

Yuen Chang Stainless Steel Co., Ltd.

Parent Company Only Financial Statements and
Independent Auditor's Report
2023 and 2022

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External Auditor's Report

To: Yuen Chang Stainless Steel Co., Ltd.

Audit Opinions

We have completed our review on the Parent Company Only Balance Sheet of Yuen Chang Stainless Steel Co., Ltd. (hereinafter referred to as the "Company") on December 31, 2023 and 2022, and Parent Company Only Statement of Comprehensive Income, Parent Company Only Statement of Changes in Equity, Parent Company Only Cash Flow Statement, and Notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies) for January 1 to December 31, 2023 and 2022.

In our opinion, said parent company only financial statements in all major respects are in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. They are sufficient to adequately express the parent company only financial status of the Company as of December 31, 2023 and 2022 and its parent company only financial performance and parent company only cash flow from January 1 through December 31, 2023 and 2022.

Basis for the Audit Opinions

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

Key Audit Matters

Key audit matters refer to the most important matters for the audit of 2023 consolidated financial statements of the Company based on our professional judgment. 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, and we do not provide a separate opinion on these matters.

Key audit matters of 2023 parent company only financial statements of the Company and its subsidiaries are hereby stated as follows:

Adequacy of the deadline for sales revenue

According to the delivery terms and conditions agreed on by the Company and customers, there was a deviation between the physical shipping date and delivery date or on board date. We evaluated that revenue risk might be recognized earlier than the actual delivery or on board. Therefore, we identify the adequacy of the deadline for the sales revenue close to the balance sheet date as the key audit matters.

Meanwhile, we also perform the following primary audit procedures:

- I. Test the internal control related to adequacy of the deadline for recognition of the revenue.
- II. Perform random checks on customer orders, shipping bills and sales invoices from the statement of operating revenue to identify whether the buyers identified in the customers' orders and sales invoices are identical, and whether the sales invoice amount is consistent with the recognized revenue. Perform random checks on the external shipping certificates from the statement of operating revenue dated close to the balance sheet date, in order to confirm that the sales revenue is recognized within adequate accounting period.

Responsibilities of the management and governing body to the parent company only financial statements

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

In preparing the parent company only financial statements, the management is responsible for assessing the ability of the Company to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting, unless the management either intends to liquidate the Company or to cease operations, or has no feasible alternative but to do so.

Those charged with governance (including Audit Committee) are responsible for overseeing the financial reporting process of the Company.

External Auditors' Responsibilities for the Audit on 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 will always detect a material misstatement in the parent company only financial statements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the parent company only financial statements.

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

- I. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern, based on the audit evidence obtained. 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.

- V. Evaluate the overall presentation, structure, and contents 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 achieves fair presentation.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on the Company.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence under the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and to communicate with them all relationships and other matters that may reasonably be considered affecting our independence, and where applicable, other matters (including related safeguards).

From the matters communicated with the governance unit, we have determined key audit matters of 2023 parent company only financial statements of the Company. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan
CPA: Hsu Kai-Ning

CPA: Wu Chang-Chun

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1090347472

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No.
1110348898

March 8, 2024

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2023 and 2022

Unit: NT\$ Thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 48,777	1	\$ 38,022	1
1150	Notes receivable (Notes 8 and 20)	644	-	1,061	-
1170	Accounts receivable (Notes 8, 20, 27, 28 and 29)	208,676	4	186,595	3
1200	Other receivables	93,412	2	81,953	1
1310	Inventory (Note 9)	1,577,021	27	2,100,474	33
1410	Prepayments	15,562	-	40,049	1
1476	Other financial assets – current (Notes 10 and 29)	108,660	2	109,642	2
1479	Other current assets	1,420	-	2,279	-
11XX	Total current assets	<u>2,054,172</u>	<u>36</u>	<u>2,560,075</u>	<u>41</u>
	Non-current assets				
1550	Investments under equity method (Note 11)	2,430,674	42	2,572,701	41
1600	Property, plant and equipment (Notes 12, 21, 25 and 29)	1,100,389	19	1,046,257	16
1755	Right-of-use assets (Notes 13 and 21)	141	-	253	-
1760	Investment property (Notes 14 and 29)	45,380	1	45,380	1
1840	Deferred income tax assets (Note 22)	72,763	1	55,472	1
1915	Prepayments for equipment	27,747	1	20,086	-
1990	Other non-current assets	333	-	971	-
15XX	Total non-current assets	<u>3,677,427</u>	<u>64</u>	<u>3,741,120</u>	<u>59</u>
1XXX	Total assets	<u>\$ 5,731,599</u>	<u>100</u>	<u>\$ 6,301,195</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 15 and 29)	\$ 746,268	13	\$ 692,667	11
2110	Short-term notes and bills payable (Note 15)	370,000	7	280,000	5
2120	Financial liabilities at fair value through profit or loss (Notes 7, 16 and 27)	-	-	2,812	-
2130	Contract liabilities – current (Note 20)	102,165	2	158,662	3
2150	Notes payable	16,370	-	20,887	-
2170	Accounts payable (Note 28)	11,310	-	153,404	2
2219	Other payables (Note 17)	73,182	1	81,879	1
2230	Current income tax liabilities	4,297	-	116,031	2
2280	Lease liabilities - current (Note 13)	142	-	254	-
2321	Corporate bonds payable - current portion (Notes 16 and 27)	2,439	-	310,962	5
2399	Other current liabilities	3,806	-	3,812	-
21XX	Total current liabilities	<u>1,329,979</u>	<u>23</u>	<u>1,821,370</u>	<u>29</u>
	Non-current liabilities				
2540	Long-term loans (Notes 15 and 29)	598,575	11	317,899	5
2570	Deferred income tax liabilities (Note 22)	15,106	-	15,720	-
2645	Deposit received	10,048	-	11,927	-
25XX	Total non-current liabilities	<u>623,729</u>	<u>11</u>	<u>345,546</u>	<u>5</u>
2XXX	Total liabilities	<u>1,953,708</u>	<u>34</u>	<u>2,166,916</u>	<u>34</u>
	Equity (Note 19)				
3100	Ordinary share capital	1,663,868	29	1,663,868	26
3200	Capital surplus	1,326,323	23	1,323,687	21
	Retained earnings				
3310	Legal reserve	315,505	6	296,047	5
3320	Special reserve	152,537	3	199,095	3
3350	Undistributed earnings	537,425	9	824,511	13
3300	Total retained earnings	<u>1,005,467</u>	<u>18</u>	<u>1,319,653</u>	<u>21</u>
3400	Other equity	(217,767)	(4)	(152,535)	(2)
3500	Treasury stocks	-	-	(20,394)	-
3XXX	Total equity	<u>3,777,891</u>	<u>66</u>	<u>4,134,279</u>	<u>66</u>
3X2X	Total liabilities and equity	<u>\$ 5,731,599</u>	<u>100</u>	<u>\$ 6,301,195</u>	<u>100</u>

The accompanying notes shall constitute an integral part of the parent company only financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on March 8, 2024.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2023 and 2022

Unit: NTD thousand, except for the earnings (loss) per share (NTD)

