

【Stock Code : 2010】

**Chun Yuan Steel Industry Co., Ltd.
Parent Company Only Financial Statements
Years ended December 31, 2022 and 2021
and Independent Auditors' Report**

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Chun Yuan Steel Industry Co., Ltd.
2022 Financial Statements
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Independent Auditors' Report

To : Chun Yuan Steel Industry Co., Ltd.

Opinion

We have audited the Parent Company Only Financial Statements of Chun Yuan Steel Industry Co., Ltd. (the "Company"), which comprise the Parent Company Only balance sheets as of December 31, 2022 and 2021, the Parent Company Only statements of comprehensive income, Parent Company Only statements of changes in equity, and Parent Company Only statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies).

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole and, in forming our opinion thereon; we do not provide a separate opinion on these matters. Key audit matters for the Parent Company Only Financial Statements of the Company for the year ended December 31, 2022 are stated as follows :

A. Valuation of inventory

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

Illustration of key audit matter :

As of December 31, 2022, the net balance of inventories of the Company was NT\$3,384,003 thousand (net of NT\$104,392 thousand of allowance for inventory valuation loss), which mainly consist of steel plates and structural steel materials, etc. Due to either changes in economic environment, advancements in manufacturing technology, or fluctuation in the price of raw materials, the products in stock may be obsolete or no longer meet the market demand, and drastic changes in the demand for and selling prices of related products may result. Since inventory valuation is relevant to significant judgement and estimates, it is regarded as a key audit matter.

Audit procedures in response :

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

B. Revenue recognition

For the accounting policies regarding recognition of construction revenue, please refer to Note IV-17 of the Parent Company Only Financial Statements ; For the related revenue disclosures, please refer to Note VI-21.

Illustration of key audit matter :

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

Audit procedures in response :

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

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

1. Tested if the Company's timing for recognizing sales revenue was correct and performed analysis on the top-10 sales customers, compared condition of changes, assessed if there was any significant abnormality.
2. Reviewed major contracts to understand specific terms and risks of the respective contracts and assessed accuracy of revenue recognition.
3. Obtained summarized schedules of construction costs and performed the related substantive procedures, including agreeing the sampled current-period cost incurred to the related document, extra/deducted works agreed to supporting document, recomputing the construction revenue according to the degree of completion and confirming that the revenue has been properly booked.

C. Evaluation on expected credit loss of notes and accounts receivable

As of December 31, 2022, the net balance of notes and accounts receivable was NT\$3,472,192 thousand (net of NT\$69,601 thousand of expected credit loss), which accounted for 18% of the total Parent Company Only assets and was material to the Parent Company Only Financial Statements of the Company. Since the expected credit-loss valuation of the notes and accounts receivable, whose sign of impairment and historical rate of loss involve significant judgement by management, we consider that evaluation on expected credit loss of notes and accounts receivable to be a key audit matter.

Our audit procedures performed include (but not limited to) the following :

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

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

Management is responsible for preparation and fair presentation of the Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for maintaining necessary internal controls relating to preparation of the Parent Company Only Financial Statements, to ensure that the Parent Company Only Financial Statements are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether any material uncertainty exists in the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Parent Company Only Financial Statements (including the related notes) and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieve fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company Only Financial Statements. We are responsible for the guidance, supervision and performance for the audit of the Company. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to affect our independence (including the related safeguards).

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

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

Wang, Wu-Chang

Chen, Kui-Mei

Crowe (TW) CPAs

Taipei, Taiwan, Republic of China

March 14, 2023

Notice to Readers

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

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

Chun Yuan Steel Industry Co., Ltd.

Balance Sheets

As of December 31, 2022 and 2021

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note VI-1)	\$ 175,083	1	\$ 104,473	1
1110	Financial assets measured at FVTPL - current (Note VI-2)	86,516	1	108,803	1
1139	Financial assets for hedging - current (Note VI-3)	2,154	–	–	–
1140	Contract assets - current (Note VI-21)	3,388,523	17	2,750,072	13
1150	Notes receivable, net (Note VI-4)	898,399	5	1,403,952	7
1170	Accounts receivable, net (Note VI-5)	2,528,217	13	2,898,765	14
1180	Accounts receivable - related parties, net (Note VI-5, Note VII)	45,576	–	2,969	–
1200	Other receivables	20,922	–	44,721	–
1210	Other receivables - related parties (Note VII)	15,097	–	19,000	–
1220	Current-period income tax assets	–	–	2,782	–
1310	Inventories, net (Note VI-6)	3,384,003	17	4,413,388	21
1410	Prepayments	14,867	–	34,090	–
1476	Other financial assets - current (Note VI-7)	95,372	1	109,693	1
1479	Other current assets - other	11,707	–	2,462	–
11xx	Total Current Assets	10,666,436	55	11,895,170	58
	Noncurrent Assets				
1517	Financial assets measured at FVTOCI - noncurrent (Note VI-8)	492,366	2	507,771	2
1550	Investments accounted for using equity method (Note VI-9)	3,233,189	17	3,224,699	16
1600	Property, plant and equipment (Note VI-10)	4,850,023	25	4,830,896	23
1755	Right-of-use assets (Note VI-11)	25,929	–	26,503	–
1780	Intangible assets	1,950	–	1,950	–
1840	Deferred income tax assets (Note VI-26)	101,679	1	115,449	1
1915	Prepayments for equipment	41,211	–	37,323	–
1920	Guarantee deposits paid	10,720	–	11,676	–
1990	Other noncurrent assets - other	16,470	–	12,404	–
15xx	Total Noncurrent Assets	8,773,537	45	8,768,671	42
1xxx	Total Assets	\$ 19,439,973	100	\$ 20,663,841	100

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Code	Liabilities and Equity	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Note VI-12)	\$ 4,087,735	21	\$ 4,561,383	22
2110	Short-term notes payable (Note VI-13)	1,066,589	6	1,428,878	7
2130	Contract liabilities - current (Note VI-21)	390,952	2	605,001	3
2150	Notes payable	4,589	–	4,661	–
2160	Notes payable - related parties (Note VII)	2,711	–	16,897	–
2170	Accounts payable	817,846	4	952,932	5
2180	Accounts payable - related parties (Note VII)	9,851	–	8,464	–
2200	Other payables	394,823	2	431,161	2
2230	Current-period income tax liabilities	22,731	–	177,208	1
2250	Provisions - current (Note VI-14)	37,890	–	36,924	–
2280	Lease liabilities - current (Note VI-11)	12,597	–	12,182	–
2320	Long-term liabilities due within 1 year or 1 operating cycle (Note VI-15)	125,000	1	50,000	–
2300	Other current liabilities – other	12,261	–	9,281	–
21xx	Total Current Liabilities	6,985,575	36	8,294,972	40
	Noncurrent Liabilities				
2540	Long-term borrowings (Note VI-15)	393,750	2	87,500	–
2570	Deferred income tax liabilities (Note VI-26)	812,141	4	809,342	4
2580	Lease liabilities - noncurrent (Note VI-11)	13,485	–	14,438	–
2640	Defined benefit liability, net - noncurrent (Note VI-16)	9,522	–	119,605	1
2645	Guarantee deposits received	13,742	–	13,892	–
25xx	Total Noncurrent Liabilities	1,242,640	6	1,044,777	5
2xxx	Total Liabilities	8,228,215	42	9,339,749	45
	Equity				
3100	Share capital (Note VI-17)				
3110	Common shares	6,476,554	33	6,476,554	31
3200	Capital surplus (Note VI-18)	177,178	1	162,071	1
3300	Retained earnings (Note VI-19)	4,835,586	25	5,061,285	24
3310	Legal reserve	1,839,531	9	1,716,590	8
3320	Special reserve	1,324,287	7	1,324,287	6
3350	Unappropriated retained earnings	1,671,768	9	2,020,408	10
3400	Other equity (Note VI-20)	(277,560)	(1)	(375,818)	(1)
3410	Exchange differences on translation of foreign financial statements	(225,343)	(1)	(276,124)	(1)
3420	Unrealized gains (losses) on financial assets measured at FVTOCI	(52,217)	–	(99,694)	–
3xxx	Total Equity	11,211,758	58	11,324,092	55
	Total Liabilities and Equity	\$ 19,439,973	100	\$ 20,663,841	100

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

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

Code	Item	Year of 2022		Unit : Thousand NTD Year of 2021	
		Amount	%	Amount	%
4000	Operating revenue (Note VI-21)	\$ 19,547,805	100	\$ 19,806,395	100
5000	Operating costs (Note VI-6)	(18,391,090)	(94)	(18,037,153)	(91)
5900	Gross profit (loss) from operations	1,156,715	6	1,769,242	9
	Operating expenses				
6100	Selling expenses	(343,370)	(2)	(330,334)	(2)
6200	Administrative expenses	(231,890)	(1)	(336,348)	(2)
6450	Loss or recovery gain on expected credit impairment	8,322	-	(14,361)	-
6000	Total operating expenses	(566,938)	(3)	(681,043)	(4)
6900	Operating income (loss)	589,777	3	1,088,199	5
	Non-operating income and expenses				
7100	Interest income	1,741	-	311	-
7010	Other income (Note VI-22)	166,389	1	136,495	1
7020	Other gains and losses (Note VI-23)	(19,884)	-	48,899	-
7050	Finance costs (Note VI-24)	(61,643)	-	(29,078)	-
7070	Share of profits of subsidiaries, associates, and joint ventures under equity method	92,593	-	222,177	1
7000	Total non-operating income and expenses	179,196	1	378,804	2
7900	Net income (loss) before income tax	768,973	4	1,467,003	7
7950	Income tax (expense) benefit (Note VI-26)	(155,755)	(1)	(246,385)	(1)
8200	NET INCOME (LOSS)	613,218	3	1,220,618	6
	Other comprehensive income (loss) (Note VI-27)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan	61,555	1	3,039	-
8316	Unrealized valuation gains or losses on equity instruments measured at FVTOCI	(12,614)	-	60,737	-
8331	Remeasurements of defined benefit plan - subsidiaries, associates and joint ventures	1,763	-	396	-
8336	Unrealized valuation gains or losses on equity instruments at FVTOCI – subsidiaries, associates and joint ventures	(192)	-	5,554	-
8360	Items that may be subsequently reclassified into profit or loss				
8361	Exchange differences on translation of foreign financial statements	50,761	-	(15,877)	-
8370	Share of other comprehensive income of associates and joint ventures under equity method - items that may be reclassified into profit or loss	20	-	(12)	-
8300	Other comprehensive income (loss), net	101,293	1	53,837	-
8500	Total comprehensive income (loss)	\$ 714,511	4	\$ 1,274,455	6
	EARNINGS PER SHARE (NTD)				
9750	Basic earnings per share (Note VI-28)	\$ 0.95		\$ 1.88	
9850	Diluted earnings per share (Note VI-28)	\$ 0.95		\$ 1.88	

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

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

Unit : Thousand NTD

Item	Retained Earnings					Other Equity Items		Total Equity
	Common Shares	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized valuation gains (loss) on FVTOCI equity instruments	
Balance, January 1, 2021	\$ 6,476,554	\$ 161,701	\$ 1,665,300	\$ 1,324,287	\$ 1,230,877	(\$ 260,235)	(\$ 160,624)	\$ 10,437,860
Appropriation and distribution of earnings :								
Record legal reserve	-	-	51,290	-	(51,290)	-	-	-
Cash dividends – common shares	-	-	-	-	(388,593)	-	-	(388,593)
Other changes in capital surplus	-	370	-	-	-	-	-	370
Net income (loss) in 2021	-	-	-	-	1,220,618	-	-	1,220,618
Other comprehensive income (loss) in 2021	-	-	-	-	3,435	(15,889)	66,291	53,837
Total comprehensive income (loss) in 2021	-	-	-	-	1,224,053	(15,889)	66,291	1,274,455
Disposal of FVTOCI equity instruments	-	-	-	-	5,361	-	(5,361)	-
Balance, December 31, 2021	\$ 6,476,554	\$ 162,071	\$ 1,716,590	\$ 1,324,287	\$ 2,020,408	(\$ 276,124)	(\$ 99,694)	\$ 11,324,092
Appropriation and distribution of earnings :								
Record legal reserve	-	-	122,941	-	(122,941)	-	-	-
Cash dividends – common shares	-	-	-	-	(841,952)	-	-	(841,952)
Other changes in capital surplus	-	314	-	-	-	-	-	314
Net income (loss) in 2022	-	-	-	-	613,218	-	-	613,218
Other comprehensive income (loss) in 2022	-	-	-	-	63,318	50,781	(12,806)	101,293
Total comprehensive income (loss) in 2022	-	-	-	-	676,536	50,781	(12,806)	714,511
Equity changes in subsidiary	-	14,793	-	-	-	-	-	14,793
Disposal of FVTOCI equity instruments	-	-	-	-	(60,283)	-	60,283	-
Balance, December 31, 2022	\$ 6,476,554	\$ 177,178	\$ 1,839,531	\$ 1,324,287	\$ 1,671,768	(\$ 225,343)	(\$ 52,217)	\$ 11,211,758

