	90,463	87,470
	$ 413,316	$ 326,909

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	
	2023	2022
Present value of defined benefit obligation	$ 104,178	$ 99,309
Fair value of plan assets	(70,552)	(66,149)
Net defined benefit liabilities	$ 33,626	$ 33,160

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, 2022	$ 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	-
Company paid	(107)	-	(107)
Balance at December 31, 2022	99,309	(66,149)	33,160
Service cost			
Current service cost	459	-	459
Net interest expense (income)	1,365	(935)	430
Recognized in profit or loss	1,824	(935)	889
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(500)	(500)
Actuarial (gain) loss			
Changes in financial assumptions	1,776	-	1,776
Experience adjustments	2,051	-	2,051
Recognized in other comprehensive income	3,827	(500)	3,327
Contributions from the employer	-	(3,750)	(3,750)
Benefits paid	(782)	782	-
Balance at December 31, 2023	$ 104,178	$ (70,552)	$ 33,626

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	
	2023	2022
Operating costs	$ 369	$ 354
Selling and marketing expenses	$ 383	$ 420
General and administrative expenses	$ 137	$ 55

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	
	2023	**2022**
Discount rates	1.25%	1.38%
Expected rates of salary increase	2.00%-2.25%	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	
	2023	**2022**
Discount rates		
0.50% increase	$ (1,738)	$ (1,830)
0.50% increase	$ 1,787	$ 1,885
Expected rates of salary increase/decrease		
0.50% increase	$ 1,742	$ 1,841
0.50% increase	$ (1,703)	$ (1,796)

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	
	2023	**2022**
Expected contributions to the plans for the next year	$ 3,784	$ 3,603
Average duration of the defined benefit obligation	6.5-7.1 years	7.1-7.7 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
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	
	2023	2022
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
May not be used for any purpose (3)		
Employee share options	36,648	36,648
	$ 943,445	$ 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.

The appropriations of earnings for the years ended December 31, 2022 and 2021 approved in the shareholders' meetings on June 15, 2023 and June 15, 2022, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2022	**2021**
Legal reserve	$ 45,907	$ 277,792
Cash dividends	$ 321,147	$ 1,284,585
Cash dividends per share (NT$)	$ 1.0	$ 4.0

The appropriation of earnings for the year ended December 31, 2023 was proposed by the Company's board of directors on March 12, 2024. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2023
Legal reserve	$ 180,506
Cash dividends	$ 963,439
Cash dividends per share (NT$)	$ 3.0

The appropriation of earnings for the year ended December 31, 2023 is subject to the resolution in the shareholders' meeting to be held on June 14, 2024.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 1,969	$ (8,580)
Exchange differences on translating the financial statements of foreign operations	(26)	10,549
Balance at December 31	$ 1,943	$ 1,969

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 672,449	$ 1,386,055
Recognized for the year		
Unrealized gain/(loss) - equity instruments	696,855	(713,606)
Share of other comprehensive income/(loss) of associates accounted for using equity method	(52,257)	-
Reclassification adjustments		
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	(152,640)	-
Balance at December 31	$ 1,164,407	$ 672,449

e. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 712,638	$ 716,469
Share of profit for the year	76,738	24,005
Dividends distributed by subsidiaries	(67,947)	(28,297)
Other comprehensive income/(loss) for the year		
Exchange difference on translation of the financial statements of foreign operations	(3)	26
Remeasurement of defined benefit plans	(427)	1,059
Changes in percentage of ownership interests in subsidiaries	189	-
Partial disposal of interests in subsidiaries (Note 27)	4,512	-
Non-controlling interests	(912)	(624)
Balance at December 31	$ 724,788	$ 712,638

23. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sales of goods	$ 14,853,856	$ 16,447,500
Revenue from processing	372,412	240,781
Rental income	311,577	308,379
Construction contract revenue	537,044	158,872
	$ 16,074,889	$ 17,155,532

a. Contract balances

	December 31	
	2023	2022
Trade receivables (Note 10)	$ 3,244,113	$ 2,997,367
Contract asset - current		
Construction of properties	$ 240,360	$ 27,769
Contract liabilities - current		
Sales of goods	$ 1,409,193	$ 310,860
Construction of properties	7,089	484
	$ 1,416,282	$ 311,344

b. Refer to Note 35 for details of revenue.