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 20 and 28)	\$ 8,899,519	100	\$ 10,761,503	100
5000	Operating costs (Notes 9, 21 and 28)	<u>8,696,099</u>	<u>98</u>	<u>9,709,881</u>	<u>90</u>
5900	Gross profit	<u>203,420</u>	<u>2</u>	<u>1,051,622</u>	<u>10</u>
	Operating expenses (Note 21)				
6100	Selling expenses	212,506	2	534,030	5
6200	Administrative expenses	59,593	1	61,511	1
6300	R&D expenses	<u>3,119</u>	<u>-</u>	<u>3,037</u>	<u>-</u>
6000	Total operating expenses	<u>275,218</u>	<u>3</u>	<u>598,578</u>	<u>6</u>
6900	Net operating profit (loss)	(<u>71,798</u>)	(<u>1</u>)	<u>453,044</u>	<u>4</u>
	Non-operating revenue and expenses				
7100	Interest revenue (Note 21)	7,002	-	6,874	-
7010	Other revenue (Note 21)	5,375	-	7,103	-
7020	Other gains and losses (Note 21)	15,710	-	39,738	-
7050	Financial costs (Note 21)	(45,117)	-	(32,708)	-
7070	Share of profit or loss of subsidiaries accounted for using equity method (Note 11)	(<u>76,795</u>)	(<u>1</u>)	(<u>174,825</u>)	(<u>1</u>)
7000	Total non-operating revenue and expenses	(<u>93,825</u>)	(<u>1</u>)	(<u>153,818</u>)	(<u>1</u>)
7900	Net profit (loss) before tax	(165,623)	(2)	299,226	3
7950	Income tax expenses (gains) (Note 22)	(<u>16,474</u>)	(<u>1</u>)	<u>107,616</u>	<u>1</u>
8200	Net income (loss)	(<u>149,149</u>)	(<u>1</u>)	<u>191,610</u>	<u>2</u>

(Continued)

(Brought Forward)

Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income				
	Items not reclassified to profit and loss				
8311	Defined benefit plan remeasurement	\$ -	-	\$ 1,834	-
8349	Income tax related to items not reclassified to profit and loss	-	-	1,137	-
8310		<u>-</u>	<u>-</u>	<u>2,971</u>	<u>-</u>
	Items that might be reclassified to profit and loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method	(<u>65,232</u>)	(<u>1</u>)	<u>46,558</u>	<u>-</u>
8300	Other comprehensive income for the current year	(<u>65,232</u>)	(<u>1</u>)	<u>49,529</u>	<u>-</u>
8500	Total comprehensive income for the current year	(<u>\$ 214,381</u>)	(<u>2</u>)	<u>\$ 241,139</u>	<u>2</u>
	Earnings (loss) per share (Note 23)				
9750	Basic earnings per share (net loss)	(<u>\$ 0.90</u>)		<u>\$ 1.16</u>	
9850	Diluted earnings per share (net loss)	(<u>\$ 0.90</u>)		<u>\$ 1.08</u>	

The accompanying notes shall constitute an integral part of the parent company only financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on March 8, 2024.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

		Share capital	Capital surplus	Retained earnings			Total	Other equity items	Treasury stocks	Total equity
				Legal reserve	Special reserve	Undistributed earnings		Exchange differences on translation of foreign financial statements		
A1	Balance on January 1, 2022	<u>\$1,663,868</u>	<u>\$1,322,817</u>	<u>\$ 222,033</u>	<u>\$ 215,174</u>	<u>\$1,050,946</u>	<u>\$1,488,153</u>	<u>(\$ 199,093)</u>	<u>(\$ 20,394)</u>	<u>\$4,255,351</u>
	2021 Appropriation and distribution of retained earnings (Note 19)									
B1	Legal reserve	-	-	74,014	-	(74,014)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(16,079)	16,079	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(363,081)	(363,081)	-	-	(363,081)
		-	-	74,014	(16,079)	(421,016)	(363,081)	-	-	(363,081)
C17	Other changes in capital surplus	-	870	-	-	-	-	-	-	870
D1	Profit 2022	-	-	-	-	191,610	191,610	-	-	191,610
D3	2022 Other comprehensive income after tax	-	-	-	-	2,971	2,971	46,558	-	49,529
D5	2022 Total comprehensive income	-	-	-	-	194,581	194,581	46,558	-	241,139
Z1	Balance on December 31, 2022	<u>1,663,868</u>	<u>1,323,687</u>	<u>296,047</u>	<u>199,095</u>	<u>824,511</u>	<u>1,319,653</u>	<u>(152,535)</u>	<u>(20,394)</u>	<u>4,134,279</u>
	2022 Appropriation and distribution of retained earnings (Note 19)									
B1	Legal reserve	-	-	19,458	-	(19,458)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(46,558)	46,558	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(165,037)	(165,037)	-	-	(165,037)
		-	-	19,458	(46,558)	(137,937)	(165,037)	-	-	(165,037)
D1	Net loss 2023	-	-	-	-	(149,149)	(149,149)	-	-	(149,149)
D3	2023 Other comprehensive income after tax	-	-	-	-	-	-	(65,232)	-	(65,232)
D5	2023 Total comprehensive income	-	-	-	-	(149,149)	(149,149)	(65,232)	-	(214,381)
N1	Share-based payment transactions (Notes 24 and 28)	-	4,036	-	-	-	-	-	-	4,036
N1	Transfer of treasury stocks to employees (Note 19)	-	(1,400)	-	-	-	-	-	20,394	18,994
Z1	Balance on December 31, 2023	<u>\$1,663,868</u>	<u>\$1,326,323</u>	<u>\$ 315,505</u>	<u>\$ 152,537</u>	<u>\$ 537,425</u>	<u>\$1,005,467</u>	<u>(\$ 217,767)</u>	<u>\$ -</u>	<u>\$3,777,891</u>

The accompanying notes shall constitute an integral part of the parent company only financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on March 8, 2024.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Cash Flow Statement
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit (loss) before tax for the current year	(\$ 165,623)	\$ 299,226
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	43,067	40,247
A20400	Net losses (gains) from financial assets and liabilities at fair value through profit or loss	(2,894)	3,570
A20900	Financial costs	45,117	32,708
A21200	Interest revenue	(7,002)	(6,874)
A21900	Compensation cost of employee stock options	4,036	-
A22400	Share of profit or loss of subsidiaries accounted for using equity method	76,795	174,825
A23700	Inventory valuation losses	34,255	16,575
A29900	Other items	(2,405)	(553)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	417	1,113
A31150	Accounts receivable	(22,081)	309,618
A31180	Other receivables	(11,420)	148,225
A31200	Inventories	489,198	1,192,472
A31230	Prepayments	24,487	(1,547)
A31240	Other current assets	859	2,447
A32125	Contract liabilities— current	(56,497)	(23,566)
A32130	Notes payable	(4,517)	(26,368)
A32150	Accounts payable	(142,094)	(107,311)
A32180	Other payables	(9,537)	(128,416)
A32990	Other business liabilities	76	(109)
A33000	Cash inflow from operating activities	294,237	1,926,282
A33100	Interest collected	1,429	719
A33300	Interest paid	(44,106)	(31,614)
A33500	Income tax paid	(113,165)	(133,966)
AAAA	Net cash inflow from operating activities	<u>138,395</u>	<u>1,761,421</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(104,043)	(106,201)
B02800	Proceeds from disposal of property, plant and equipment	-	62

(Continued)

(Brought Forward)

<u>Code</u>		<u>2023</u>	<u>2022</u>
B06500	Decrease in other financial assets	\$ 982	\$ 150,190
B06700	Decrease (increase) in other non-current assets	<u>638</u>	<u>(695)</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>(102,423)</u>	<u>43,356</u>
	Cash flow from financing activities		
C00100	Increase in short-term loans	53,601	-
C00200	Decrease in short-term loans	-	(575,636)
C00500	Increase in short-term notes and bills payable	90,000	80,000
C01300	Repayment of corporate bonds	(300,584)	-
C01600	Borrowing of long-term loans	499,800	1,269,800
C01700	Repayment of long-term loans	(220,000)	(2,270,000)
C03000	Increase (decrease) in deposit received	(1,879)	5,954
C04020	Repayment of principal portion of lease liabilities	(112)	(83)
C04500	Allocation of cash dividends	(165,037)	(363,081)
C05000	Transfer of treasury stocks to employees	18,994	-
C09900	Other financing activities	<u>-</u>	<u>870</u>
CCCC	Net cash outflow from financing activities	<u>(25,217)</u>	<u>(1,852,176)</u>
EEEE	Net increase (decrease) in cash and cash equivalents for the current year	10,755	(47,399)
E00100	Balance of cash and cash equivalents, beginning	<u>38,022</u>	<u>85,421</u>
E00200	Balance of cash and cash equivalents, ending	<u>\$ 48,777</u>	<u>\$ 38,022</u>

The accompanying notes shall constitute an integral part of the parent company only financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on March 8, 2024.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Notes to Parent Company Only Financial Statements
January 1 to December 31, 2023 and 2022
(NT\$ Thousand, unless otherwise specified.)