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

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

Item	Unit : Thousand NTD	
	Year of 2022	Year of 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	\$ 768,973	\$ 1,467,003
Adjustment items		
Income/gain or expense/loss items		
Depreciation expense	197,523	192,207
Amortization expense	8,532	4,614
Loss (gain) on expected credit impairment	(8,322)	14,361
Net loss (gain) on FVTPL financial assets or liabilities	22,288	(42,015)
Interest expense	61,643	29,078
Interest income	(1,741)	(311)
Dividend income	(20,143)	(8,115)
Share of loss (profit) of subsidiaries, associates and joint ventures under equity method	(92,593)	(222,177)
Loss (gain) on disposal of property, plant and equipment	(2,322)	(3,109)
Loss (gain) on disposal of investments	–	(3,809)
Total income/gain or expense/loss items	164,865	(39,276)
Changes in operating assets / liabilities		
Net changes in operating assets		
(Increase) Decrease in contract assets	(638,451)	(366,524)
(Increase) Decrease in notes receivable	510,658	(568,846)
(Increase) Decrease in accounts receivable	373,658	(684,901)
(Increase) Decrease in accounts receivable - related parties	(42,607)	60,753
(Increase) Decrease in other receivables	24,042	(18,987)
(Increase) Decrease in other receivables - related parties	3,903	(431)
(Increase) Decrease in inventories	1,029,385	(1,765,221)
(Increase) Decrease in prepayments	19,223	27,383
(Increase) Decrease in other current assets	(9,245)	(19,151)
(Increase) Decrease in other financial assets	14,321	–
(Increase) Decrease in other operating assets	(12,492)	(12,900)
Total net changes in operating assets	1,272,395	(3,348,825)
Net changes in operating liabilities		
Increase (Decrease) in contract liabilities	(214,048)	387,908
Increase (Decrease) in notes payable	(72)	87
Increase (Decrease) in notes payable - related parties	(14,186)	(3,061)
Increase (Decrease) in accounts payable	(135,086)	32,258
Increase (Decrease) in accounts payable - related parties	1,387	(31,086)
Increase (Decrease) in other payables	(40,791)	71,600
Increase (Decrease) in other payables - related parties	–	(375)
Increase (Decrease) in provisions	966	363
Increase (Decrease) in other current liabilities	827	422
Increase (Decrease) in defined benefit liability, net	(48,528)	(3,373)
Total net changes in operating liabilities	(449,531)	454,743
Total net changes in operating assets / liabilities	822,864	(2,894,082)

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Total adjustment items	987, 729	(2, 933, 358)
Cash generated (used) by operating activities	1, 756, 702	(1, 466, 355)
Interest received	1, 497	316
Dividends received	171, 391	116, 461
Interest paid	(56, 665)	(28, 336)
Income tax refunded (paid)	(290, 882)	(158, 399)
Net cash generated (used) by operating activities	1, 582, 043	(1, 536, 313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of FVTOCI financial assets	–	(81, 676)
Returned capital from FVTOCI financial assets	2, 791	12, 207
Acquisition of FVTPL financial assets	–	(166, 298)
Disposal of FVTPL financial assets	–	168, 432
Acquisition of property, plant and equipment	(173, 118)	(374, 449)
Disposal of property, plant and equipment	2, 350	3, 378
Increase (decrease) in guarantee deposits paid	956	(711)
Increase in prepayments for equipment	(32, 320)	(133, 399)
Net cash flows generated (used) by investing activities	(199, 341)	(572, 516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	(473, 648)	1, 676, 074
Increase in short-term notes payable	(362, 289)	687, 023
Increase in long-term borrowings	381, 250	137, 500
Increase in guarantee deposits received	(150)	1, 705
Lease principal repayments	(15, 303)	(16, 602)
Distribution of cash dividends	(841, 952)	(388, 593)
Net cash flows generated (used) by financing activities	(1, 312, 092)	2, 097, 107
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70, 610	(11, 722)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	104, 473	116, 195
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 175, 083	\$ 104, 473

(The accompanying notes form an integral part of the Parent Company Only Financial Statements)

Chun Yuan Steel Industry Co., Ltd.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2022 and 2021
(in Thousand NTD unless otherwise stated)

I. General Information

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

II. The Authorization of the Financial Statements

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

III. Application of New Standards, Amendments, and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Annual Improvement to IFRS Standards 2018-2020

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

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

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

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

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

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

Note B: These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

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

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

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

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

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

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

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction.

At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognise deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

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

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

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

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Parent Company Only Financial Statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

1. Statement of Compliance

The accompanying Parent Company Only Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of Preparation

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

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

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

3. Foreign Currency Exchange

(1) Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Parent Company Only Financial Statements are presented in New Taiwan Dollars (NT\$), which is the Company’s functional currency.

(2) In preparing the Parent Company Only financial statements, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign

currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

(3) Translation of foreign operations

A. For all subsidiaries, associates and jointly controlled entities with their functional currencies differ from the reporting currency, their operating results and financial positions are translated into the reporting currency using the following methods :

- (A) Each asset and liability reported in the balance sheet is translated using the exchange rate on the balance sheet date.
- (B) Each income and expense reported in the statement of comprehensive income is translated using the average exchange rate in the current period.
- (C) All exchange differences generated due to translations are recognized as other comprehensive income.

B. When the partly disposed or sold foreign operations are associates or jointly controlled entities, the exchange differences are prorated and allocated to part of the sales gains or losses in the profit or loss. When the Company still retains part of equity interests in the associates or jointly controlled entities but already loses material influence in the foreign operations that are associates, or control over the jointly controlled entities, then all the equity interests are treated as disposal of the foreign operations.

C. When the partly disposed or sold foreign operations are subsidiaries, the accumulated exchange differences recognized as other comprehensive income or loss are prorated and allocated to the non-controlling interests of the foreign operations. When the Company still retains part of equity interests in the subsidiaries but already loses material influence in the subsidiaries, then all the equity interests are treated as disposal of the foreign operations.

4. Classification of Current and Noncurrent Assets and Liabilities

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

- A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- B. Assets held mainly for trading purposes;
- C. Assets that are expected to be realized within twelve months from the balance sheet date; or
- D. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Company classifies the assets that does not meet any of the above criteria as non-current.

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

- A. Liabilities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising mainly from trading activities;
- C. Liabilities that are to be paid off within twelve months from the balance sheet date;
- D. Liabilities for which the repayment date cannot be extended unconditionally to at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies the liabilities that does not meet any of the above criteria as non-current.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, and highly liquid investments (including time deposits with initial due dates within 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Financial instruments

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

Financial assets and financial liabilities are initially recognized at fair value. Upon initial recognition, except for financial assets and liabilities classified as measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition (or issuance) of financial assets (or financial liabilities) shall be added to (or deducted from) the fair value of the financial assets (or financial liabilities). The

transaction costs directly attributable to financial assets and liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

A. Measurement type

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

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

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

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

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

(B) Financial assets measured at amortized cost

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

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

After initial recognition of the various financial assets measured at cost, they are subsequently measured at amortized cost computed based on the total book value determined by effective interest method, less of

any impairment loss. Any foreign exchange gain or loss is recorded in profit or loss.

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

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

(C) Equity instrument investments measured at FVTOCI

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

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

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

B. Impairment of financial assets

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

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

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

C. Derecognition of financial assets

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

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

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

(2) Equity instrument

Debt and equity instruments issued by the Company are classified as financial liabilities or equity according to substance of the agreements and definition of

financial debt and equity instruments. An equity instrument refers to any contract(s) that represents the residual equity (assets minus all liabilities) of an enterprise. Equity instruments issued by the Company are recorded at the amount of acquisition proceeds, after deducting the direct issuance cost.

(3) Financial liabilities

A. Subsequent measurement

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

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

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

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

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

B. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(4) Modification of Financial Instruments

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

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

7. Inventories

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

the ordinary course of business, less the estimated cost of completion and cost to complete the sales.

8. Investments accounted for using equity method

- (1) Subsidiaries refer to entities (including structural entities) controlled by the Company. When the Company is exposed to variable returns or has the rights to the variable returns and has the ability, through such entity, to influence the returns, the Company is considered to have control over the entity. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- (2) The unrealized gains or losses from the transactions between the Company and its subsidiaries had been eliminated. Necessary adjustments had been made to the accounting policies of the subsidiaries in order to be consistent with the policies adopted by the Company.
- (3) The shares of profit or loss after acquisition of the subsidiaries are recognized in profit or loss in the current period, and the shares of other comprehensive income or loss are recorded in other comprehensive income or loss. If the recognized share of loss by the Company equals or exceeds the equity interest in the subsidiaries, the Company continues to recognize losses based on the shareholding ratios.
- (4) If the changes in shareholdings does not lead to loss of control (transaction with non-controlling interests), they are treated as equity transactions; that is, transactions with the owners. The differences between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received are recognized directly as equity.
- (5) When the Company loses control over its subsidiaries, the remaining investments in the former subsidiaries are re-measured at fair value, which becomes the fair value of the initially recognized financial assets or the cost of the initially recognized investments in associates or joint ventures, and the differences between the fair value and the book value are recognized in profit or loss in the current period. For all of the amounts that were previously recognized in other comprehensive income that re related to the subsidiaries, the accounting treatments are the same as if the Company directly disposes the related assets or liabilities. That is, if the previously recognized gains or losses as other comprehensive income or loss, upon disposal of the related assets or liabilities,

would be reclassified to profit or loss, then when the control over the subsidiaries is lost, the gains or losses would be reclassified from equity to profit or loss.

- (6) Associates refer to all entities over which the Company has influence but without control, generally refer to direct or indirect holding of 20% or more of the voting shares. Equity method is adopted for the investments in associates and are recognized at cost upon acquisition.
- (7) The share of profit or loss, after acquisition of the associates by the Company, is recognized in profit or loss in the current period, and the share of other comprehensive income or loss is recognized in other comprehensive income or loss. If the Company's share of loss from an associate equal or exceeds its interests in the associate (including any other unsecured receivables), the Company would not further recognize loss, unless the Company has legal obligation or constructive obligation to pay, or had made the payment on behalf of the associate.
- (8) The unrealized gains or losses generated from the transactions between the Company and the associates had been eliminated proportionate to the shareholding ratios in the associates; unless there is evidence showing that the transferred assets are impaired, the unrealized losses are also eliminated. Necessary adjustments had been made to the accounting policies of the associates had been, in order to be consistent with the policies adopted by the Company.
- (9) When an associate issue new shares, if the Company does not purchase or acquire new shares proportionately and leads to change in shareholding ratio but the Company still maintains material influence, the increase/decrease in the net equity amount is adjusted in "Additional paid-in capital" and "Investments accounted for using equity method". If the shareholding ratio reduces, in addition to the above adjustment, the previously recorded relating gains or losses in other comprehensive income or loss, where the gains or losses shall be reclassified to profit or loss upon disposal, are reclassified to profit or loss proportionate to the reduction.
- (10) If the Company losses material influence over the associate, the remaining investment in the original associate is remeasured at fair value, and the difference between the fair value and the book value is recorded in the current-period profit or loss.
- (11) When the Company disposes of the associates, if it losses material influence over the associates, for all of the amounts that were previously recognized in other comprehensive income that were related to the associates, the accounting

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

- (12) When the Company disposes of the associates, if it losses material influence over the associates, the Capital surplus related to the associates would be reclassified to profit or loss ; If the Company still has material influence over the associates, then reclassified to profit or loss proportionately according to the disposal ratio.
- (13) According to the rules under Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current-period profit or loss and other comprehensive income or loss in the Parent Only Financial Statements should be the same as the current-period profit or loss and other comprehensive income or loss allocated to the parent company in the financial statements prepared under consolidated basis, and the owners' interest in the Parent Only Financial Statements should be the same as the owners' interest allocated to the parent company in the financial statements prepared under consolidated basis.

9. Property, plant and equipment

- (1) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- (2) Subsequent costs are included in the assets carrying amount or Recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance are recognized in profit or loss as incurred.
- (3) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation

methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The useful lives of the various assets are as following :

Buildings	3 years~60 years
Machinery equipment	2 years~16 years
Transportation equipment	4 years~14 years
Miscellaneous equipment	3 years~10 years

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

10. Leases

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

(1) When the Company is a lessee

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

Right-of-use assets

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

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

Lease liabilities

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

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

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

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

(2) When the Company is a lessor

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

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

11. Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

12. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as interest expense. Provisions are not recognized for future operating losses.

13. Employee benefits

(1) Short-term employee benefits

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

(2) Pensions

A. Defined contribution plan

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

B. Defined benefit plan

(A) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current or prior period(s). The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the obligation.

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

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

(3) Employees compensation and directors and supervisors remuneration

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

(4) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the

termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

14. Share capital

Ordinary shares are classified as equity. The classification of special shares is based on assessment of the specified rights attached to the special shares against the substance of the contractual agreements and the definition of financial liabilities and equity. When the special shares show basic features of those of financial liabilities, then they are classified as liability, otherwise they are classified as equity. The incremental costs directly attributed to the issuance of new shares or subscription rights are listed as deduction item(s) in equity.