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2023	2022
Dividend income		
Financial assets at FVTPL	$ 44,732	$ 49,007
Financial assets at FVTOCI	48,862	164,968
Others	22,128	34,143
	$ 115,722	$ 248,118

b. Other gains/(losses)

	For the Year Ended December 31	
	2023	2022
(Loss)/gain on disposal of property, plant and equipment	$ (5,257)	$ 103
(Loss)/gain on disposal of investment properties	52	6,007
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	1,014,572	(239,787)
Net foreign exchange (losses)/gains	249,315	112,044
Other (losses)/gains	(4)	(3,386)
	$ 1,258,678	$ (125,019)

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 389,072	$ 222,517
Interest on lease liabilities	39	-
Less: Amounts included in the cost of qualifying assets	(5,824)	(2,431)
	$ 383,287	$ 220,086

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest	$ 5,824	$ 2,431
Capitalization rate	2.5%	2.5%

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	$ 166,275	$ 126,499
Investment properties	63,241	60,471
Right-of-use assets	1,914	1,951
Intangible assets	7,821	-
Long-term prepayments	3,705	8,497
	$ 242,956	$ 197,418
An analysis of depreciation by function		
Operating costs	$ 209,585	$ 169,445
Operating expenses	21,845	19,476
	$ 231,430	$ 188,921

(Continued)

	For the Year Ended December 31	
	2023	2022
An analysis of amortization by function		
Operating costs	$ 6,893	$ 4,965
Operating expenses	4,633	3,532
	$ 11,526	$ 8,497

(Concluded)

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct operating expenses of investment properties generating rental income	$ 111,568	$ 105,650

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	$ 599,730	$ 481,468
Post-employment benefits (Note 21)		
Defined contribution plans	12,914	11,860
Defined benefit plans	890	829
	$ 613,534	$ 494,157
An analysis of employee benefits expense by function		
Operating costs	$ 290,258	$ 271,567
Operating expenses	323,276	222,590
	$ 613,534	$ 494,157

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, 2023 and 2022 which have been approved by the Company's board of directors on March 12, 2024 and March 17, 2023, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	3%	3%
Remuneration of directors	3%	3%

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	$ 55,254	$ 18,388
Remuneration of directors	$ 55,254	$ 18,388

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, 2022.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors for the year ended December 31, 2023 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	
	2023	2022
Foreign exchange gains	$ 512,697	$ 502,238
Foreign exchange losses	(263,382)	(390,194)
	$ 249,315	$ 112,044

25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 179,892	$ 144,482
Income tax on unappropriated earnings	5,075	65,158
Integrated house and land tax	-	645
Adjustments for prior years	3,136	556
	188,103	210,841
Deferred tax		
In respect of the current year	(62,150)	31,391
Income tax expense recognized in profit or loss	$ 125,953	$ 242,232

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	$ 1,857,533	$ 659,800
Income tax expense calculated at the statutory rate	$ 466,356	$ 145,229
Non-deductible expenses and non-taxable income	(326,325)	66,979
Tax-exempt income	(18,452)	(42,792)
Income tax on unappropriated earnings	5,075	65,158
Integrated house and land tax	-	645
Additional income tax under the Alternative Minimum Tax Act	2,088	3,968
Adjustments for investment credits decrease/(increase)	1,531	(1,518)
Unrecognized deductible temporary differences	(47)	409
Adjustments for prior years' loss carryforwards	(7,341)	3,993
Effects of different tax rates of the Group entities operating in other jurisdictions	(68)	(395)
Adjustments for prior years' tax	3,136	556
Income tax expense recognized in profit or loss	$ 125,953	$ 242,232