I. Company history

Yuen Chang Stainless Steel Co., Ltd. (hereinafter referred to as the “Company”) was incorporated in July 1987. The Company is primarily engaged in stainless steel shearing, splitting, surface treatment, processing and trading, and import & export of stainless steel products.

The Company has been listed on TWSE since March 22, 2016.

The parent company only financial statements are expressed in New Taiwan Dollars, the functional currency adopted by the Company.

II. Dates and procedures where the financial statements were resolved

The parent company only financial statements were approved by the Board of Directors on March 8, 2024.

III. Applicability of newly promulgated and amended standard rules and interpretations

(I) The first-time adoption of the IFRS, IAS, IFRIC, and SIC approved and effective upon promulgation by the Financial Supervisory Commission (“FSC”) (hereinafter referred to as the “IFRSs” collectively).

In addition to the following descriptions, the application of the revised FSC-approved and issued effective IFRSs will not cause significant changes to the accounting policies of the Company.

Amendments to IAS 12 "International Tax Reform - Pillar 2 Model Rules"

The Amendments introduce an exceptional condition to IAS 12, which expressly state that the Company shall not recognize deferred income tax assets and liabilities related to the income tax under Pillar 2, or disclose the information related to the deferred income tax, but shall disclose that they have applied the exceptional condition and the current income tax expenses (gains) related to the income tax under Pillar 2. Meanwhile, during the period when the Pillar 2 Act has been legislated or has been substantively legislated but has not yet become effective, the Company shall disclose the qualitative and any known or reasonably estimated quantitative information that may help users understand their exposure to the income tax under Pillar 2. After the promulgation of the Amendment, the exceptional condition to the paragraph shall be applied immediately and retrospectively and the applicable facts shall be disclosed. The other disclosure requirements shall be applicable to the annual reporting period beginning as of January 1, 2023. The other disclosure requirements shall not apply to the interim financial report covering the period ending before December 31, 2023.

(II) Apply the IFRSs endorsed by FSC in 2024.

<u>Newly promulgated/amended/revise standard rules and interpretations</u>	<u>Effective date of promulgation by International Accounting Standards Board (IASB) (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	Monday, January 1, 2024 (Note 2)
Amendments to IAS 1, “Classification of Liabilities as Current or Non-Current”	Monday, January 1, 2024
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Monday, January 1, 2024
IAS 7 and IFRS 7 Amendments "Supplier Financing Arrangements"	Monday, January 1, 2024 (Note 3)

Note 1: Unless otherwise expressly remarked, the aforementioned new Promulgation/Amendment/Amended Rules or Interpretation come into effect in the annual reporting year starting from the respective specified effective dates.

Note 2: Seller and also Lessee shall retroactively apply the amendments to IFRS 16 to the sale and leaseback transactions executed after the date of the first-time application of IFRS 16.

Note 3: Certain requirements on the disclosure may be exempted at the time of the Company's first-time adoption of the amendments.

Until the date the parent company only financial statements were authorized for issue, the Company assessed that the amendments to said standard rules and interpretations were not likely to pose any significant impact to its financial position and results of operations.

(III) New IFRSs promulgated by IASB but not yet endorsed and issued into effect by the FSC.

<u>Newly promulgated/amended/revise standard rules and interpretations</u>	<u>Effective Date Promulgated by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”	TBD
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 IAS 1 "Lack of Exchangeability"	Wednesday, January 1, 2025 (Note 2)

Note 1: Unless otherwise expressly remarked, the aforementioned new Promulgation/Amendment/Amended Rules or Interpretation come into effect in the annual reporting year starting from the respective specified effective dates.

Note 2: Applicable to the annual reporting periods beginning after January 1, 2025. When the amendment is applied for the first time, the effect is

recognized in the retained earnings on the date of the first-time adoption. When the Company use non-functional currencies as the presentation currency, they will affect the exchange differences of foreign operations under equity on the date of the first-time application.

Until the date the parent company only financial statements were authorized for issue, the Company still continued to assess the impact to be posed by the amendments to said standard rules and interpretations to its financial position and results of operations. It will disclose the relevant impact upon completion of the assessment.

IV. Summary of significant accounting policies

(I) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

Except for the financial instruments measured at fair value, the parent company only financial statements are prepared on the basis of the historical cost.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs refer to the quoted price (unadjusted) in active markets for identical assets or liabilities, available on the measurement date;
2. Level 2 inputs refer to those that can be observed directly (i.e. price) or indirectly (i.e. established from price) for an asset or liability, other than Level 1 quoted price.
3. Level 3 inputs refer to those that can not be observed for an asset or liability.

The Company treated the accounting of subsidiaries under equity method when preparing the parent company only financial statements. In order to make the current income, other comprehensive income and equity in the parent company only financial report identical with the current income, other comprehensive income and equity attributed to the owners of the Company in the Company's parent company only financial report, the certain accounting treatment differences between parent company only basis and consolidated basis were handled by adjusting the "investment under equity method," "share of profit or loss of subsidiaries accounted for using equity method," "share of other comprehensive income of subsidiaries accounted for using equity method," and related equities.

(III) Classification standard of current and non-current assets and liabilities

Current assets include:

1. Cash and cash equivalents (unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period).
2. Assets held primarily for the purpose of trading; and
3. Assets expected to be realized within 12 months after the balance sheet date.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;

2. Liabilities due to be settled within 12 months after the balance sheet date (to be classified as current liability, even if it is later refinanced or rearranged into long-term liabilities at any time between the balance sheet date and approval and announcement date of the financial report).
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date. Notwithstanding, the classification of the liabilities under the terms that give the trading counterparts the option to repay in the form of equity instruments shall remain unchanged by such terms.

Assets and liabilities that are not classified as current are classified as non-current.

(IV) Foreign currency

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the foreign exchange rates prevailing at the dates of the transactions.

At the end of each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

When preparing the parent company only financial statements, the assets and liabilities of the foreign operations (including the subsidiaries which are operating in any countries different from the country where the Company is operating or use the currencies different from that used by the Company) are translated into New Taiwan dollars using exchange rates prevailing on each balance sheet date. The adjustments to reconcile profit (loss) are translated in accordance with the current average exchange rates and the exchange differences are recognized into the other comprehensive income.

(V) Inventories

Inventories consist of raw materials, supplies, finished goods and goods in process. Inventories are stated at the lower of the cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

(VI) Investment in subsidiaries

The Company processed the investment in subsidiaries using the equity method.

The subsidiaries refer to the entities controlled by the Company.

Under the equity method, investment is recognized at the initial costs, which would be duly increased or decreased along with the profit and/or loss of the subsidiaries, and other shares of comprehensive income of the Company after the amounts on books are obtained later on. Additionally, the change in other equity of subsidiaries attributed to the Company are recognized pro rata to the shareholding percentages.

The unrealized gains (losses) from downstream transactions between the Company and its subsidiaries were written off in the parent company only financial statements. For the profit or loss incurred in upstream transactions

between the Company and subsidiaries, the Company only recognized those within the scope irrelevant to the subsidiaries into the parent company only financial report.