15. Share-based payments

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

16. Income tax

- (1) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- (2) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in

accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- (3) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Parent Company Only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- (4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- (5) Current income tax assets and liabilities are offset against each other and the Allowance for impairment loss reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- (6) A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, personnel training and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

17. Revenue recognition

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

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

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

A. Sale of goods

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

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

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

B. Construction revenue

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

liabilities, and the Company records the funds as contract assets before fulfillment of the contracts.

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

18. Borrowing cost

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

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

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

19. Derivative financial instruments and hedge accounting

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

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

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

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

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

20. Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received.

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

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

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

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

Critical accounting judgements, estimations, and assumptions adopted in developing the accounting policies when the Company prepares these Parent Company Only Financial Statements are as following :

1. Critical judgements adopted by the accounting policies

(1) Business model determination for classification of financial assets

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

(2) Revenue recognition

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

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

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

- B. The Company controls the rights to the services provided by another party and has the ability to direct the party to provide the services to the customers on behalf of the Company ; or
- C. The Company obtains control over the goods or services from another party, combining with other goods or services, to provide specified goods or services to the customers.

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

- (A) The Company bears the main responsibility for the commitment to provide the specified goods or services.
- (B) The Company bears the risk of the inventories before and after the goods or services are transferred to the customers.
- (C) The Company has the discretionary power to determine the price.

(3) Lease period

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

2. Critical accounting estimates and assumptions

(1) Revenue recognition

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

(2) Estimated impairment on financial assets

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

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

(3) Fair value measurement and evaluation procedures

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

(4) Impairment assessment of tangible and intangible asset

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

(5) Impairment assessment on investments under equity method

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

(6) Realizability of deferred income tax assets

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

expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred income tax assets.

(7) Valuation of inventories

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

(8) Net defined benefit pension plan assets

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

(9) Incremental borrowing interest rate of lessee

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

VI. Description of Significant Accounting Items

1. Cash and cash equivalents

Item	December 31, 2022	December 31, 2021
Cash and petty cash	\$ 1, 680	\$ 1, 490
Checking account	111, 470	66, 922
Demand deposits	18, 715	34, 666
Foreign currency deposits	13, 327	1, 395
Cash equivalents		
Notes receivables	29, 891	–
Total	<u>\$ 175, 083</u>	<u>\$ 104, 473</u>

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

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

2. Financial assets measured at FVTPL – current

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

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

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

3. Financial assets for hedging - current

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

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

hedging ratio and control the exchange rates within the Company's tolerable scope.

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

A. December 31, 2022 :

Hedging instrument	December 31, 2022				Year of 2022	
	Nominal amount (dollar)	Book value of assets	Book value of liabilities	Record changes in fair-value of ineffective hedging basis	Average price or rate	Valuation gain or loss on FVTPL financial assets/liabilities due to ineffective hedging
Fair-value hedging :						
Exchange risk					\$20. 645~	
Forward exchange transaction	AUD 5, 920, 200	\$ 2, 154	\$ -	\$ -	\$20. 753	\$ -

Hedged item	Book value of assets	Accumulated adjustments on book of assets due to fair-value hedging	Book value of liabilities	Accumulated adjustments on book of liabilities due to fair-value hedging	Record changes in fair-value of ineffective hedging basis	Profit or loss recorded due to ineffective hedging
Fair-value hedging :						
Exchange risk						
Forward exchange transaction	\$ -	\$ -	\$2, 154(Note)	\$2, 154	\$ -	\$ -

Note : Recorded as other current liabilities.

B. December 31, 2021 : None.

4. Notes receivable, net

Item	December 31, 2022	December 31, 2021
Measured at amortized costs		
Notes receivable	\$ 907, 475	\$ 1, 418, 133
Less : Allowance for losses	(9, 076)	(14, 181)
Notes receivable, net	\$ 898, 399	\$ 1, 403, 952

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

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

5. Accounts receivable, net

Item	December 31, 2022	December 31, 2021
Measured at amortized costs		
Accounts receivable	\$ 1, 204, 589	\$ 1, 707, 454
Construction accounts receivable	1, 349, 798	1, 220, 591
Accounts receivable - related parties	901	2, 969
Construction accounts receivable - related parties	44, 675	–
Less : Allowance for losses	(26, 170)	(29, 280)
Accounts receivable, net	<u>\$ 2, 573, 793</u>	<u>\$ 2, 901, 734</u>

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

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

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

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

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

December 31, 2022	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%–1%	\$3, 507, 438	\$ 35, 246	\$3, 472, 192
Overdue 1~30 days (Note)	0%–1%	–	–	–
Overdue 31~180 days (Note)	0%–1%	–	–	–
Overdue 181~365 days and over (Note)	100%	34, 355	34, 355	–
		<u>\$3, 541, 793</u>	<u>\$ 69, 601</u>	<u>\$3, 472, 192</u>

December 31, 2021	Expected credit loss rate	Total book value	Loss allowance (Expected credit loss in existing period)	Amortized cost
Not overdue	0%~1%	\$4,349,147	\$ 43,461	\$4,305,686
Overdue 1~30 days (Note)	0%~1%	–	–	–
Overdue 31~180 days (Note)	0%~1%	–	–	–
Overdue 181~365 days and over (Note)	100%	34,979	34,979	–
		<u>\$4,384,126</u>	<u>\$ 78,440</u>	<u>\$4,305,686</u>

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

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

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

Item	Year of 2022	Year of 2021
Beginning balance	\$ 78,440	\$ 65,712
Plus : Recognize impairment loss	–	14,361
Less : Reversal of impairment loss	(8,322)	–
Less : Write-offs	–	–
Less : Reversed for uncollectible accounts	(517)	(1,633)
Foreign exchange amount	–	–
Ending balance	<u>\$ 69,601</u>	<u>\$ 78,440</u>

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

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

6. Inventories and cost of goods sold

	December 31, 2022	December 31, 2021
Finished goods	\$ 441,581	\$ 558,623
Work in progress	63,301	52,475
Raw materials	2,856,246	3,760,686
Supplies	8,331	8,536
Inventory in transit	14,544	33,068
Total	<u>\$ 3,384,003</u>	<u>\$ 4,413,388</u>

(1) Operating cost :

Item	Year of 2022	Year of 2021
Cost of sold inventories	\$ 11, 073, 011	\$ 11, 801, 330
Construction cost	7, 282, 068	6, 204, 593
Processing cost	104, 183	109, 327
Loss (gain) for market price decline (recovery) of inventories	46, 113	37, 958
Gain on inventory counts	(197)	2
Income from sale of scraps	(114, 088)	(116, 057)
Total operating costs	<u>\$ 18, 391, 090</u>	<u>\$ 18, 037, 153</u>

(2) The Company either reduces the book value of its inventories to their net realizable value, or records gains due to price recovery of inventories and consumption of stock. In the years of 2022 and 2021, the Company recorded NT\$46,113 thousand and NT\$37,958 thousands of loss for market price decline (gain from price recovery) of inventories, respectively.

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

7. Other financial assets - current

Item	December 31, 2022	December 31, 2021
Time deposits over 3 months	\$ 704	\$ 14, 544
Funds repatriated under the Repatriated Offshore Funds Act	88, 445	79, 718
Restricted time deposits	5, 253	14, 461
Court deposits for false sequestration or provisional injunction of court	970	970
Total	<u>\$ 95, 372</u>	<u>\$ 109, 693</u>

(1) For the restricted and pledged time deposits and receivable court deposits for false sequestration or provisional injunction, please refer to Note VIII.

(2) Since the Company's time deposits with original maturity date over three months do not meet the definition of cash equivalents, these time deposits are classified under Other financial assets – current and, due to immaterial discount effects from short holding period, measured at investment amount. As of December 31, 2022 and 2021, the range of market interest rates for time deposits with original maturity date over three months was 0.815%~3.95% and 0.80%~0.82%, respectively.

8. Financial assets at fair value through other comprehensive income - noncurrent

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Noncurrent items :		
Equity instruments		
Domestic investments		
Listed stocks		
Clientron Corp.	\$ 218	\$ 324
TBI Motion Technology Co., Ltd.	3, 645	4, 995
China Ecotek Corporation	128, 155	119, 481
Newmax Technology Co., Ltd.	1, 208	1, 712
Subtotal	<u>133, 226</u>	<u>126, 512</u>
Unlisted stocks		
Wabo Global Trading Corporation	6, 445	7, 654
Tech Alliance Corp.	–	1, 915
Pro-Ascentek Investment Corporation	53, 754	61, 096
Subtotal	<u>60, 199</u>	<u>70, 665</u>
Foreign investments		
Unlisted stocks		
Chung Mao Trading (BVI) Corporation	–	1, 275
China Steel and Nippon Steel Vietnam Joint Stock Company		
Shenzhen Zongmao International Trading Co., Ltd.	2, 489	4, 385
Subtotal	<u>298, 941</u>	<u>310, 594</u>
Total	<u>\$ 492, 366</u>	<u>\$ 507, 771</u>

- (1) The Company makes the above stock investments based on medium-to-long term strategic purposes and expects to earn profits through long-term investments. Since the management of the Company considers that, if short-term fluctuations in fair value of such investments are recorded in profit or loss, it will be inconsistent with the aforementioned long-term investment planning. Therefore, the Company had chosen to designate such investments as measured at FVTOCI.
- (2) As of December 31, 2022 and 2021, the Company did not pledge any of its FVTOCI financial assets.
- (3) For the related credit risk management and evaluation methods, please refer to Note XII.

9. Investments accounted for using equity method

Investees	December 31, 2022	December 31, 2021
Subsidiaries:		
Chun Yuan Investment (Singapore) Pte Ltd.	\$ 2, 668, 933	\$ 2, 705, 115
Individually immaterial associates	564, 256	519, 584
Total	<u>\$ 3, 233, 189</u>	<u>\$ 3, 224, 699</u>

(1) Subsidiaries :

- A. Regarding information on the Company's subsidiaries, please refer to Note IV-3(2) of the Company's 2022 consolidated financial statements.
- B. The Company's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.

(2) Associates :

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

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

- B. The Company's shares of profit (loss) and other comprehensive income (loss) of its investments accounted for using equity method are computed using the financial statements audited by certified public accountants.
- C. In years of 2022 and 2021, the cash dividends that the Company received from the associates accounted for using equity method were NT\$33,791 thousand and NT\$19,786 thousand.

10. Property, plant and equipment

	December 31, 2022	December 31, 2021
Self-use	\$ 4, 493, 460	\$ 4, 466, 825
Rent out as operating lease	356, 563	364, 071
Total	<u>\$ 4, 850, 023</u>	<u>\$ 4, 830, 896</u>

- (1) Regarding amount of capitalized interests, please refer to Note VI-24.
- (2) After the Company performed impairment assessment, as of December 31, 2022 and 2021, there was no sign of impairment.
- (3) The Company does not pledge any of its property, plant and equipment.

Self-use

Item	December 31, 2022	December 31, 2021
Land (Note)	\$ 2, 794, 911	\$ 2, 794, 882
Buildings	1, 809, 834	1, 590, 871
Machinery equipment	3, 042, 508	3, 000, 185
Other equipment	538, 651	540, 363
Unfinished construction or equipment pending for inspection	514, 949	594, 875
Total cost	8, 700, 853	8, 521, 176
Less : Accumulated depreciation	(4, 196, 368)	(4, 043, 326)
Less : Accumulated impairment	(11, 025)	(11, 025)
Total	\$ 4, 493, 460	\$ 4, 466, 825

Note : Including land improvements.