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (6)	$ 2,637
Remeasurement on defined benefit plans	(666)	1,665
Total income tax (benefit)/expense recognized in other comprehensive income	$ (672)	$ 4,302

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets (included in other current assets)		
Tax refund receivable	$ 5,149	$ -
Current tax liabilities		
Income tax payable	$ 171,819	$ 198,010

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, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory write-downs	$ 24,059	$ (3,366)	$ -	$ 20,693
FVTPL financial assets	3	(3)	-	-
Losses on foreign currency exchange	279	(272)	-	7
Unrealized gross profit	10,109	45,370	-	55,479
Defined benefit obligation	5,478	(572)	666	5,572
Unrealized sales discounts	634	(124)	-	510
Warranty provision	452	88	-	540
Differences between carrying amount and fair value of assets	5,720	-	-	5,720
Investment tax credits	1,531	(1,531)	-	-
Loss carryforwards	13,340	(3,893)	-	9,447
	$ 61,605	$ 35,697	$ 666	$ 97,968
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 35,201	$ (32,182)	$ -	$ 3,019
Gains on foreign currency exchange	75	5,729	-	5,804
Exchange differences on translation of the financial statements of foreign operations	491	-	(6)	485
Differences between carrying amount and fair value of assets	108,653	-	-	108,653
	$ 144,420	$ (26,453)	$ (6)	$ 117,961

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory write-downs	$ 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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
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 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

(Concluded)

e. Income tax assessments

The income tax returns through 2021 and income tax returns on unappropriated earnings through 2020 of the Company and its subsidiaries have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic earnings per share		
From continuing operations	$ 5.15	$ 1.23
Diluted earnings per share		
From continuing operations	$ 5.14	$ 1.22

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	
	2023	2022
Earnings used in the computation of basic earnings per share	$ 1,654,842	$ 393,563
Earnings used in the computation of diluted earnings per share	$ 1,654,842	$ 393,563

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	321,146	321,146
Effect of potentially dilutive ordinary shares:		
Compensation of employees	958	429
Weighted average number of ordinary shares used in the computation of diluted earnings per share	322,104	321,575

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 will be 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.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group's proportion of ownership in APEX Wind Power Equipment Manufacturing Company Limited and Sinpao Investment Co., Ltd., decreased from 70.44% to 69.87% and from 99.82% to 99.42%, respectively, due to the change in the Group's proportion of ownership in the fourth quarter of 2023.

The above transactions were accounted for as equity transactions since there was no impact on the Group's control over the subsidiary.

28. 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.

29. 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, 2023

	Carrying Amount	Fair Value
Financial assets		
Financial assets measured at amortized cost:		
Pledged time deposits	$ 58,357	$ 58,357
Restricted demand deposits	93,143	93,143
Notes receivable (including related parties)	2,168,059	2,168,059
Trade receivables (including related parties)	3,244,113	3,244,113
Cash and cash equivalents	953,579	953,579
Refundable deposits	8,783	8,783
Financial liabilities		
Financial liabilities measured at amortized cost:		
Bank borrowings	12,760,128	12,760,128
Short-term bills payable	798,599	798,599
Notes payable, trade payables and other payables (including related parties)	939,921	939,921

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

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, restricted demand 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.

b. Financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Domestic listed shares and emerging market shares	$ 2,896,943	$ -	$ -	$ 2,896,943
Domestic unlisted shares	-	-	297,484	297,484
Mutual funds	75,752	-	-	75,752
Derivative instruments	-	15,084	-	15,084
	$ 2,972,695	$ 15,084	$ 297,484	$ 3,285,263
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 2,382,045	$ -	$ -	$ 2,382,045
Domestic unlisted shares	-	-	66,877	66,877
Foreign unlisted shares	-	-	329,919	329,919
	$ 2,382,045	$ -	$ 396,796	$ 2,778,841

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

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, 2023

Financial Assets	At FVTPL Equity Instruments	At FVTOCI Equity Instruments	Total
Balance at January 1	$ 272,687	$ 400,418	$ 673,105
Recognized in profit or loss (included in gain/(loss) on financial assets at FVTOCI)	24,797	-	24,797
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	-	(3,607)	(3,607)
Recognized in other comprehensive income (exchange differences on translation of the financial statements of foreign operations)	-	(15)	(15)
Balance at December 31	$ 297,484	$ 396,796	$ 694,280

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

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.