(VII) Property, plant and equipment

Property, plant and equipment shall be stated at cost initially. The following evaluation is based on the cost less accumulated depreciation and accumulated impairment.

The property, plant and equipment construction in progress is recognized at cost less accumulated impairment loss. The costs included fees incurred for professional services and costs of loans, which were consistent with the conditions of capitalization. The assets were measured at the lower of the costs and net realizable value to the extent of being ready for use. The proceeds from sale and costs thereof were classified into the income. For those assets, depreciation started being amortized when those assets were completed to the extent of being ready for use and duly classified into the appropriate categories of property, plant and equipment.

Except that no depreciation should be provided for own land, amortization of other property, plant and equipment is recognized on a straight-line basis within the useful life thereof. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each year, with the effect of any changes in accounting estimates accounted for on a prospective basis.

On derecognition of an item of property, plant, and equipment, the difference between the net proceeds from the disposal and the carrying amount of the asset is recognized into the income.

(VIII) Investment property

The investment property refers to the property held in order to earn rentals. The investment property also includes the land held for purpose which has not yet been determined.

Own investment property shall be stated at cost (including trading cost) initially. The following evaluation is based on the cost less accumulated depreciation and accumulated impairment losses.

Depreciation of the investment property is provided on a straight-line basis.

On derecognition of investment property, the difference between the net proceeds from the disposal and the carrying amount of the asset is recognized into the income.

(IX) Impairment on property, plant and equipment, right-of-use assets and investment property.

The Company evaluates on each balance sheet date whether there are any signs of possible impairment on property, plant and equipment, right-of-use assets and investment property. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The common asset is classified to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset

or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized into the income.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in the previous year. A reversal of an impairment loss is recognized into the income.

(X) Financial instruments

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

When recognizing the financial assets and liabilities initially, the financial assets and liabilities other than those at fair value through profit or loss shall be evaluated based on fair value, plus the transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately into the income.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

(1) Measurement category

The financial assets held by the Company include financial assets measured at amortized cost and accounts receivable at fair value through other comprehensive income.

A. Financial assets measured at amortized cost

The Company's investment in financial assets which meet the following two conditions at the same time, if any, shall be classified as the financial assets measured at amortized cost:

- a. The financial assets are held within some business model whose objective is achieved by both holding the financial assets and collecting contractual cash flows; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

When recognizing the financial assets measured at amortized cost (primarily including cash and cash equivalents, accounts receivable measured at amortized cost, notes receivable, other receivable, other financial assets and refundable deposit) initially, the financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss. Any gain or loss on exchange of foreign currency is recognized into the income.

The interest revenue shall be the effective interest rate multiplying by the total carrying amount of the relevant financial asset.

Credit-impaired financial assets refers to when there is a significant financial difficulty or a breach of contract of the issuer or debtor, the debtor will enter bankruptcy or other

financial reorganization, or the disappearance of an active market of the financial asset because of the financial difficulty.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

B. Accounts receivable at fair value through other comprehensive income

The accounts receivable of the Company that meet the following conditions at the same time are classified as the accounts receivable at fair value through other comprehensive income:

- a. The financial asset is held for a specific business model, and the purpose of which involves collection of contractual cash flow and resale of the financial asset; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accounts receivable at fair value through other comprehensive income are measured at fair value. In the movement of carrying amount, the foreign currency gains or losses and impairment gains or losses or gains on reversal are recognized directly in profit or loss.

(2) Impairment of financial assets

The Company recognizes the impairment loss on financial assets measured at amortized cost (including accounts receivables) based on expected credit losses on each balance sheet date.

The allowance for loss of accounts receivables is measured at an amount equal to lifetime expected credit losses. For the other financial assets, when the credit risk thereon has not increased significantly since initial recognition, the allowance for loss is recognized at an amount equal to expected credit loss within 12 months. Otherwise, the allowance for loss shall be recognized at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss based on the default risk. The expected credit loss within 12 months represents the expected credit loss on financial instruments caused by potential defaults within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss on financial instruments caused by potential defaults within the expected lifetime of the instruments.

For the purpose of internal credit risk management, without taking into account the collaterals held by it, the Company will determine the following circumstances as a constitution of a breach of contract:

- A. There is internal or external information showing that the debtor is not likely to discharge the debt.

B. Overdue for more than 90–120 days, unless some reasonable and sufficient information showing that the basis for overdue performance was fair.

The impairment loss on all financial assets should be deducted from the carrying amount of financial assets through the account of the allowance for loss, provided that the allowance for loss of the investment of debt instrument at fair value through other comprehensive income is stated as other comprehensive income, which does not reduce the carrying amount of the financial assets.

(3) Derecognition of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns assumed by another party.

On the full derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is stated as income. Where the accounts receivable at fair value through other comprehensive income is derecognized en masse, the difference between the carrying amount and collected consideration plus any accumulated profit or loss recognized as other comprehensive income is recognized into profit or loss.

2. Equity instruments

The liabilities and equity instruments issued by the Company are categorized as financial liabilities or equity based on the substance of the contract agreement and the definition of financial liabilities and equity instruments.

The equity instruments issued by the Company are recognized based on the acquisition price less direct issuing cost.

The Company's own equity instruments re-acquired are derecognized and deducted under the equity title. Acquisition, sale, issuance, or cancellation of the Company's own equity instruments would not be recognized as income.

3. Financial liabilities

(1) Subsequent measurement

Except the following, the financial liabilities held by the Company are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading

Any gain or loss arising from the financial liabilities held for trading is recognized into other gains and losses.

(2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized into the income.

4. Convertible corporate bond

The elements of the compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial

liabilities or equity at the initial recognition, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the initial recognition, the fair value of liability elements is calculated based on the prevailing market interest rate applicable to a similar non-convertible instrument, and measured at the amortized cost using the effective interest method before execution of the conversion or the expiration date. The liability elements, such as embedded non-equity derivative instruments, are measured at fair value.

The right of conversion of that classified as equity is equivalent to the balance after the fair value of the compound instruments less the fair value of liability elements decided independently, and stated as equity after deduction of income tax effects. No subsequent measurement will be conducted. After the right of conversion is executed, the related liability elements and amount of equity will be re-stated as capital stock and capital surplus - premium in stock issuance. If the right of conversion for convertible corporate bonds has not been executed on the expiration date, the amount stated as equity will be re-stated into capital surplus - premium in stock issuance.

The trading cost related to issuance of convertible corporate bonds is allocated to the liability (stated into the carrying amount of the liability) and equity elements (stated into equity) of the instrument on a pro rata basis subject to the total price to be amortized.

5. Derivative instruments

Initial recognition of the derivative instruments is measured at fair value upon execution of the derivative instrument contract, and is re-measured subsequently based on the fair value on the balance sheet date. The profit or loss generated from the subsequent measurement is directly recognized in the profit or loss. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(XI) Recognition of revenue

The Company identifies contracts with customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

For any contract in which the time interval between transfer of commodities and collection of consideration is no more than one year, no adjustment will be made on the transaction price with respect to the financing component thereof.

The expected lifetime of the Company's contracts which doesn't exceed one year, and no consideration for the contracts with customers was excluded from the trading price. Therefore, the Company may apply the practical expedient policy and refrain from disclosing (1) the aggregate amount of transaction price amortized by the performance obligation which has not yet been satisfied, or has been satisfied only in part, at the end of the reporting period, and (2) the expected timing to recognize it as revenue, when performing obligations.

Revenue from sale of goods

The revenue from sale of goods is generated from the stainless steel shearing, splitting, surface treatment, processing and trading, and import &

export of stainless steel products. Considering that customers already have the right to set price and use products, and take the responsibility for re-sale and bear the liability for resale when the products arrive at the destination designated by customers or are shipped, the Company recognizes the revenue and receivable accounts at the same time. The receipts in advance from sale of products is stated as contract liabilities before arrival or delivery of the products.