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
Cost						
2022.01.01 balance	\$2, 794, 882	\$1, 590, 871	\$3, 000, 185	\$540, 363	\$594, 875	\$8, 521, 176
Addition	29	3, 145	7, 177	6, 190	156, 577	173, 118
Disposal	-	(105)	(6, 089)	(15, 679)	-	(21, 873)
Reclassify	-	215, 923	41, 235	7, 777	(236, 503)	28, 432
2022.12.31 balance	\$2, 794, 911	\$1, 809, 834	\$3, 042, 508	\$538, 651	\$514, 949	\$8, 700, 853
Accumulated depreciation and impairment						
2022.01.01 balance	\$ 24, 184	\$1, 220, 778	\$2, 346, 405	\$462, 984	\$ -	\$4, 054, 351
Depreciation expense	42	38, 528	115, 861	20, 456	-	174, 887
Disposal	-	(105)	(6, 083)	(15, 657)	-	(21, 845)
2022.12.31 balance	\$ 24, 226	\$1, 259, 201	\$2, 456, 183	\$467, 783	\$ -	\$4, 207, 393

	Land	Buildings	Machinery equipment	Other equipment	Unfinished construction or equipment pending for inspection	Total
<u>Cost</u>						
2021.01.01 balance	\$2,664,975	\$1,546,649	\$2,865,759	\$511,565	\$ 525,956	\$8,114,904
Addition	–	–	15,547	30,678	328,224	374,449
Transferred to assets rented out as operating lease	(7,626)	(34,973)	(10,788)	–	–	(53,387)
Disposal	–	–	(32,721)	(7,488)	–	(40,209)
Reclassify	137,533	79,195	162,388	5,608	(259,305)	125,419
2021.12.31 balance	<u>\$2,794,882</u>	<u>\$1,590,871</u>	<u>\$3,000,185</u>	<u>\$540,363</u>	<u>\$ 594,875</u>	<u>\$8,521,176</u>
<u>Accumulated depreciation and impairment</u>						
2021.01.01 balance	\$ 22,539	\$1,189,648	\$2,269,222	\$450,982	\$ –	\$3,932,391
Depreciation expense	1,645	35,468	110,805	19,458	–	167,376
Disposal	–	–	(32,484)	(7,456)	–	(39,940)
Transferred to assets rented out as operating lease	–	(4,336)	(1,140)	–	–	(5,476)
2021.12.31 balance	<u>\$ 24,184</u>	<u>\$1,220,780</u>	<u>\$2,346,403</u>	<u>\$462,984</u>	<u>\$ –</u>	<u>\$4,054,351</u>

Assets rented out as operating lease

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

	Land	Buildings	Machinery equipment	Total
<u>Cost</u>				
2022.01.01 balance	\$ 306,034	\$ 379,456	\$ 95,342	\$ 780,832
Addition	–	–	–	–
Disposal	–	–	–	–
From self-use assets	–	–	–	–
2022.12.31 balance	<u>\$ 306,034</u>	<u>\$ 379,456</u>	<u>\$ 95,342</u>	<u>\$ 780,832</u>
<u>Accumulated depreciation and impairment</u>				
2022.01.01 balance	–	331,072	85,689	416,761
Depreciation expense	–	6,667	841	7,508
Disposal	–	–	–	–
From self-use assets	–	–	–	–
2022.12.31 balance	<u>\$ –</u>	<u>\$ 337,739</u>	<u>\$ 86,530</u>	<u>\$ 424,269</u>

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

The Company rents out land, offices and factories, with leasing periods from 1~3 years. All operating lease contracts include clauses that, when lessees exercise the lease-renewal rights, the rents are adjusted according to market rates. When the lease periods are ended, the lessees do not have bargain purchase option toward the assets. The total lease receivable amounts for the property, plant and equipment rented out as operating leases in the future are as below :

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

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

11. Leases

(1) Right-of-use assets

Item	December 31, 2022	December 31, 2021
Land	\$ 4,561	\$ –
Buildings	38,940	38,084
Transportation equipment	3,553	3,467
Total cost	47,054	41,551
Less: Accumulated depreciation	(21,125)	(15,048)
Less: Accumulated impairment	–	–
Net amount	<u>\$ 25,929</u>	<u>\$ 26,503</u>

Cost	Land	Buildings	Transportation equipment	Total
2022.01.01 balance	\$ -	\$ 38,084	\$ 3,467	\$ 41,551
Increase in this period	4,561	6,440	3,553	14,554
Decrease in this period	-	(5,584)	(3,467)	(9,051)
2022.12.31 balance	<u>\$ 4,561</u>	<u>\$ 38,940</u>	<u>\$ 3,553</u>	<u>\$ 47,054</u>
Accumulated depreciation and impairment				
2022.01.01 balance	\$ -	\$ 12,592	\$ 2,456	\$ 15,048
Depreciation expense	760	12,932	1,436	15,128
Written off in this period	-	(5,584)	(3,467)	(9,051)
2022.12.31 balance	<u>\$ 760</u>	<u>\$ 19,940</u>	<u>\$ 425</u>	<u>\$ 21,125</u>

Cost	Land	Buildings	Transportation equipment	Total
2021.1.1 balance	\$ 937	\$ 40,090	\$ 3,467	\$ 44,494
Increase in this period	-	13,639	-	13,639
Decrease in this period	(937)	(15,645)	-	(16,582)
2021.12.31 balance	<u>\$ -</u>	<u>\$ 38,084</u>	<u>\$ 3,467</u>	<u>\$ 41,551</u>
Accumulated depreciation and impairment				
2021.1.1 balance	\$ 345	\$ 11,722	\$ 722	\$ 12,789
Depreciation expense	592	14,082	1,734	16,408
Written off in this period	(937)	(13,212)	-	(14,149)
2021.12.31 balance	<u>\$ -</u>	<u>\$ 12,592</u>	<u>\$ 2,456</u>	<u>\$ 15,048</u>

(2) Lease liabilities

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

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

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

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

(3) Material leasing activities and terms

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

(4) Other lease information

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

B. Related lease expense information in 2022 and 2021 :

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

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

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

12. Short-term borrowings

Nature of borrowing	December 31, 2022	
	Amount	Interest rate
Credit loan	\$ 3, 166, 000	1. 194%~1. 85%
Loan for purchasing materials	921, 735	1. 35%~6. 2474%
Total	\$ 4, 087, 735	

Nature of borrowing	December 31, 2021	
	Amount	Interest rate
Credit loan	\$ 3, 929, 000	0. 522%~0. 85%
Loan for purchasing materials	632, 383	0. 6356%~0. 98%
Total	\$ 4, 561, 383	

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

13. Short-term notes payable

Item	December 31, 2022	December 31, 2021
Commercial papers payable	\$ 1, 067, 000	\$ 1, 429, 000
Less : Un-amortized discount	(411)	(122)
Net amount	\$ 1, 066, 589	\$ 1, 428, 878
Range of interest rates	1. 232%~1. 72%	0. 252%~0. 65%

The commercial papers payable were issued with guarantee by financial security companies, and credit-line promissory noted were provided as commitments to repay the loans. Please refer to Note IX for details.

14. Provisions - current

Item	December 31, 2022	December 31, 2021
Employee benefits	\$ 37, 890	\$ 36, 924

Item	Year of 2022	Year of 2021
Beginning balance	\$ 36, 924	\$ 36, 562
Accrued in this period	37, 890	36, 924
Reversed in this period	(36, 924)	(36, 562)
Ending balance	\$ 37, 890	\$ 36, 924

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

15. Long-term borrowings and long-term liabilities due within 1 year or 1 operating cycle

Item	December 31, 2022	December 31, 2021
Un-secured bank loans	\$ 518, 750	\$ 137, 500
Less : Due within 1 year	(125, 000)	(50, 000)
Long-term borrowings	\$ 393, 750	\$ 87, 500
Range of interest rates	1. 34%~1. 51%	0. 98%

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

16 Pensions

(1) Defined contribution plan

A. The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Pursuant to the plan, the Company makes monthly

contributions equal to 6% of each individual employee's salary or wage to employees' pension accounts.

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

(2) Defined benefit plan

- A. The Company have a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The pension fund is managed by the government's designated authorities and the Company has no right to influence their investment strategies.
- B. Amounts recognized in the balance sheet for obligations from defined benefit plan are as follows :

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

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

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

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

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

(A) Investment risk

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

(B) Interest rate risk

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

(C) Salary risk

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

E. The main actuarial assumptions used were as follows :

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

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

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

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

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

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

17 Share capital - common shares

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

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

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

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

18. Capital surplus

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

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

19. Retained earnings and dividend policy

(1) According to the Company's corporate charter regarding earnings-distribution policies, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve based the amount of stockholders' equity deduction item in the current year. After deducting various reserve items, the remainder, if any, then either to be combined with accumulated earnings from prior years or to be appropriated, shall be proposed by the board of directors and resolved by the stockholders at the stockholders' meeting.

(2) Dividend policy :

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

(3) Except for being used to offset losses or for dividend distribution according to shareholding ratios, legal reserve shall not be used. However, the amount for dividend distribution (including used for issuing new shares or distribution in

cash) from legal reserve is limited to the portion of legal reserve that is over 25% of the total received capital.

(4) Special reserve

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

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

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

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

Item	Appropriation of Earnings		Dividends Per Share (NT\$)	
	Year of 2021	Year of 2020	Year of 2021	Year of 2020
Legal reserve	\$ 122, 941	\$ 51, 290		
Cash dividends – common shares	841, 952	388, 593	\$1. 30	\$ 0. 60
Total	<u>\$ 964, 893</u>	<u>\$ 439, 883</u>		

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

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 61, 626	
Cash dividends – common shares	388, 593	\$ 0. 60
Total	<u>\$ 450, 219</u>	

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

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

20. Other equity

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

Item	Exchange differences from translation of foreign operations	Unrealized valuation (loss) gain on FVTOCI financial assets	Total
2021.01.01 balance	(\$ 260, 235)	(\$ 160, 624)	(\$ 420, 859)
Exchange differences generated from translation of foreign operations - parent company	(15, 877)	-	(15, 877)
Unrealized valuation (loss) gain on FVTOCI financial assets	-	60, 737	60, 737
Disposal of equity instruments measured at FVTOCI	-	(5, 361)	(5, 361)
Share of profits of subsidiaries, associates, and joint ventures under equity method	(12)	5, 554	5, 542
2021.12.31 balance	<u>(\$ 276, 124)</u>	<u>(\$ 99, 694)</u>	<u>(\$ 375, 818)</u>

21. Operating revenue

Item	Year of 2022	Year of 2021
Revenue from contracts with customers		
Sales revenue	\$ 11, 762, 081	\$ 13, 300, 477
Revenue from construction contracts	7, 785, 724	6, 505, 918
Total revenue from contracts with customers	<u>\$ 19, 547, 805</u>	<u>\$ 19, 806, 395</u>

(1) Sales revenue

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

(2) Revenue from construction contracts

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

(3) Breakdown of revenue from contracts with customers

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

Year of 2022 :

Major product lines and geographical area	Steel	Construction	Total
Major market area			
Taiwan	\$11,065,950	\$ 7,785,724	\$18,851,674
Asia	696,131	–	696,131
Total	<u>\$11,762,081</u>	<u>\$ 7,785,724</u>	<u>\$19,547,805</u>
Timing for recording revenue			
Contract obligation fulfilled at a point of time	\$11,762,081	\$ –	\$11,762,081
Contract obligation fulfilled along with time	–	7,785,724	7,785,724
Total	<u>\$11,762,081</u>	<u>\$ 7,785,724</u>	<u>\$19,547,805</u>

Year of 2021 :

Major product lines and geographical area	Steel	Construction	Total
Major market area			
Taiwan	\$12,672,223	\$ 6,505,918	\$19,178,141
Asia	628,254	–	628,254
Total	<u>\$13,300,477</u>	<u>\$ 6,505,918</u>	<u>\$19,806,395</u>

Timing for recording revenue			
Contract obligation fulfilled at a point of time	\$13,300,477	\$ –	\$13,300,477
Contract obligation fulfilled along with time	–	6,505,918	6,505,918
Total	<u>\$13,300,477</u>	<u>\$ 6,505,918</u>	<u>\$19,806,395</u>

(4) Contract balance

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

Item	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (including related parties)	<u>\$ 898,399</u>	<u>\$ 1,403,952</u>	<u>\$ 840,777</u>
Accounts receivable (including related parties)	<u>\$ 2,573,793</u>	<u>\$ 2,901,734</u>	<u>\$ 2,286,490</u>

Item	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets - current			
Construction contracts	<u>\$ 3,388,523</u>	<u>\$ 2,750,072</u>	<u>\$ 2,383,549</u>
Contract liabilities - current			
Construction contracts	<u>\$ 363,632</u>	<u>\$ 584,599</u>	<u>\$ 213,011</u>
Sale of merchandise	<u>\$ 27,320</u>	<u>\$ 20,402</u>	<u>\$ 4,081</u>

(5) Changes in contract assets and contract liabilities

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

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

(6) Revenue recorded from beginning contract liabilities

	Year of 2022	Year of 2021
Beginning balance of contract liabilities		
Revenue recorded		
Sale of merchandise	\$ 20,338	\$ 4,081
Construction contract	\$ 584,599	\$ 213,011

(7) Unfulfilled customer contracts

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

22. Other income

Item	Year of 2022	Year of 2021
Rental income	\$ 57,846	\$ 57,154
Royalty income	16,730	16,137
Dividend income	20,143	8,115
Commission income	23,801	16,043
Other	47,869	39,046
Total	\$ 166,389	\$ 136,495

23. Other gains and losses

Item	Year of 2022	Year of 2021
Net gain (loss) from FVTPL financial assets	(\$ 22,288)	\$ 42,015
Net foreign exchange gain (loss)	5,949	9,224
Gain on disposal of property, plant and equipment	2,322	3,109
Gain on disposal of investments	–	3,809
Other losses	(5,867)	(9,258)
Total	(\$ 19,884)	\$ 48,899

24. Finance costs

Item	Year of 2022	Year of 2021
Interest expense :		
Bank loans	\$ 70,864	\$ 37,000
Interests from lease liabilities	211	227
Less : Capitalized assets	(9,432)	(8,149)
Finance costs	<u>\$ 61,643</u>	<u>\$ 29,078</u>