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	
	2023	2022
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 3,285,263	$ 2,033,617
Financial assets at amortized cost (1)	6,526,034	5,879,477
Financial assets at FVTOCI - equity instruments	2,778,841	2,498,747
Financial liabilities		
Financial liabilities at amortized cost (2)	14,498,648	13,625,823

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, overdue receivables, refundable deposits, pledged time deposits and restricted demand 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, 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, monetary liabilities (including those eliminated on consolidation) and the derivatives exposed to foreign currency risk at the end of reporting period are set out in Note 33.

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 their adjusted 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	
	2023	**2022**
Profit or loss	$ 10,446 (i)	$ 35,173 (i)

	JPY Impact	
	For the Year Ended December 31	
	2023	**2022**
Profit or loss	$ 2 (ii)	$ (54) (ii)

	EUR Impact	
	For the Year Ended December 31	
	2023	**2022**
Profit or loss	$ (88) (iii)	$ (98) (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.

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	
	2023	**2022**
Cash flow interest rate risk		
Financial assets	$ 771,318	$ 816,972
Financial liabilities	13,558,727	12,655,511

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, 2023 and 2022 would decrease/increase by NT$126,099 thousand and NT$117,735 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, 2023 and 2022 would have increased/decreased by NT$32,787 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, 2023 and 2022 would have increased/decreased by NT$27,840 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 2023 and 2022.

The Group'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, 2023 and 2022, 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's 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. The Group had available unutilized bank loan facilities set out in (b) below.

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, 2023

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 332,772	$ 294,470	$ 304,225	$ 35,050	$ -
Variable interest rate liabilities	1,329,779	2,494,024	3,887,351	5,698,779	148,794
	$ 1,662,551	$ 2,788,494	$ 4,191,576	$ 5,733,829	$ 148,794

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

b) Financing facilities

	December 31	
	2023	2022
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 5,375,090	$ 6,093,200
Amount unused	198,000	162,000
	$ 5,573,090	$ 6,255,200
Unsecured bank loan facilities:		
Amount used	$ 9,685,882	$ 7,951,944
Amount unused	10,508,428	10,774,036
	$ 20,194,310	$ 18,725,980

30. 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
Hsin Kuang Steel Tian-Cheng Charity Foundation	The Foundation's Chairman is the representative of a corporate director of the Company
SunnyRich Multifunction Solar Power Co., Ltd.	Associate
Hsin Yuan Hsin Industrial Co., Ltd.	Associate

b. Endorsements and guarantees

Please refer to Table 1 about the endorsements/guarantees and between the Company of SunnyRich Multifunction Solar Power Co., Ltd.

c. Freight

Related Party Category/Name	For the Year Ended December 31 2023	2022
Associates		
Hsin Yuan Hsin Industrial Co., Ltd.	$ 2,694	$ -

d. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2023	2022
Donations	Hsin Kuang Steel Tian-Cheng Charity Foundation	$ 8,000	$ 4,000

e. 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 2023	2022
Short-term employee benefits	$ 135,885	$ 95,929

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. 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 2023	2022
Notes receivable	$ 424,223	$ 373,170
Restricted demand deposits (classified as financial assets at amortized cost)	93,143	-
Pledged time deposits (classified as financial assets at amortized cost)	58,357	22,524
Investments in equity instruments at FVTOCI	481,038	412,676
Freehold land	1,366,235	1,354,737
Buildings, net	684,407	721,647
Investment properties - land	331,487	342,985
Investment properties - buildings	627,064	634,339
Machinery and equipment	150,358	128,819
	$ 4,216,312	$ 3,990,897