In the event of processing subcontract, the control over ownership of the processed products is not transferred. Therefore, no revenue is recognized at the time of processing subcontract.

Commission revenue

The commission revenue is generated from triangle trading. The Company provides the consignment product service as an agent. The revenue and accounts receivable are recognized when the control over the product is transferred and no subsequent obligation exists.

(XII) Lease

The Company evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of establishment.

1. The Company as a lessor

In an event all risks and remuneration of the ownership of the assets based on the leasehold terms and conditions are transferred to the lessees in full, such assets should be classified as financing leasehold. All other leaseholds are classified as operational leasehold.

In the operating lease, the lease payment is recognized as revenue under the straight-line method during the lease term. The original direct cost generated from acquisition of the operating lease is the book amount added to the underlying asset and is recognized as expense during the duration of leasehold on the straight-line basis.

When a lease includes both land and buildings elements, the Company assesses the classification of each element as a financing lease or an operating lease separately based on if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The lease payments shall be allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold rights in the land element and buildings element of the lease on the date when the contract is established. If the lease payments can be allocated reliably between these two elements, each element is treated based on the applicable classes of lease. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case, the entire lease is classified as an operating lease.

2. The Company as a lessee

The lease payments applicable to the recognized waived low-valued underlying asset lease and the short-term lease are recognized as expenses on the straight-line basis over the lease period. For all other leases, the right-of-use assets and lease liabilities are recognized from the starting date of leases.

The right-of-use assets are initially measured at the costs (including the initially measured amount of lease liability, the lease payment paid

before the lease starts less the received lease incentives, initial direct cost and estimated cost for recovery of the underlying assets); subsequently, they are measured at the costs deducting the accumulated depreciation and the loss of impairment, and the re-measurement of the lease liability is adjusted. Unless being qualified for the defined investment oriented property, the right-of-use assets are individually expressed in the balance sheet. For the recognition and measurement of the right-of-use assets that satisfy the definition of investment property, please refer to said investment property accounting policy.

The right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life or upon expiry of the lease period, whichever is earlier.

The lease liabilities are initially measured at the present value of the lease payment (including fixed payment, substantial fixed payment, variable lease payment depending on any index or fares, expected amount of payment from the lessee under the remaining value guarantee, the exercise price of the call option that is reasonably believed to be exercised, and the reflected penalties for termination of lease during the lease period, and deduction of the received lease incentives). If the implied interest rate of a lease is easy to be confirmed, the rate is applied to discount the lease payment. If the rate is not easy to be confirmed, the lessee incremental borrowing rate of interest will be applied.

Subsequently, the lease liabilities are measured at the amortized cost under the effective interest method, and the interest expense are allocated during the lease periods. If there is any change in the lease period, the expected amount of payment under the remaining value guarantee, the evaluation of the call option of the underlying assets, or the indexes or fares determining the lease payments will result in changes of future lease payment, the Company re-measures the lease liabilities, and relatively adjusts the right-of-use assets; provided the book value of the right-of-use asset has decreased to zero, the remaining re-measured amount is recognized in the income. For the leasehold modification not treated as the separate leasehold, the lease liability remeasurement resulting from reduction of the scope of lease refers to reduction of the right-of-use assets, and profit or loss from termination of the lease, in whole or in part, is recognized. The lease liability remeasurement resulting from other modifications refers to adjustment of the right-of-use assets. The lease liabilities are presented individually on the balance sheet.

The variable rents not depending on any index or fees in a lease agreement are recognized as expenses of the period when it occurs.

(XIII) Costs of loan

The loan cost of the assets that meet the essential requirement and directly attributable to the acquisition, construction, or production of assets is deemed as part of the asset cost until all of the necessary activities completed for the asset to reach its intended use or sales state. All other loan costs are recognized as profit or loss upon the occurring year.

(XIV) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The defined benefit cost of the defined benefit pension plan (including the cost of service, net interest, and re-measurement) is based on the actuary of projected unit credit method. The service costs (including the current service cost and previous service cost) and net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses upon occurring. The re-measurement (including the actuarial gains and losses and the return on plan assets with the deduction of interest) is recognized in other comprehensive income and stated as retained earnings upon occurring, and will not be reclassified as income in the subsequent periods.

Net defined benefit liability (asset) is the amount short (surplus) in appropriation of determined benefit retirement plan. Net defined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(XV) Share-based payment agreement

The equity settlement share-based payment made to the employees is recognized as expenses on a straight-line basis within the vested period, based on the fair value of equity instruments and best estimate quantity of expected vested equity instruments on the grant date. Meanwhile, the capital surplus - stock options is adjusted. If it is vested immediately on the grant date, it shall be recognized as expenses in whole on the grant date. If the Company retains shares for subscription by employees in any cash capital increase project, the grant date shall be identified as the date when the number of shares subscribed for by the employees is confirmed. In the case of transfer of treasury stock to employees, the grant date shall be identified as the date when the Board of Directors approves the transfer.

(XVI) Income tax

Income tax expenses (gains) refer to the sum of the current income tax and deferred income tax.

1. Current income tax

The Company determines current income (loss) in accordance with the laws and regulations established by each income tax reporting jurisdiction, so as to calculate the income tax payable (recoverable).

Income tax on undistributed surplus earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China and recognized in the annual resolution of the shareholders' meeting.

The adjustment to prior period income tax payable is recognized into current income tax.

2. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liability is generally recognized for all taxable temporary differences, while deferred income tax asset is recognized is recognized for deductible temporary differences to the extent that it is

probable that taxable income will be available against which the deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred income tax asset is also reviewed on each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, on the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

The Company has applied the recognition of deferred income tax assets and liabilities and exceptional condition for the disclosure related to the income tax under Pillar 2. Therefore, the Company does not recognize the deferred income tax assets and liabilities related to the income tax under Pillar 2 or disclose any related information.

3. Current and deferred income taxes

Current and deferred income taxes are recognized into the income, except for the current and deferred income taxes related to the items recognized in other comprehensive income are recognized into other comprehensive income or directly included in the equity.

V. Significant accounting judgments, and major sources of estimation and assumption uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The actual consequences might differ from the estimates.

When the Company develops significant accounting estimates, they will include the possible impact into the estimation of cash flow, growth rate, discount rate, profitability and other related major accounting estimates. The management will continue to review the estimates and basic assumptions.

VI.	<u>Cash and cash equivalents</u>		
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Cash on hand	\$ 104	\$ 40
	Bank checks and demand deposit	43,436	37,982
	Cash equivalents		
	Time deposit with initial maturity date within three months	<u>5,237</u>	<u>-</u>
		<u>\$ 48,777</u>	<u>\$ 38,022</u>

(I) The annual interest rate ranges for cash equivalents on the balance sheet date are stated as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank time deposits (%)	1.70	-

(II) The Company's trading counterparties and performing parties are reputable financial institutions with no significant performance concerns. Therefore, there is no significant credit risk.

VII.	<u>Financial instruments at fair value through profit or loss</u>		<u>December 31, 2022</u>
	Financial liabilities held for trading		
	Call options and put option for convertible corporate bond (Note 16)		<u>\$ 2,812</u>

VIII.	<u>Notes and accounts receivable</u>		<u>December 31, 2022</u>
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Notes receivable - from operations</u>		
	Measured at amortized cost	<u>\$ 644</u>	<u>\$ 1,061</u>
	<u>Accounts receivable - from operations</u>		
	Total carrying amount measured at amortized cost	\$181,457	\$186,595
	At fair value through other comprehensive income	<u>27,219</u>	<u>-</u>
		<u>\$208,676</u>	<u>\$186,595</u>

(I) Notes receivable and accounts receivable measured at amortized cost
The Company's average credit period for sale of goods ranges from 30 days to 120 days. To reduce the credit risks, the Company's management have assigned the dedicated team to decide the limit of facility, approve the loan and track the overdue payment, to ensure the proper actions have been taken for the recovery of overdue receivables. The Company would, on the balance sheet date, recheck the recoverable amounts of the accounts receivable one by one, in order to assure that appropriate impairment allowance has been duly provided for uncollectible accounts receivable. Given this, the Company's management believe that its credit risk should have been significantly reduced.