25. Employee benefits, depreciation and amortization expense

By nature	Year of 2022		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary	\$ 667,784	\$ 274,976	\$ 942,760
Labor and health insurance	78,937	29,024	107,961
Pension	25,663	9,585	35,248
Directors' compensation	–	7,928	7,928
Other employee benefits	49,927	36,153	86,080
Depreciation expense	178,636	18,887	197,523
Amortization expense	5,354	3,178	8,532
Total	<u>\$ 1,006,301</u>	<u>\$ 379,731</u>	<u>\$ 1,386,032</u>

By nature	Year of 2021		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary	\$ 666,025	\$ 369,971	\$ 1,035,996
Labor and health insurance	78,531	27,872	106,403
Pension	26,411	10,041	36,452
Directors' compensation	–	15,124	15,124
Other employee benefits	48,601	20,162	68,763
Depreciation expense	173,218	18,989	192,207
Amortization expense	2,162	2,452	4,614
Total	<u>\$ 994,948</u>	<u>\$ 464,611</u>	<u>\$ 1,459,559</u>

- (1) Additional information on 2022 and 2021 number of employees and employees benefits :

	Year of 2022	Year of 2021
Number of employees	1,483	1,511
Directors who do not hold posts as employees	10	10
Average employee benefits	790	826
Average salary expense	636	686
Adjustment in average salary	-7.29%	11.73%

- (2) Based on the earning before tax and before subtracting compensation to employees and directors, the Company shall allocate not higher than 2% as employees compensation and shall allocate not higher than 1% of annual profits as directors remuneration. In 2022 and 2021, the accrued employees compensation / directors remuneration were NT\$15,855 thousand / NT\$30,247 thousand and NT\$7,928 thousand / NT\$15,124 thousand, respectively, which were accrued based on the aforementioned 2% and 1% of earning before tax. If subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.
- (3) In 2022 and 2021, the board of directors of the Company passed the 2021 and 2020 employees compensation and directors remuneration, and the related amounts recorded in the financial statements :

	Year of 2022		Year of 2021	
	Employees compensation	Directors remuneration	Employees compensation	Directors remuneration
Resolved distribution amount	\$ 15,855	\$ 7,928	\$ 30,247	\$ 15,124
Recorded in annual financial statements	15,855	7,928	30,247	15,124
Difference amount	\$ -	\$ -	\$ -	\$ -

- (4) Information on employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors is available from the Market Observation Post System at the website of the TWSE.
- (5) The Company's payroll compensation policies (including directors, supervisors, managers and employees)

A. Principle for payments to general directors and independent directors

The policies for compensation to the payments to ordinary directors and independent directors paid by the Company are stated in the Company's corporate charter and were passed by the Board of Directors. When the directors of the Company carry out their duties, except for traveling expenses according to Article 19 of the corporate charter, their compensation are determined by referencing to the domestic and overseas business standards by the Board of Directors. If the Company has annual profit, then distribute compensation according Article 22 of the Company's corporate charter.

B. Principle for payments to general manager and deputy general manager(s)

The payroll compensation payable to the Company's general manager and deputy general manager(s) include salary, bonus and employees compensation. The Company's policies for proper payroll compensation payments are determined according to their major responsibilities of the duties assumed in the Company, by referencing to peer standards in the industry, by evaluation on the degrees of achieving the goals and contribution, and the annual performance of the Company. The compensation should be sufficient to reflect the responsibilities and risks assumed.

C. Relationship between operating performance and future risks

In the payroll compensation structure, since the bonus and earnings distribution items would vary with the Company's annual operating performance, referencing to the payment standards in the industry, and consideration on changes in the overall economic environment. Therefore, for the compensation paid to the directors, general manager and deputy general managers, the Company had taken into account the positive relationship between the operating performance and future risks to seek for balance between sustainable operation and risk control.

D. Employees payroll policy

The payroll compensation payable to the Company's employees include salary, bonus and employees compensation. The Company's policies for salary and bonus payments are determined according to education degree, work experience, assumed posts in the Company, personal performance and contribution, the Company's annual operating performance, etc. Market payroll standards are also referenced regularly to provide payroll policies that are competitive in the market, while also maintaining equality and motivating payroll policy within the Company.

26. Income tax

(1) Income tax expense :

Item	Year of 2022	Year of 2021
<u>Current-period income tax</u>		
Income tax generated from current-period income	\$ 145,019	\$ 235,650
Deferred income tax related to income tax credits	–	–
Deduction of income tax in Mainland China	(12,834)	
Applicable under the Repatriated Offshore Funds Act	–	8,856
Additional income tax on unappropriated earnings (10 %)	8,052	–
Adjustments in respect of prior years	(1,051)	(2,677)
Total current-period income tax	139,186	241,829
<u>Deferred income tax</u>		
Initially generated or reversal of temporary differences	16,569	4,556
Deferred income tax expense	16,569	4,556
Income tax expense (benefit)	\$ 155,755	\$ 246,385

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

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

Item	Year of 2022	Year of 2021
Income before tax	\$ 768,973	\$1,467,003
Income tax expense at the statutory tax rate	\$ 153,795	\$ 293,401
Income tax affected by adjustment items:		
Effects from items not included when computing income tax		
Net investment loss (income) under equity method	(18,519)	(44,435)
Valuation loss (gain) on financial assets	4,457	(8,403)
Loss on expected credit impairment	19	479
Tax-exempt income	(3,881)	(2,385)
Investment loss	(472)	1,072
Other adjustments	9,619	(4,079)
Adjustments in respect of prior years	(1,051)	(2,677)
Deduction of income tax in Mainland China	(12,833)	–
Additional income tax on unappropriated earnings (10 %)	8,052	–
Applicable under the Repatriated Offshore Funds Act	–	8,856
Net changes in deferred income tax	16,569	4,556
Income tax expense recognized in profit or loss	\$ 155,755	\$ 246,385

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

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

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

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

Item	Year of 2022				
	Beginning balance	Recorded in profit or loss	Recorded in Other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Estimated engineering cost exceeding amount in the contract	\$ 91,617	(\$ 4,258)	\$ -	\$ -	\$ 87,359
Defined benefit liability, net	14,162	(9,705)	-	-	4,457
Unused paid leaves	7,385	193	-	-	7,578
Other	2,285	-	-	-	2,285
Subtotal	115,449	(13,770)	-	-	101,679
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(373)	(2,799)	-	-	(3,172)
Reserve for unrealized land value increment	(808,969)	-	-	-	(808,969)
Subtotal	(809,342)	(2,799)	-	-	(812,141)
Total	(\$ 693,893)	(\$ 16,569)	\$ -	\$ -	(\$ 710,462)

Item	Year of 2021				
	Beginning balance	Recorded in profit or loss	Recorded in Other comprehensive income (loss)	Exchange effects	Ending balance
Deferred income tax assets:					
Temporary differences					
Estimated engineering cost exceeding amount in the contract	\$ 95,713	(\$ 4,096)	\$ –	\$ –	\$ 91,617
Defined benefit liability, net	14,837	(675)	–	–	14,162
Unused paid leaves	7,312	73	–	–	7,385
Other	2,811	(526)	–	–	2,285
Subtotal	120,673	(5,224)	–	–	115,449
Deferred income tax liabilities					
Temporary differences					
Unrealized exchange gain	(515)	142	–	–	(373)
Reserve for unrealized land value increment	(808,969)	–	–	–	(808,969)
Other	(526)	526	–	–	–
Subtotal	(810,010)	668	–	–	(809,342)
Total	(\$ 689,337)	(\$ 4,556)	\$ –	\$ –	(\$ 693,893)

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

(6) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(7) The 2021 corporate income tax had been filed within deadline and is currently under review by the Tax Authority.

27. Other comprehensive income or loss

Item	Year of 2022		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit liability	\$ 61,555	\$ –	\$ 61,555
Unrealized valuation gain (loss) on FVTOCI financial assets	(12,614)	–	(12,614)
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Remeasurements of defined benefit liability	1,763	–	1,763
Unrealized valuation gain (loss) on FVTOCI financial assets	(192)	–	(192)
Subtotal	50,512	–	50,512
Items that may be subsequently reclassified to profit or loss :			
Exchange difference on translation of foreign financial statements	50,761	–	50,761
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Exchange difference on translation of foreign financial statements	20	–	20
Subtotal	50,781	–	50,781
Recorded in other comprehensive income (loss)	\$101,293	\$ –	\$101,293
Item	Year of 2021		
	Before tax	Income tax (expense) benefit	Net amount after tax
Items that will not be reclassified subsequently to profit or loss :			
Remeasurements of defined benefit liability	\$ 3,039	\$ –	\$ 3,039
Unrealized valuation (loss) gain on FVTOCI financial assets	60,737	–	60,737
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Remeasurements of defined benefit liability	396	–	396
Unrealized valuation (loss) gain on FVTOCI financial assets	5,554	–	5,554
Subtotal	69,726	–	69,726
Items that may be subsequently reclassified into profit or loss :			
Exchange differences on translation of foreign financial statements	(15,877)	–	(15,877)
Share of profits of subsidiaries, associates, and joint ventures under equity method :			
Exchange differences on translation of foreign financial statements	(12)	–	(12)
Subtotal	(15,889)	–	(15,889)
Recorded in other comprehensive income (loss)	\$ 53,837	\$ –	\$ 53,837

28. Earnings per share

	Year of 2022	Year of 2021
A. Basic earnings per share :		
Net income in the current period (A)	\$ 613, 218	\$1, 220, 618
Weighted-average outstanding number of shares (thousands) in the current period	647, 655	647, 655
Weighted-average outstanding number of shares (thousands) after retrospective adjustment (B)	647, 655	647, 655
Basic earnings per share (after tax) (NTD) (A)/(B)	\$ 0. 95	\$ 1. 88
B. Diluted earnings per share :		
Net income in the current period (C)	\$ 613, 218	\$1, 220, 618
Weighted-average outstanding number of shares (thousands) in the current period	647, 655	647, 655
Effects from employees compensation	994	1, 246
Weighted-average outstanding shares for computing diluted earnings per share (thousand shares) (D)	648, 649	648, 901
Diluted earnings per share (after tax) (NTD) (C)/(D)	\$ 0. 95	\$ 1. 88

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

29. Reconciliation of liabilities from financing activities

Item	January 1, 2022	Cash flow	Non-cash movements Other non-cash movements	December 31, 2022
Short-term borrowings	\$ 4, 561, 383	(\$ 473, 648)	\$ -	\$ 4, 087, 735
Short-term notes payable	1, 428, 878	(362, 000)	(289)	1, 066, 589
Long-term borrowings (including borrowings due within 1 year)	137, 500	381, 250	-	518, 750
Guarantee deposits received	13, 892	(150)	-	13, 742
Lease liabilities	26, 620	(15, 303)	14, 765	26, 082
Total liabilities from financing activities	\$ 6, 168, 273	(\$ 469, 851)	\$ 14, 476	\$ 5, 712, 898

Item	January 1, 2021	Cash flow	Non-cash movements	
			Other non-cash movements	December 31, 2021
Short-term borrowings	\$ 2,885,309	\$ 1,676,074	\$ –	\$ 4,561,383
Short-term notes payable	741,855	687,000	23	1,428,878
Long-term borrowings (including borrowings due within 1 year)	–	137,500	–	137,500
Guarantee deposits received	12,187	1,705	–	13,892
Lease liabilities	31,790	(16,602)	11,432	26,620
Total liabilities from financing activities	\$ 3,671,141	\$ 2,485,677	\$ 11,455	\$ 6,168,273

30. Disposal of subsidiary - Xiamen Chun Yuan

On December 8, 2020, the Group's extraordinary board of directors' meeting passed a resolution to transfer its indirectly-invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd., with the transfer registration been completed in November 2022, and the Company lost control over the subsidiary.

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

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

(2) Gain or loss from disposal of subsidiary

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

(3) Net cash flows from disposal of subsidiary

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

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

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

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

Item	Amount
Current assets	
Cash and cash equivalents	\$ 218,217
Net assets disposed	<u>\$ 218,217</u>

(2) Gain or loss from disposal of subsidiary

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

(3) Net cash flows from disposal of subsidiary

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

VII. Related Party Transactions

1. Parent company and ultimate controller:

The Company is the ultimate controller of the Group.