32. 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, 2023 and 2022 were as follows:

Significant Commitments

a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	December 31	
	2023	**2022**
NTD	$ 505,409	$ 591,172
USD	21,460	15,026
JPY	293	-

b. Unrecognized commitments were as follows:

	December 31	
	2023	**2022**
Acquisition of property, plant and equipment	$ 656,241	$ 589,062

33. 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, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,311	30.71 (USD:NTD)	$ 132,380
EUR	260	33.97 (EUR:NTD)	8,833
JPY	716	0.22 (JPY:NTD)	156
			$ 141,369
Financial liabilities			
Monetary items			
USD	39,404	30.71 (USD:NTD)	$ 1,209,888

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
JPY	22,590	0.23 (JPY:NTD)	5,250
			$ 137,754
Financial liabilities			
Monetary items			
USD	117,728	30.71 (USD:NTD)	$ 3,615,443

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.02 (USD:NTD)	$ 253,129	28.66 (USD:NTD)	$ 113,731

34. 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: (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Table 5)

9) Trading in derivative instruments: (Note 7)

10) Other: Intercompany relationships and significant intercompany transactions (Table 6)

b. Information on investees (Table 7)

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 8)

35. 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
- Construction
- 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	Construction	Leases	Total
For the year ended December 31, 2023					
Revenue from external customers	$ 8,235,653	$ 6,990,615	$ 537,044	$ 311,577	$ 16,074,889
Inter-segment revenue	1,555,259	16,875	152,249	69,635	1,794,018
Segment revenue	9,790,912	7,007,490	689,293	381,212	17,868,907
Eliminations	(1,555,259)	(16,875)	(152,249)	(69,635)	(1,794,018)
Consolidated revenue	$ 8,235,653	$ 6,990,615	$ 537,044	$ 311,577	$ 16,074,889
Segment income	$ 622,238	$ 449,853	$ 173,651	$ 200,009	$ 1,445,751
Share of profits/(losses) of associates accounted for using the equity method					$ 4,109
Interest income					4,022
Other income					22,124
Loss on disposal of property, plant and equipment					(5,257)
Loss on disposal of investment properties					52
Net foreign exchange losses					249,315
Gain on valuation of financial instruments					1,014,572
Allocation of central administration costs and directors' remunerations					(587,462)
Finance costs					(383,287)
Dividends					93,594
Profit before tax					$ 1,857,533
For the year ended December 31, 2022					
Revenue from external customers	$ 9,599,586	$ 7,247,567	$ -	$ 308,379	$ 17,155,532
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	$ 17,155,532
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)
Finance costs					(220,086)
Dividends					213,975
Other losses					(3,386)
Profit before tax					$ 659,800

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	
	2023	**2022**
Segment assets		
From continuing operations		
Steel - direct sales	$ 8,710,181	$ 9,499,361
Steel - manufacturing sales	7,664,121	4,941,144
Construction	612,231	-
Leases	3,744,482	3,718,050
Total segment assets	20,731,015	18,158,555
Unallocated	7,622,315	6,280,696
Consolidated total assets	$ 28,353,330	$ 24,439,251
Segment liabilities		
From continuing operations		
Steel - direct sales	$ 4,688,562	$ 5,481,719
Steel - manufacturing sales	4,505,645	2,349,568
Construction	59,891	-
Leases	97,743	41,628
Total segment liabilities	9,351,841	7,872,915
Unallocated	6,938,136	6,490,976
Consolidated total liabilities	$ 16,289,977	$ 14,363,891

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 2023 and 2022.

新光鋼鐵股份有限公司
HSIN KUANG STEEL CO., LTD

241 新北市三重區重新路4段97號25樓
25nd Floor, No.97, Sec. 4, Chongxin Rd., Sanchong Dist., New Taipei City 241, Taiwan
T +886 2 2978 8888