The Company recognizes loss allowance for accounts receivable based on the lifetime expected credit loss. The lifetime expected credit losses are calculated using the reserve matrix, by considering the past default records and

current financial position of customers, industrial economic situations, and also the GDP forecast and industrial outlooks. As the Company's credit loss history showed that there was no significant difference among the loss patterns of different customer bases, the reserve matrix doesn't further divide the customer bases, but only establishes the expected credit losses based on the number of days for which the accounts receivable become overdue.

The Company writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized into the income.

The loss allowance for notes and accounts receivable measured by the Company using the reserve matrix are as follows:

December 31, 2023

	Not past due	Overdue for 1-45 days	Total
Expected credit loss rate (%)	-	-	-
Total carrying amount	\$ 170,551	\$ 11,550	\$ 182,101
Loss allowance (lifetime expected credit losses)	-	-	-
Amortized cost	<u>\$ 170,551</u>	<u>\$ 11,550</u>	<u>\$ 182,101</u>

December 31, 2022

	Not past due	Overdue for 1-45 days	Total
Expected credit loss rate (%)	-	-	-
Total carrying amount	\$ 176,414	\$ 11,242	\$ 187,656
Loss allowance (lifetime expected credit losses)	-	-	-
Amortized cost	<u>\$ 176,414</u>	<u>\$ 11,242</u>	<u>\$ 187,656</u>

(II) Accounts receivable at fair value through other comprehensive income

Subject to the operating fund, the Company decides to proceed with the factoring of accounts receivable to banks without recourse, or not to do so. The management model by which the Company manages such accounts receivable also achieves the intended purpose by collecting the contractual cash flows and selling financial assets. Therefore, such accounts receivable are measured at fair value through other comprehensive income.

The loss allowance on accounts receivable at fair value through other comprehensive income measured by the Company using the reserve matrix is stated as follows:

December 31, 2023

	<u>Not past due</u>	<u>Total</u>
Expected credit loss rate (%)	-	-
Total carrying amount	\$ 27,219	\$ 27,219
Loss allowance (lifetime expected credit losses)	-	-
	<u>\$ 27,219</u>	<u>\$ 27,219</u>

For the information about factoring of accounts receivable between the Company, please refer to Note 27. For the information about export bill negotiation for accounts receivable, please refer to Note 29.

IX. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 606,893	\$ 711,165
Goods in process	132,724	95,515
Raw materials	804,138	1,252,107
Supplies	33,266	41,687
	<u>\$ 1,577,021</u>	<u>\$ 2,100,474</u>

The operating costs related to inventories were NT\$8,696,099 thousand and NT\$9,709,881 thousand in 2023 and 2022, respectively, including the inventory valuation losses amounting to NT\$34,255 thousand and NT\$16,575 thousand.

X. Other financial assets — current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged bank deposit	<u>\$108,660</u>	<u>\$109,642</u>

The annual interest rates for the bank deposits were 0.53%–1.30% and 0.41%–1.18% on December 31, 2023 and 2022, respectively.

The Company's trading counterparties and performing parties are reputable financial institutions with no significant performance concerns. Therefore, there is no significant credit risk.

For the amounts of other financial assets furnished by the Company to secure loans, please refer to Note 29.

XI. Investments under equity method

Hold the ordinary shares of the subsidiary, QIYI PRECISION METALS CO., LTD (QIYI), and then wholly own the subsidiary in China, Ningbo Qiyi Precision Metals Co., Ltd., via the subsidiary in Hong Kong, Surewin Global Limited (HK) wholly invested by the Company. The ownership and voting right held by the Company were both 100% on December 31, 2023 and 2022.

XII. Property, plant and equipment

December 31, 2023 December 31, 2022
\$ 1,100,389 \$ 1,046,257

For own use

2023

	Land	Building and ancillary equipment	Machinery and equipment	Other equipment	Construction in progress	Total
<u>Costs</u>						
Balance on January 1, 2023	\$ 681,489	\$ 386,376	\$ 339,454	\$ 31,249	\$ 71,224	\$ 1,509,792
Additions	-	8,255	46,142	8,208	34,482	97,087
Disposal	-	-	-	(260)	-	(260)
Reclassified	-	104,482	-	-	(104,482)	-
Balance on December 31, 2023	<u>\$ 681,489</u>	<u>\$ 499,113</u>	<u>\$ 385,596</u>	<u>\$ 39,197</u>	<u>\$ 1,224</u>	<u>\$ 1,606,619</u>
<u>Accumulated depreciation</u>						
Balance on January 1, 2023	\$ -	\$ 194,900	\$ 251,337	\$ 17,298	\$ -	\$ 463,535
Depreciation expenses	-	20,187	19,398	3,370	-	42,955
Disposal	-	-	-	(260)	-	(260)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 215,087</u>	<u>\$ 270,735</u>	<u>\$ 20,408</u>	<u>\$ -</u>	<u>\$ 506,230</u>
Net on December 31, 2023	<u>\$ 681,489</u>	<u>\$ 284,026</u>	<u>\$ 114,861</u>	<u>\$ 18,789</u>	<u>\$ 1,224</u>	<u>\$ 1,100,389</u>

2022

	Land	Building and ancillary equipment	Machinery and equipment	Other equipment	Construction in progress	Total
<u>Costs</u>						
Balance on January 1, 2022	\$ 363,816	\$ 384,783	\$ 300,849	\$ 26,185	\$ 865	\$ 1,076,498
Additions	-	1,593	38,605	5,799	70,359	116,356
Disposal	-	-	-	(735)	-	(735)
Reclassified	317,673	-	-	-	-	317,673
Balance on December 31, 2022	<u>\$ 681,489</u>	<u>\$ 386,376</u>	<u>\$ 339,454</u>	<u>\$ 31,249</u>	<u>\$ 71,224</u>	<u>\$ 1,509,792</u>
<u>Accumulated depreciation</u>						
Balance on January 1, 2022	\$ -	\$ 175,161	\$ 233,448	\$ 15,498	\$ -	\$ 424,107
Depreciation expenses	-	19,739	17,889	2,535	-	40,163
Disposal	-	-	-	(735)	-	(735)
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 194,900</u>	<u>\$ 251,337</u>	<u>\$ 17,298</u>	<u>\$ -</u>	<u>\$ 463,535</u>
Net on December 31, 2022	<u>\$ 681,489</u>	<u>\$ 191,476</u>	<u>\$ 88,117</u>	<u>\$ 13,951</u>	<u>\$ 71,224</u>	<u>\$ 1,046,257</u>

Depreciation of the Company's property, plant and equipment is provided on a straight-line basis over useful years shown as follows:

Building and ancillary equipment

Engineering, plant and office

15–40 years

Air conditioning, machine electronics and
decoration

3–18 years

Machinery and equipment

1–20 years

Other equipment

3–10 years

For the amounts of property, plant and equipment for own use as furnished by the Company to secure loans, please refer to Note 29.