2. Name of related party and relationship

Name of related party	Relationship with the Company
Chun Shyang Shin Yeh Industry Co., Ltd. (“Chun Shyang Shin Yeh”)	Associate
Chun Yuan Construction Co., Ltd. (“Chun Yuan Construction”)	Associate
Sinkang Industries Co., Ltd. (“Sinkang Industries”)	Other related party
Yung Kuang Hwa Metal Industrial Co., Ltd. (“Yung Kuang Hwa”)	Other related party
Taiwan Steel Tower Co., Ltd. (“Taiwan Steel Tower”)	Other related party
Chun Yuan Investment (BVI) Co, Ltd. (“BVI Chun Yuan”)	Subsidiary
Chun Yuan Investment (Singapore) Pte Ltd. (“Chun Yuan Singapore”)	Subsidiary
Shanghai Huateng Metal Processing Co., Ltd. (“Shanghai Huateng”)	Subsidiary
Xiamen Chun Yuan Precision Mechatronic Co., Ltd. (“Xiamen Chun Yuan”) Note 1	Subsidiary
Shenzhen Hong Yuan Metal Industry Co., Ltd. (“Shenzhen Hong Yuan”)	Subsidiary
Qingdao Chun Yuan Precision Mechatronic Co., Ltd. (“Qingdao Chun Yuan”)	Subsidiary
Shenzhen Chun Yuan Steel Industry Co., Ltd. (“Shenzhen Chun Yuan”)	Subsidiary

Note 1 : The subsidiary of the Company, Chun Yuan Investment (Singapore) Pte Ltd., had disposed all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. on November 26, 2021. Therefore, Xiamen Chun Yuan is no longer the Company’s subsidiary since that date.

3. Significant transactions with related parties

(1) Purchases

Item	Related party category / Name	Year of 2022	Year of 2021
Purchases	Associate	\$ 1, 467	\$ 1, 520
	Subsidiary	–	953
	Other related party		
	Sinkang Industries	9, 834	8, 054
	Yung Kuang Hwa	66, 450	107, 434
	Taiwan Steel Tower	2, 706	43
	Total	\$ 80, 457	\$ 118, 004

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

(2) Operating revenue

Item	Related party category / Name	Year of 2022	Year of 2021
Sales revenue	Associate	\$ 3,905	\$ 1,850
	Subsidiary	15,727	13,191
	Total	<u>\$ 19,632</u>	<u>\$ 15,041</u>

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

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

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

Item	Related party category / Name	Year of 2022	Year of 2021
Processing revenue	Associate	\$ 7,948	\$ 7,367
	Other related party	314	749
	Total	<u>\$ 8,262</u>	<u>\$ 8,116</u>

(3) Property transactions

Acquisition of property, plant and equipment

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

A. On July 3, 2019, the board of directors of the Company reviewed and passed the resolution to engage Chun Yuan Construction Co., Ltd. for construction of the new employees dormitory in the Longtan factory and had signed the construction contract with Chun Yuan Construction Co., Ltd. on September 10, 2019, with total construction price of NT\$72,670 thousand. In March 2021, additional NT\$253 thousand was added to the total construction price ; As of December 31, 2021, the amount of accumulated payments was \$72,923 thousand. The construction is complete at the second half of August, 2021.

- B. On August 7, 2019, the board of directors of the Company reviewed and passed the resolution to build new factory in Sin Ji Industrial Park in Tainan (with total planned expenditure of NT\$181,825 thousand), of which Chun Yuan Construction Co., Ltd. was engaged for part of the construction, and the construction amount attributed to Chun Yuan Construction Co., Ltd. was NT\$144,334 thousand with additional payments of NT\$1,281 attended in April, 2022 ; As of December 31, 2022 and 2021, the amount of accumulated payments was NT\$145,399 thousand and NT\$129,718 thousand, respectively. The construction is complete in September, 2022.
- C. On July 31, 2020, the board of directors of the Company passed the resolution to engage Chun Yuan Construction Co., Ltd. for building main body of the Sanchong office building and had signed the construction contract with Chun Yuan Construction Co., Ltd. on August 21, 2020, with total construction price of NT\$795,000 thousand with additional payments of NT\$6,600 and of NT\$6,600 attended in August, 2021 and April, 2022, separately ; As of December 31, 2022 and 2021, the amount of accumulated payments was NT\$186,105 thousand and NT\$149,945 thousand, respectively.

(4) Various expenses

Related party category / Name	Year of 2022	Year of 2021	Nature of transaction
Associate	\$ 633	\$ 572	Finance costs
Associate	48	303	Other expense
Other related party	187	232	Processing expense
Other related party	19	51	Other expense
Total	<u>\$ 887</u>	<u>\$ 1,158</u>	

(5) Lease agreements (lessee):

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

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

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

(6) Other income

Related party category / Name	Year of 2022	Year of 2021	Nature of transaction
Associate	\$ 8,953	\$ 8,611	Other income
Associate - Chun Shyang Shin Yeh	53,617	53,456	Rental income
Associate - Chun Yuan Construction	1,964	1,962	Rental income
Associate	–	2	Interest income
Other related party	94	552	Other income
Subsidiary - Shanghai Huateng	6,142	5,398	Royalty income
Subsidiary - Xiamen Chun Yuan	–	1,251	Royalty income
Subsidiary - Shenzhen Hong Yuan	4,914	4,678	Royalty income
Subsidiary - Qingdao Chun Yuan	5,675	4,811	Royalty income
Total	<u>\$ 81,359</u>	<u>\$ 80,721</u>	

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

Lease subject	Year of 2022	
	Lease period / Monthly rents	Amount
Chun Yuan Construction :		
No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	2021. 7. 1~2022. 6. 30/74	\$ 1, 964
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2022. 7. 1~2023. 6. 30/74	
	2021. 8. 1~2022. 7. 31/87	
	2022. 8. 1~2023. 7. 31/87	
8F., No. 502, Fuxing N. Rd., Taipei City	2021. 6. 1~2022. 5. 31/3	
	2022. 6. 1~2023. 5. 31/3	
Chun Shyang Shin Yeh :		
Longtan land, factory and equipment	2021. 4. 1~2024. 3. 31/4, 463	53, 617
		<u>\$ 55, 581</u>

Lease subject	Year of 2021	
	Lease period / Monthly rents	Amount
Chun Yuan Construction :		
No. 236, Sec. Bade, Shengting Rd., Longtan Dist., Taoyuan City	2020. 7. 1. ~2021. 6. 30. /74	\$ 1, 962
4F.-1, No. 502, Fuxing N. Rd., Taipei City	2021. 7. 1. ~2022. 6. 30. /74	
	2020. 8. 1. ~2021. 7. 31. /87	
	2021. 8. 1. ~2022. 7. 31. /87	
8F., No. 502, Fuxing N. Rd., Taipei City	2020. 6. 1. ~2021. 5. 31. /3	
	2021. 6. 1. ~2022. 5. 31. /3	
Chun Shyang Shin Yeh :		
Longtan land, factory and equipment	2019.4.1.~2021.3.31./3,636	53, 456
	2021.4.1.~2024.3.31./4,463	
	2020.4.1.~2021.3.31./284	
	2019.4.1.~2021.3.31./490	
		<u>\$ 55, 418</u>

(7) Ending balances of receivables (payables)

Item	Related party category / Name	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiary	\$ 814	\$ 1, 932
Accounts receivable	Associate - Chun Shyang Shin Yeh	87	958
Accounts receivable	Other related party	–	79
Construction accounts receivable	Associate - Chun Yuan Construction	44, 675	–
Total		<u>45, 576</u>	<u>2, 969</u>
Less : Allowance for losses		<u>–</u>	<u>–</u>
Net amount		<u>\$ 45, 576</u>	<u>\$ 2, 969</u>

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

Item	Related party category / Name	December 31, 2022	December 31, 2021
Other receivables	Associate	\$ 2, 507	\$ 3, 001
Other receivables	Other related party - Sinkang Industries	–	1
Other receivables	Other related party - Taiwan Steel Tower	1	1
Other receivables	Subsidiary - Shenzhen Hong Yuan	–	6, 836
Other receivables	Subsidiary - Shanghai Huateng	6, 163	5, 023
Other receivables	Subsidiary - Shenzhen Chun Yuan	6, 426	4, 138
		<u>\$ 15, 097</u>	<u>\$ 19, 000</u>

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

Item	Related party category / Name	December 31, 2022	December 31, 2021
Accounts payable	Associate	\$ 6, 717	\$ 4, 241
Accounts payable	Other related party	3, 134	4, 216
Accounts payable	Subsidiary	–	7
Notes payable	Other related party	2, 711	16, 897
Total		<u>\$ 12, 562</u>	<u>\$ 25, 361</u>

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

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

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

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

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

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

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

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

4. Key management compensation

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

VIII. Pledged Assets

1. Pledged time deposits

Item	Purpose of pledge	December 31, 2022	December 31, 2021
Time deposit at First Bank - Minquan Branch	Guarantee deposit for construction	\$ 563	\$ 557
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for use of land	–	4,061
Time deposit at Chang Hwa Bank - Peimen Branch	Guarantee deposit for construction	591	586
Time deposit at Sunny Bank - Minsheng Branch	Guarantee deposit for construction	4,099	9,257
Total		<u>\$ 5,253</u>	<u>\$ 14,461</u>

2. Other pledged assets

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

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. To secure loan facilities, offering fulfillment or warranty guarantees for construction contracts, as of December 31, 2022 and 2021, the Company issued guarantee notes of NT\$16,640,020 thousand and NT\$14,350,374 thousand, respectively, and are recorded as Guarantee notes deposits and Guarantee notes payable.
2. To secure fulfillment guarantees for construction contracts, as of December 31, 2022 and 2021, the Company received guarantee notes of NT\$50,502 thousand and NT\$30,531 thousand, respectively, and are recorded as Guarantee notes deposits received and Guarantee notes receivable.
3. As of December 31, 2022 and 2021, the details of the Company's issued yet unused letters of credit are as following :

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

X. Significant Disaster Losses : None.

XI. Significant Subsequent Events : None.

XII. Other

1. Capital risk management

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

2. Financial instruments

(1) Financial risk of financial instruments

A. Financial risk management policies

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

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

B. Nature and degree of material financial risks

(A) Market Risk

a. Exchange rate risk

The Company is exposed to exchange rate risks from sales, purchases, borrowing transactions in non-functional currencies and from net investments in foreign operations. The Company's functional currency is mainly in NTD. Part of the Company's foreign-currency receivables and payables are in the same currency, where hedge effects would naturally take place. Since the net investments in foreign operations are strategic investments, the Company does not perform hedging for the investments.

The Company assigns the current portion of the foreign exchange forward contracts to avoid exchange rate risks, with the adopted hedge ratio of 1:1, and most of the contract due dates are within 1 year from the reporting date. The future portion of the foreign exchange forward contracts is not assigned as hedge instrument, but is recorded as a standalone hedge cost as a component "Other

equity – gains or losses of hedge instruments” under equity. The Company’s policy is to request that the critical articles of the foreign exchange forward contracts shall match with the hedged items.

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

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

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

b. Exposure to exchange rates and sensitivity analysis

	December 31, 2022					
	Foreign currency	Exchange rate	Book value	Sensitivity analysis		
			(NTD)	Change scale	Effect on profit or loss	Effect on equity
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 7, 004	30. 71	\$ 215, 101	Appreciate 1%	\$ 1, 721	\$ –
<u>Long-term investments accounted for using equity method</u>						
USD:NTD	86, 908	30. 71	2, 668, 933	Appreciate 1%	–	21, 351
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	7, 288	30. 71	223, 811	Appreciate 1%	1, 790	–

		December 31, 2021				
		Book value		Sensitivity analysis		
		Foreign currency	Exchange rate	(NTD)	Change scale	Effect on profit or loss
						Effect on equity
<hr/>						
(Foreign currency : functional currency)						
<hr/>						
Financial assets						
<hr/>						
Monetary items						
<hr/>						
USD:NTD	\$ 8,768	27.68	\$ 242,703	Appreciate 1%	\$1,942	\$ -
<hr/>						
Long-term investments accounted for using equity method						
<hr/>						
USD:NTD	97,728	27.68	2,705,115	Appreciate 1%	-	21,641
<hr/>						
Financial liabilities						
<hr/>						
Monetary items						
<hr/>						
USD:NTD	7,914	27.68	219,058	Appreciate 1%	1,752	-

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

c. Price risk

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

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

d. Interest rate risk

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

Item	Book value	
	December 31, 2022	December 31, 2021
Interest rate risk on fair value :		
Financial assets	\$ 124, 293	\$ 108, 723
Financial liabilities	(5, 673, 074)	(6, 127, 761)
Net amount	(5, 548, 781)	(6, 019, 038)
Interest rate risk on cash flows :		
Financial assets	32, 042	36, 061
Financial liabilities	-	-
Net amount	\$ 32, 042	\$ 36, 061

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

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

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

The Company's financial instruments with variable interest rates are assets (liabilities) with floating interest rates, and their effective interest rates will change along with fluctuations in market interest rates, which then make the Company's future cash flows fluctuate. If the market interest rate increases by 1%, the Company's 2022 and 2021 net income will increase by NT\$256 thousand and NT\$288 thousand, respectively.

(B) Credit risk

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

a. Business-related credit risk

In order to maintain the credit quality of trade receivables, the Company has established procedures for credit risk management related to business operations. Risk evaluation for individual

customer is performed taking into account various factors that may affect the customer's payment ability, including the customer's financial condition, internal credit ratings of the Company, historical transaction records, current economic conditions, etc. .

b. Financial credit risk

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

(a) Credit concentration risk

As of December 31, 2022 and 2021, the Company's top 10 customers account for 42.67% and 27.20% of the Company's total accounts receivables, respectively, and the credit concentration risk for the rest of accounts receivable is relatively insignificant.