XIII. Lease agreement

(I)	Right-of-use assets	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Carrying amount of right-of-use assets		
	Other equipment	<u>\$ 141</u>	<u>\$ 253</u>
		<u>2023</u>	<u>2022</u>
	Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 337</u>
	Depreciation expenses of right-of-use assets		
	Other equipment	<u>\$ 112</u>	<u>\$ 84</u>
	Except said recognized depreciation expenses, no sublease or impairment on the right-of-use assets of the Company has taken place in 2023 and 2022.		
(II)	Lease liabilities	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Carrying amount of lease liabilities		
	Current	<u>\$ 142</u>	<u>\$ 254</u>
	Discount rate range (%) of lease liabilities are as follows:		
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Other equipment	1.15	1.15
(III)	Information about other leases	<u>2023</u>	<u>2022</u>
	Short-term lease expenses	<u>\$ 281</u>	<u>\$ 294</u>
	Total cash outflows from lease	<u>\$ 395</u>	<u>\$ 379</u>

XIV. Investment property
2023

	<u>Land</u>	<u>Building and ancillary equipment</u>	<u>Total</u>
<u>Costs</u>			
Balance on January 1 and December 31, 2023	<u>\$ 45,380</u>	<u>\$ 9,953</u>	<u>\$ 55,333</u>
<u>Accumulated depreciation</u>			
Balance on January 1 and December 31, 2023	<u>\$ -</u>	<u>\$ 9,953</u>	<u>\$ 9,953</u>
Net on December 31, 2023	<u>\$ 45,380</u>	<u>\$ -</u>	<u>\$ 45,380</u>

2022

	<u>Land</u>	<u>Building and ancillary equipment</u>	<u>Total</u>
<u>Costs</u>			
Balance on January 1, 2022	\$ 363,053	\$ 9,953	\$ 373,006
Reclassified	(317,673)	-	(317,673)
Balance on December 31, 2022	<u>\$ 45,380</u>	<u>\$ 9,953</u>	<u>\$ 55,333</u>
<u>Accumulated depreciation</u>			
Balance on January 1 and December 31, 2022	<u>\$ -</u>	<u>\$ 9,953</u>	<u>\$ 9,953</u>
Net on December 31, 2022	<u>\$ 45,380</u>	<u>\$ -</u>	<u>\$ 45,380</u>

The Company's investment property refers to the land leased to non-related parties, without the appraisal conducted by an independent appraiser but based on the actual price registration information about neighboring areas referred to by the Company's management or the recent transaction price, as measured under Level 3 inputs. The fair values of the investment property were NT\$49,443 thousand and NT\$60,521 thousand, respectively, on December 31, 2023 and 2022.

The investment property owned by the Company is in its own interests. For the amounts of investment property furnished to secure loans, please refer to Note 29.

XV. Loans

(I) Short-term loans

The short-term borrowings of the Company are letters of credit from banks, credit loans and export bills. The range of annual interest rate on the balance sheet date is stated as following:

<u>Annual interest rate (%)</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Letter of credit and credit loan	1.65~6.17	1.38~5.13
Export bill negotiation	5.93~6.36	4.85

(II) Short-term notes and bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan Cooperative Bills Finance Corporation	\$100,000	\$100,000
China Bills Finance Corporation	80,000	80,000
Ta Ching Bills Finance Corporation	80,000	50,000
Mega Bills	60,000	-
Dah Chung Bills Finance Corp.	<u>50,000</u>	<u>50,000</u>
	<u>\$370,000</u>	<u>\$280,000</u>

The annual interest rates were 1.99%–2.00% and 1.94%–2.04% on December 31, 2023 and 2022, respectively.

(III) Long-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged borrowings (Note 29)		
Matured between September 2025 and February 2026	\$600,000	\$320,000
Less: Unamortized deferred sponsorship fees	<u>1,425</u>	<u>2,101</u>
	<u>\$598,575</u>	<u>\$317,899</u>
Annual interest rate (%)	1.90~2.20	1.77~2.12

In order to repay the bank loans, cover subsidiaries' capital expenditure and enrich mid- and long-term working fund, the Company and its subsidiary, Surewin Global Limited (HK), executed 5-year joint credit contracts with the syndicate including E.SUN BANK, et al. in January 2021, granting the facilities NT\$850,000 thousand and US\$24,000 thousand.

In addition to the related requirements, said joint credit contracts also provided that the Company should, based on the annual consolidated financial statements, maintain the specific current ratio, liability ratio and tangible net worth in the duration of the loans. The Company satisfied said requirements on December 31, 2023 and 2022.

XVI. Corporate bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Domestic 4th unsecured convertible corporate bonds	\$ 2,400	\$300,000
Add: Premium on corporate bonds payable	<u>39</u>	<u>10,962</u>
	2,439	310,962
Less: Corporate bonds payable - current portion	<u>2,439</u>	<u>310,962</u>
Corporate bonds payable	<u>\$ -</u>	<u>\$ -</u>

The Company issued domestic 4th unsecured convertible corporate bonds at par value of NT\$100 thousand in November 2021, and the total issued amount NT\$300,000 thousand, subject to the coupon rate 0%, effective for 3 years. The underwriting of corporate bonds was completed in the form of auction. The actual issue price was 111.60% of the par value, and the actual amount as raised was NT\$334,810 thousand.

Each unit corporate bond holder is entitled to suspend book closure pursuant to laws and also claim conversion into the Company's ordinary shares at the prevailing conversion price per share within 3 months from the date of issuance until the maturity date. The conversion price prevailing at the time of issuance was NT\$31.5. Subsequently, if the conversion price meets the anti-dilution circumstance, it will be adjusted pursuant to the Regulations. The conversion prices were NT\$27.3 and NT\$28.8 on December 31, 2023 and 2022.

Where, from the date following expiration of 3 months upon the date of issuance until 40 days prior to expiration of the issuance period, the closing price of the Company's ordinary share exceeds more than 30% of the conversion price for 30 business days of TWSE consecutively, or the balance of outstanding corporate bonds is less than 10% of the original total issued amount, the Company may redeem the whole bonds in cash at the par value earlier.

The corporate bond holders may demand that the Company should redeem the corporate bonds held by them at the par value of the bond plus the interest compensation at 1.0025% upon expiration of two years after issuance of the corporate bonds. Until December 31, 2023, the corporate bonds redeemed by the bond holders earlier have amounted to NT\$297,600 thousand. The Company repurchased a total of 2,976 units at the price of NT\$300,584 thousand.

Said convertible corporate bonds on the date of issuance included the liability elements, namely main contract and call/put options (stated as corporate bonds payable and financial assets at fair value through profit or loss) and right of conversion (stated as capital surplus). The effective interest rate initially recognized for the corporate bonds payable was -1.96%. The amount initially recognized for the financial assets at fair value through profit or loss was NT\$435 thousand. The amount initially recognized for the equity element, namely capital surplus, was NT\$12,894 thousand.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Issue price (less the trading cost NT\$42,00 thousand)	\$330,610	\$330,610
Call/put right	435	435
Trading cost stated into income	(5)	(5)
Equity elements (less the trading cost amortized into equity, NT\$164 thousand)	(<u>12,894</u>)	(<u>12,894</u>)
Liability elements on the date of issuance	318,146	318,146
Interest calculated based on the effective interest rate, -1.96%	(12,718)	(7,184)
Redemption of corporate bonds	(<u>302,989</u>)	<u>-</u>
Liability elements	<u>\$ 2,439</u>	<u>\$310,962</u>

XVII. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Import & export expenses payable	\$ 30,379	\$ 27,579
Salary and bonus payable	16,180	21,897
Packaging expenses payable	14,515	14,911
Insurance premium payable	1,917	1,864
Interest payable	868	733
Payables for equipment and engineering	810	105
Remuneration payable to employees and directors	-	7,288
Others	<u>8,513</u>	<u>7,502</u>
	<u>\$ 73,182</u>	<u>\$ 81,879</u>

XVIII. Retirement benefits plan

(I) Defined contribution plan

The Company adopts a pension system under the Labor Pension Act, which is a state-managed defined contribution plan. Under the plan, a company shall make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(II) Defined benefit plan only for 2022

The pension system applied by the Company under Taiwan's Labor Pension Act refers to a state-managed defined contribution plan. The pension benefits a participant receives are determined based on an employee's number of years of service and average compensation for the six-month period prior to retirement. The Company allocates a certain percentage of the total monthly salary of employees to the employees' pension fund, and submits it to the Labor Pension Reserve Committee to deposit in a special account with Bank of Taiwan. Before the end of the fiscal year, if the pension account balance is insufficient to pay for the employees expected to retire in the following year, the difference should be deposited in a lump sum before the end of March in the following year. The Company also entrusts the Bureau of Labor Funds, Ministry of Labor to manage the fund. The Company retains no right to exercise any influence over the discretionary investment management strategy.