(b) Measurement of expected credit impairment loss

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

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

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

c. Liquidity risk

(a) Liquidity risk management

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

(b) Aging analysis for financial liabilities :

December 31, 2022							
Non-derivative financial liabilities	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flows	Book value
Short-term borrowings	\$ 4, 095, 725	\$ -	\$ -	\$ -	\$ -	\$4, 095, 725	\$4, 087, 735
Short-term notes payable	1, 067, 000	-	-	-	-	1, 067, 000	1, 066, 589
Notes payable	4, 589	-	-	-	-	4, 589	4, 589
Notes payable - related parties	2, 711	-	-	-	-	2, 711	2, 711
Accounts payable	817, 846	-	-	-	-	817, 846	817, 846
Accounts payable - related parties	9, 851	-	-	-	-	9, 851	9, 851
Other payables	394, 823	-	-	-	-	394, 823	394, 823
Long-term borrowings (including those due within 1 year)	66, 121	65, 698	98, 797	302, 025	-	532, 641	518, 750
Guarantee deposits received	13, 742	-	-	-	-	13, 742	13, 742
Total	<u>\$ 6, 472, 408</u>	<u>\$65, 698</u>	<u>\$98, 797</u>	<u>\$302, 025</u>	<u>\$ -</u>	<u>\$6, 938, 928</u>	<u>\$6, 916, 636</u>

Additional information for analysis on due dates of lease liabilities :

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

December 31, 2021							
Non-derivative financial liabilities	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contract cash flows	Book value
Short-term borrowings	\$ 4, 563, 073	\$ -	\$ -	\$ -	\$ -	\$ 4, 563, 073	\$ 4, 561, 383
Short-term notes payable	1, 429, 000	-	-	-	-	1, 429, 000	1, 428, 878
Notes payable	4, 661	-	-	-	-	4, 661	4, 661
Notes payable - related parties	16, 897	-	-	-	-	16, 897	16, 897
Accounts payable	952, 932	-	-	-	-	952, 932	952, 932
Accounts payable - related parties	8, 464	-	-	-	-	8, 464	8, 464
Other payables	431, 161	-	-	-	-	431, 161	431, 161
Other payables – related parties	50, 570	87, 920	-	-	-	138, 490	137, 500
Guarantee deposits received	13, 891	-	-	-	-	13, 891	13, 891
Total	<u>\$ 7, 470, 649</u>	<u>\$ 87, 920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7, 558, 569</u>	<u>\$ 7, 555, 767</u>

Additional information for analysis on due dates of lease liabilities :

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

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

(2) Types of financial instruments

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

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 175,083	\$ 104,473
Notes and accounts receivable (including related parties)	3,472,192	4,305,686
Other receivables(including related parties)	36,019	63,721
Other financial assets - current	95,372	109,693
Guarantee deposits paid	10,720	11,676
Financial assets at fair value through other comprehensive income - noncurrent	492,366	507,771
Financial assets at fair value through profit or loss	86,516	108,803
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	4,087,735	4,561,383
Short-term notes payable	1,066,589	1,428,878
Notes and accounts payable (including related parties)	834,997	982,954
Other payables(including related parties)	394,823	431,161
Long-term borrowings (including those due within 1 year)	518,750	137,500
Guarantee deposits received	13,742	13,892

3. Fair value information

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

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

Level 1 :

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

beneficiary certificates, and derivative instruments with openly quoted prices in active markets, etc. are all of this level.

Level 2 :

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

Level 3 :

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

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

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

(4) Fair value information by level :

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

Item	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets :				
Repetitive fair value				
FVTPL financial assets - equity securities	\$ 86, 516	\$ -	\$ -	\$ 86, 516
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	133, 226	-	-	133, 226
Domestic or overseas non-publicly traded shares	-	-	359, 140	359, 140
Total	<u>\$219, 742</u>	<u>\$ -</u>	<u>\$359, 140</u>	<u>\$578, 882</u>
Item	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets :				
Repetitive fair value				
FVTPL financial assets - equity securities	\$108, 803	\$ -	\$ -	\$108, 803
FVTOCI financial assets - equity securities				
Domestic publicly traded shares	126, 512	-	-	126, 512
Domestic or overseas non-publicly traded shares	-	-	381, 259	381, 259
Total	<u>\$235, 315</u>	<u>\$ -</u>	<u>\$381, 259</u>	<u>\$616, 574</u>

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

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

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

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

(A) Listed stocks: Closing price

(B) Close fund : Closing price

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

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

C. Valuations for derivative financial instruments are based on valuation model widely accepted by market users, such as Discounted Cash Flow Approach and Option Pricing Model. Forward exchange contracts are generically valued based on the forward exchange rates at present time. Structured interest-rate

derivative financial instruments are valued according to appropriate Option Pricing Model (such as Black-Scholes Model) or other valuation method, such as Monte Carlo simulation.

D. The Company's assets held for sale are valued using market approach (P/E ratio), using the P/E ratios of the latest identical or similar transactions as observable input values, to project the fair value of the companied assets held for sale.

E. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

(6) Transfer between Level 1 and Level 2 of the fair value hierarchy : None.

(7) Changes in level 3 instruments :

Item	Investments in financial instruments without open quotes	
	Year of 2022	Year of 2021
Beginning balance	\$ 381, 259	\$ 265, 527
Addition in this period	–	81, 676
Gains or losses recognized in other comprehensive income or loss	(19, 328)	46, 263
Disposal in this period (returned capital from liquidation or capital reduction)	(2, 791)	(12, 207)
Ending balance	<u>\$ 359, 140</u>	<u>\$ 381, 259</u>

(8) Quantified information for fair value measurement of material unobservable input (Level 3) :

	December 31, 2022 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets :					
Un-listed stocks	\$ 359, 140	Market Approach	Liquidity discount	10. 00%~19. 37%	The higher liquidity discount, the lower fair value
	December 31, 2021 Fair value	Valuation method	Material unobservable inputs	Interval (Weighted average)	Relationships between inputs and fair value
Non-derivative financial assets :					
Un-listed stocks	\$ 381, 259	Market Approach	Liquidity discount	9. 00%~22. 97%	The higher liquidity discount, the lower fair value

(9) Evaluation procedures for Level 3 fair value :

According to the Company's valuation procedures for Level 3 fair value classification, the Company's accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The evaluation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

Regarding measurement for Level 3 fair value, the sensitivity analysis on reasonable potential substitute assumption of fair value :

Item	Input value	Change	December 31, 2022			
			Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	\$ -	\$ -	\$ -	(\$ 2,088)
Total		(1%)	\$ -	\$ -	\$ 2,199	\$ -

Item	Input value	Change	December 31, 2021			
			Profit or loss		Other comprehensive income (loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument						
Un-listed stocks	Liquidity discount	1%	\$ -	\$ -	\$ -	(\$ 2,191)
Total		(1%)	\$ -	\$ -	\$ 2,185	\$ -

4. On December 8, 2020, the special meeting of the board of directors of the Company passed a resolution to transfer equity of its indirectly invested subsidiary, Xiamen Chun Yuan Precision Mechatronic Co., Ltd. ("Xiamen Chun Yuan"). Xiamen Chun Yuan had engaged assets valuation company to perform valuation and look for proper buyer. In the meantime, the chairman and general manager of Xiamen Chun Yuan are authorized to handle the disposal of the related claims, debts and equipment ; On November 11, 2021, the Company's 100% held subsidiary, Chun Yuan Investment (Singapore) Pte Ltd., signed the equity-transfer agreement with Xiamen Can-Am Health & Fitness Co., Ltd., and the two sides completed the share-transfer registration on November 26, 2021.

5. Considering that Shanghai Chun Yuan Steel Industry Co., Ltd. no longer operates, in order to avoid overall shareholder interests, the Company's board of directors passed a resolution on November 5, 2021 to end the operations of the company and to proceed with the subsequent liquidation procedures, which ended at July 25, 2022. The registration is canceled at September 6, 2022.

XIII. Supplementary Disclosures

1. Information on significant transactions

- (1) Loans to others : Schedule 1.
- (2) Endorsements and guarantees provided to others : Schedule 2
- (3) Marketable securities held at the end of the period : Schedule 3
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : None
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital : None
- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital : None
- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital : Schedule 4
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- (9) Information about the derivative financial instruments transaction : Please refer to Note VI-3

2. Information on investees : Schedule 5

3. Information on investment in Mainland China : Schedule 6

4. Information on major shareholders : Schedule 7

Schedule 1

Chun Yuan Steel Industry Co., Ltd.

Loans to Others

December 31, 2022

Unit : Foreign currency thousand ; Thousand NTD

No.	Financing Company	Counter-party	Financial Statement Account	Related Party (Yes/No)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note2)
													Item	Value		
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan Metal Industry Co., Ltd. ("Shenzhen Hong Yuan")	Other receivables - related parties	Yes	\$ 176,400	\$ 176,400	\$ 176,400	3.85%	1	\$ 40,427	-	\$ -	None	\$ -	\$ 176,400	\$ 332,452
1	Shenzhen Chun Yuan	Qingdao Chun Yuan Precision Mechatronic Co., Ltd. ("Qingdao Chun Yuan")	Other receivables - related parties	Yes	88,200	88,200	88,200	3.85%	1	-	-	-	None	-	176,400	332,452

Note 1 : Nature of loan :

- (1) Has business transactions, put 1.
- (2) Has necessity for short-term financing, put 2.

Note 2 : Computation for financing limits to any individual entity and total financing limits by Shenzhen Chun Yuan :

- (1) Total lending amount by Shenzhen Chun Yuan to others is limited to 40% of the net worth of Shenzhen Chun Yuan.
- (2) Financing limits by Shenzhen Chun Yuan to each borrower :
 - A. Subsidiary or parent company : No more than 40% of the net worth of Shenzhen Chun Yuan.
 - B. Has business transactions : Accumulated lending amount shall not exceed the total business transaction amount in the latest one year. However, if with related party of Shenzhen Chun Yuan, the lending amount shall not exceed RMB40,000 thousand and no more than 40% of the net worth of Shenzhen Chun Yuan.

Schedule 2

Chun Yuan Steel Industry Co., Ltd.
Endorsements and Guarantees Provided to Others
December 31, 2022

Unit : Thousand NTD

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (note2)	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Companies mutually guaranteed by contract between industrial peers based on the needs of business relationship and construction undertaking	\$11,211,758	\$ 707,000	\$ 707,000	\$ 707,000	\$ -	6.31%	\$11,211,758	N	N	N	
1	Shenzhen Chun Yuan Steel Industry Co., Ltd. ("Shenzhen Chun Yuan")	Shenzhen Hong Yuan	1. Has business transactions 2. Directly or indirectly hold over 50% voting shares of the investee company	1,689,050	1,689,050	1,689,050	1,126,080	-	147.21%	2,242,352	N	N	Y	

Note 1 : Illustration for the "No." column :

- (1) Security issuer, put 0.
- (2) Investee companies, start serial numbers from 1.

Note 2 : (1) The maximum limit of guarantee provided by the Company to any individual entity and maximum limit of the total amount of guarantee provided by the Company :

Total amount of guarantee provided by the Company, or total amount of guarantee provided by the Company and subsidiaries, shall not exceed the net worth of the Company.

1. Maximum limit of total guarantee provided by the Company to any individual entity :

- A. Has business transactions : Shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year, and shall not exceed 10% of the Company's net worth.
- B. Parent or subsidiary of the Company : Shall not exceed 50% of the Company's net worth.
- C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the Company's net worth.

2. Maximum limit of guarantee provided by the Company and subsidiaries to any individual entity :

A. Has business transactions : Shall not exceed 10%of the Company's net worth and shall not exceed the total transaction amount between the guaranteed party and the Company in the latest one year. But if the guaranteed party is an associate of the Company or the Company's subsidiary, then shall not exceed 20%of the Company's net worth.

B. Parent or subsidiary of the Company : Shall not exceed 50%of the Company's net worth.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the Company's net worth.

3. The computations for the maximum limits in this schedule are based on the net worth amount in the Company's latest (2022 Q4) audited financial statements.

(2) Computation for maximum limit of guarantee provided by the Shenzhen Chun Yuan to any individual entity and maximum limit of the total amount of guarantee provided by the Shenzhen Chun Yuan :

Total amount of guarantee provided by the company, or total amount of guarantee provided by the company and subsidiaries, shall not exceed 20% of the net worth of the parent company.

Maximum limits of guarantee provided by the company or by the company and subsidiaries as a whole, to any individual entity :

A. Has business transactions : Shall not exceed the total transaction amount between the guaranteed party and the company in the latest one year. But if the guaranteed party is an associate of the company, then shall not exceed USD55,000 thousand and shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

B. Parent or subsidiary of the Company : Shall not exceed 20% of the net worth of Chun Yuan Steel Industry Co., Ltd.

C. Peer companies mutually guaranteed by contract based on the needs of construction undertaking, or providing guarantee due to joint investment per shareholding ratios : Shall not exceed the company's net worth.

The term "net worth" is based on latest audited financial statements.

Schedule 3

Chun Yuan Steel Industry Co., Ltd.
Marketable Securities Held
December 31, 2022

Unit : Thousand NTD

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Reporting Date				Note
				Shares/Units	Book Value	Percentage of Ownership (%)	Fair value	
Chun Yuan Steel Industry Co., Ltd.	United Microelectronics Corp.	-	FVTPL financial assets - current	7,994	\$ 325	-	\$ 325	
	Fubon Financial Holding Co., Ltd. – Common Shares	-	FVTPL financial assets - current	995,409	56,042	-	56,042	
	China Steel Corporation	-	FVTPL financial assets - current	515,613	15,365	-	15,365	
	Taiwan Mask Corporation	-	FVTPL financial assets - current	107,663	9,119	-	9,119	
	Fubon Financial Holding Co., Ltd.- A Special Shares	-	FVTPL financial assets - current	36,515	2,205	-	2,205	
	Fubon Financial Holding Co., Ltd.- B Special Shares	-	FVTPL financial assets - current	40,010	2,301	-	2,301	
	Fubon Financial Holding Co., Ltd.- C Special Shares	-	FVTPL financial assets - current	21,029	1,159	-	1,159	
	Wabo Global Trading Corporation	-	FVTOCI financial assets - noncurrent	595,000	6,445	5.00%	6,445	
	Pro-Ascentek Investment Corporation	-	FVTOCI financial assets - noncurrent	8,000,000	53,754	6.67%	53,754	
	Clientron Corp.	-	FVTOCI financial assets - noncurrent	9,645	218	-	218	
	Shieh-Tai Biochemical Technology Co., Ltd.	-	FVTOCI financial assets - noncurrent	120,339	-	-	-	
	Tbi Motion Technology Co., Ltd.	-	FVTOCI financial assets - noncurrent	100,000	3,645	-	3,645	
	China Steel And Nippon Steel Vietnam Joint Stock Company	-	FVTOCI financial assets - noncurrent	18,368,000	296,452	2.00%	296,452	
	Chien Tai Cement Co., Ltd.	-	FVTOCI financial assets - noncurrent	16	-	-	-	
	Lion Corp. Berhad	-	FVTOCI financial assets - noncurrent	890,400	-	-	-	
	China Ecotek Corporation	-	FVTOCI financial assets - noncurrent	2,990,772	128,155	-	128,155	
	Newmax Technology Co., Ltd.	-	FVTOCI financial assets - noncurrent	43,384	1,208	-	1,208	
	Shenzhen Zongmao International Trading Co., Ltd.	-	FVTOCI financial assets - noncurrent	-	2,489	7.50%	2,489	
Chun Yuan Investment (Singapore) Pte Ltd.	United Steel International Development Corporation	-	FVTOCI financial assets - noncurrent	1,500,000	28,752	3.06%	28,752	

Schedule 4

Chun Yuan Steel Industry Co., Ltd.

Total Purchases From or Sales to Related Parties of at least NT\$100 Million or 20% of the Paid-in Capital

December 31, 2022

Unit : Thousand NTD

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable			Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total	
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Investee company valued using equity method	Construction revenue	\$ 693,890	-	Collect along with construction progress	Same	-	Receivables for construction contracts	\$ 275,851	7.97%	
									Payables for construction contracts	6,292	0.75%	

Schedule 5

Chun Yuan Steel Industry Co., Ltd.
Information on equity investments (not including investments in Mainland China)
December 31, 2022

Unit : Foreign currency thousand, Thousand NTD

Unit of shares : Share

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at year-end			Net income (losses) of the investee	Share of profit/loss of investee	Note
				Year end	Year end of last year	Number of shares	Ratio (%)	Book value			
Chun Yuan Steel Industry Co., Ltd.	Chun Yuan Construction Co., Ltd.	Taiwan	Construction industry; Design and construction for steel structures and bridges	\$ 59,635	\$ 59,635	20,729,909	26.33%	\$ 279,823	\$ 94,681	\$ 25,021	
	Chun Yuan Investment (Singapore) Pte Ltd.	Singapore	General investment activities	1,257,123	1,257,123	61,739,835	100.00%	2,688,933	15,913	15,913	
	Chun Shyang Shin Yeh Industry Co., Ltd.	Taiwan	Manufacturing, sale, lease and repairment of auto sheet metal parts, stamping parts, molds, jigs, inspection/measuring tools.	68,568	68,568	6,856,000	48.97%	284,433	105,491	51,659	
Chun Yuan Investment (Singapore) Pte Ltd.	Chun Yuan Investment (BVI) Co, Ltd.	British Virgin Islands	General investment activities	USD 21,630	USD 21,630	-	100.00%	USD 52,849	USD 610	USD 610	

Schedule 6

(1)

Chun Yuan Steel Industry Co., Ltd.
Information on investment in Mainland China
December 31, 2022

Unit : Foreign currency thousand ; Thousand NTD

Investee in Mainland China	Main Business Activities	Total Amount of Paid-in Capital	Investment method (Note 1)	Accumulated Outflow of Investment from Taiwan as of beginning of period	Investment Flows		Accumulated Outflow of Investment from Taiwan by the End of Period	Net Income (Losses) of the Investee	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (note2)	Carrying Amount of Investment by the End of Period	Accumulated Inward Remittance of Earnings by the End of Period
					Outflow	Inflow						
Shenzhen Chun Yuan	1. Manufacturing of transformer parts, rotors, stators made of reel-punched silicon steel. 2. Improve operating performance, expand market.	\$ 651,398 (USD 21,245) (Note 6, Note 7)	(B)	\$ 316,773 (USD 10,630)	\$ -	\$ -	\$ 316,773 (USD 10,630)	\$ 24,727 (USD 847)	87.97%	(B).2 \$ 21,668 (USD 742)	\$ 672,946 (USD 21,913)	\$ -
Shanghai Chun Yuan Steel Industry Co., Ltd.	1. Corner fitting for ocean-freight cargo containers. 2. Improve operating performance, expand market.	158,238 (USD 6,000) (Note 11)	(B)	126,565 (USD 4,800)	-	-	126,565 (USD 4,800)	(2,879) (USD -99)	80.00%	(B).2 (2,303) (USD -79)	- (USD 0)	187,239 (USD 6,188)
Shanghai Huateng Metal Processing Co., Ltd.	1. Manufacturing of transformer parts, rotors, stators, home appliance cases, office furniture made of reel-punched silicon steel and processing of bicycle steel plates. 2. Improve operating performance, expand market.	799,583 (USD 24,800)	(B)	249,739 (USD 8,000)	-	-	249,739 (USD 8,000)	(12,568) (USD -430)	80.59%	(B).2 (10,129) (USD -347)	872,898 (USD 28,424)	199,711 (USD 6,758)
Shenzhen Hong Yuan Metal Industry Co., Ltd.	Engage in manufacturing of zinc-plated, coating-plated, aluminum-plated and other metal plates (cold-roll steel sheets, hot-roll steel sheets, Lead-coating tin plates, not including accessories or merchandises subjected to export permission certificates)	153,036 (USD 4,680) (Note 4, Note 8, Note 9)	(B)	68,477 (USD 2,143)	-	-	68,477 (USD 2,143)	(11,459) (USD -392)	86.21%	(B).2 (10,174) (USD -348)	192,914 (USD 6,282)	42,896 (USD 1,466)

Qingdao Chun Yuan Precision Mechatronic Co., Ltd.	Manufacturing and processing of new types of mechanical and electrical components, fine blanking dies, and other related metal products.	592,009 (USD 18,000) (Note 5)	(B)	216,497 (USD 6,700)	-	-	216,497 (USD 6,700)	34,286 (USD 1,174)	95.00%	(B).2 32,571 (USD 1,115)	676,938 (USD 22,043)	-
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Accumulated Investment in Mainland China by the End of Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 978, 051	\$ 1, 256, 317	\$ 6, 944, 556

Note : The investment income or losses recorded in this period are computed based on average exchange rate of 1 USD = 29.20 NTD. And the carrying value of investments are computed based on exchange rate of 1 USD = 30.71 NTD

Note 1 : Investment methods are classified into the following 3 categories :

- (A) Direct investment in Mainland China.
- (B) Indirect investment in Mainland China through third country.
- (C) Other method.

Note 2 : In the “Share of Profits/Losses” column, the basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly :

- (A) If under preparation and without profit or loss, shall indicate clearly.
- (B) Basis for recording the profits or losses are categorized into the following 3 categories, shall indicate clearly.
 1. Based on audited financial statements of international accounting firm with cooperating relationships ROC accounting firms.
 2. Audited financial statements of the Taiwan parent company.
 3. Other (self-prepared financial statements).

Note 3 : According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company’s equity or consolidated equity, whichever is higher.

Note 4 : Invested 45% of shares in 2002 through the third entity Chun Yuan Investment (Singapore) Pte Ltd., and invested 25% of shares in Shenzhen Hong Yuan Metal Industry Co., Ltd. via 2001 earnings of the indirectly invested Shenzhen Chun Yuan. There was no outflow of funds.

Note 5 : In April 2005, after permission by Investment Commission, MOEA, invested USD17,100 thousand in Qingdao Chun Yuan Precision Mechatronic Co. through Chun Yuan Investment (Singapore) Pte Ltd. in the third region ; The company obtained business certificate on June 30, 2005, with registered paid-in capital of USD18,000 thousand. Based on the conditions of the funds reaching Mainland China, Chun Yuan Investment (Singapore) Pte Ltd., using the above funds and distributed profits from the directly or indirectly invested subsidiaries in Mainland China over the past years, invested in Qingdao Chun Yuan Precision Mechatronic Co., Ltd. through Chun Yuan Investment (BVI) Co, Ltd. . As of December 31, 2022, the accumulated outflow of funds was USD17, 100 thousand.

Note 6 : In July 2007, after permission by Investment Commission, MOEA, additional USD5,250 thousand of capital increase was directly transferred out to Chun Yuan Investment (Singapore) Pte Ltd., of which USD2,000 thousand was from distributed profits from subsidiaries in Mainland China, invested in Shenzhen Chun Yuan through Chun Yuan Investment (BVI) Co, Ltd. .

Note 7 : In July 2008, after permission by Investment Commission, MOEA, additional USD2,850 thousand of capital increase was invested in Chun Yuan Investment (Singapore) Pte Ltd., along with USD1,000 thousand of earnings distribution from subsidiaries in Mainland China over the past years, purchased 14.12% of equity in Shenzhen Chun Yuan that was held by China National Nuclear Corporation (Shenzhen) Limited, Mainland China.

Note 8 : In 2008, using its own capital, Shenzhen Chun Yuan purchased 15% of equity in Shenzhen Hong Yuan that was held by China National Nuclear Corporation (Shenzhen)

Limited, Mainland China.

Note 9 : In March 2010, after permission by Investment Commission, MOEA, additional USD2, 500 thousand of capital increase in Chun Yuan Investment (Singapore) Pte Ltd. by the Company. As of December 31, 2022, USD2, 143 thousand had been transferred out, and the fund was directly transferred for acquiring 45.79% of equity in Shenzhen Hong Yuan Metal Industry Co., Ltd. .

Note 10 : In June 2011, Investment Commission, MOEA approved USD16,000 thousand of investment in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. through 3rd region, Chun Yuan Investment (Singapore) Pte Ltd. ; In April 2013, after approval by Investment Commission, MOEA, the investment amount was reduced to USD9,450 thousand. As of December 31, 2022, USD9,450 thousand had been transferred out. On November 26, 2021, Chun Yuan Singapore sold all of its equity interests in Xiamen Chun Yuan Precision Mechatronic Co., Ltd. . Therefore, from that date forward, Xiamen Chun Yuan is no longer the Company's subsidiary.

Note 11 : On November 5, 2021, the Group's Board of Directors passed a resolution for the early cessation of the operation of Shanghai Chun Yuan Steel Industry Co., Ltd. and adopted the following procedures of dissolution, with the dissolution completed at July 25, 2022 and the registration canceled at September 6, 2022.

(2) Material indirect transactions with Mainland China investee companies through business entities in the third region :

For material direct or indirect transactions that the Group had with the Mainland China investee companies through business entities in the third region during 2022, please refer to “Information on significant transactions” and “Business relationships between parent and subsidiaries and condition of important transactions” in the consolidated financial statements.

Schedule 7

Chun Yuan Steel Industry Co., Ltd.

Information on major shareholders

December 31, 2022

Name of Major Shareholders	Number of Shares Held	Percentage of Ownership (%)
Li, Wen Fa	36, 300, 321	5. 60%

Note : The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.

XIV. Segment Information

The Company had disclosed the related segment information in the Consolidated Financial Statements per regulations; therefore, the segment information is not disclosed in the Parent Only Financial Statements.