Changes in the net defined benefit liability are stated as follows:

2022	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (assets)
January 1, 2022	<u>\$ 15,798</u>	<u>(\$ 13,473)</u>	<u>\$ 2,325</u>
Service costs			
Current service costs	99	-	99
Interest expenses (revenue)	39	(34)	5
Repayment interest	<u>(15,563)</u>	<u>14,968</u>	<u>(595)</u>
Recognized into the income	<u>(15,425)</u>	<u>14,934</u>	<u>(491)</u>
Remeasurement			
Planned ROE (except the amount of net interest)	-	(1,461)	(1,461)
Actuarial gains – change in the financial assumption	(284)	-	(284)
Actuarial losses – adjustment through experience	<u>(89)</u>	<u>-</u>	<u>(89)</u>
Stated into other comprehensive income	<u>(373)</u>	<u>(1,461)</u>	<u>(1,834)</u>
December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

XIX. Equity

(I)

<u>Ordinary share capital</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousand shares)	<u>220,000</u>	<u>220,000</u>
Authorized capital stock	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>
The number of issued and outstanding shares with paid-in capital (in thousand shares)	<u>166,387</u>	<u>166,387</u>
Issued capital stock	<u>\$ 1,663,868</u>	<u>\$ 1,663,868</u>

The ordinary shares are issued with par value of NT\$10 per share with one voting right and right to collect dividends for each.

(II)	Capital surplus	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	It can be applied for make-up of losses, cash distribution, or capitalization (Note 1).		
	<u>Premium in stock</u>		
	issuance	\$ 747,452	\$ 747,452
	Corporate bond		
	conversion premium	155,165	155,165
	Expired stock options	27,892	15,101
	Treasury stock transaction (Note 24)	6,543	3,907
	 It can only be applied for make-up of losses.		
	<u>Recognition of changes in ownership interests in subsidiaries (Note 2)</u>	388,298	388,298
	Others	870	870
	 <u>Not for any purposes</u>		
	Recognized equity		
	elements of corporate bonds issued by the Company (Note 16)	103	12,894
		<u>\$ 1,326,323</u>	<u>\$ 1,323,687</u>

Note 1: Such capital surplus can be used to make up for losses. Meanwhile, when the Company suffers no losses, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

Note 2: Such capital surplus refers to the equity trade effect recognized due to the changes in the subsidiary's equity when the Company has not actually acquired or disposed the equity of the subsidiary, or the amount of adjustment to the capital surplus of the subsidiary recognized under the equity method.

(III) Retained earnings and dividend policy

According to the Articles of Incorporation, if there is a surplus after account settlement of the fiscal year, the Company shall pay applicable taxes and cover loss carried forward, followed by the allocation in the following order:

1. Set aside 10% of the balance, if any, as the legal reserve.
2. Provision or reversal of special reserve pursuant to laws.
3. The balance, if any, plus the undistributed earnings for the previous years shall be allocated according to the earnings appropriation proposal submitted by the Board of Directors as resolved by a shareholders' meeting.

The Company's dividend policy is set forth in response to the current and future development plan and by taking into consideration the investment environment, funding needs and domestic/foreign competition, as well as shareholders' equity. The Company may distribute no less than 20% of the distributable earnings generated in the current year as the shareholder dividend and bonus in that year. The shareholder dividend and bonus may be allocated in cash or in the form of stock, provided that the cash dividend allocable shall be no less than 20% of the total dividends.

The legal reserve should be contributed until its balance reaches the Company's total paid-in capital stock. The legal reserve can be appropriated to cover previous losses. Where the Company doesn't operate at a loss, the part of the legal reserve in excess of 25% of the paid-in capital could be applied for capitalization and may be allocated in cash as well.

The Company has special reserve appropriated and reversed in accordance with the order under Jin-Guan-Zhen-Fa-Zi No. 1090150022 and "Appropriation of Special Reserve Q&A after the Adoption of International Financial Reporting Standards (IFRSs)."

The Company resolved at the annual general meetings convened on June 9, 2023 and June 15, 2022 about distribution of earnings of 2022 and 2021 as follows:

	Earnings appropriation proposal		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 19,458	\$ 74,014		
Reversal of special reserve	(46,558)	(16,079)		
Cash Dividend	<u>165,037</u>	<u>363,081</u>	\$ 1.00	\$ 2.20
	<u>\$137,937</u>	<u>\$421,016</u>		

The Company convened the Board of Directors meeting on March 8, 2024 to resolve the 2023 earnings appropriation proposal as follows:

	Earnings appropriation proposal
Special reserve	<u>\$ 65,231</u>

The Company held the Board meeting on March 8, 2024, and proposed the cash distribution from capital surplus for 2023. The cash distributed from the capital surplus, NT\$83,193 thousand, is NT\$0.5 per share.

The 2023 earnings distribution proposal and proposal for distribution of cash from capital surplus is pending resolution by the annual general meeting to be convened on June 6, 2024.

(IV) Special reserve

The amount stated as accumulated translation adjustments restated into retained earnings upon the first-time application of IFRSs was NT\$29,835 thousand. Because the amount of increase in retained earnings after first-time adoption of IFRSs was relatively low, the Company only provided for special reserve on the NT\$16,894 thousand increase in retained earnings that occurred following the adoption of IFRSs.

When distributing earnings, the Company shall provide the special reserve for the difference between the net deduction under other shareholders' equity

and the special reserve provided upon the first-time adoption of IFRSs. After that, if there is any reversal for the deduction under other shareholders, the reversed portion may be distributed of earnings.

(V) Other equity items

Changes in the exchange differences on translation of foreign financial statements are stated as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning	(\$152,535)	(\$199,093)
Exchange differences on translation of foreign financial statements	(<u>65,232</u>)	<u>46,558</u>
Balance, ending	(<u>\$217,767</u>)	(<u>\$152,535</u>)

(VI) Treasury stocks

In order to transfer shares to employees, the Board of Directors resolved on March 20, 2020 to repurchase the treasury stocks on March 23, 2020 and May 19, 2020. The number and amount of shares are 2,700 thousand shares and NT\$40,788 thousand. Pursuant to the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged. Meanwhile, they are not entitled to the privilege of dividends and voting rights.

The Board of Directors resolved in September 2023 and December 2020 to allocate the treasury stock totaling 1,350 thousand shares for subscription by employees, which has been recognized as the compensation costs, NT\$4,036 thousand and NT\$3,902 thousand, respectively, in 2023 and 2020. The Company has transferred the shares to the employees at the price of NT\$14.07 and NT\$15.11 per share in October 2023 and January 2021.

XX. Revenue

	<u>2023</u>	<u>2022</u>
Revenue from customer contracts		
Revenue from sale of goods	\$ 8,899,209	\$ 10,761,334
Commission revenue (Note 28)	<u>310</u>	<u>169</u>
	<u>\$ 8,899,519</u>	<u>\$ 10,761,503</u>

(I) For the notes to customer contracts, please refer to Note 4.

(II) Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable (Note 8)	\$ 644	\$ 1,061	\$ 2,174
Accounts receivable (Note 8)	<u>208,676</u>	<u>186,595</u>	<u>496,213</u>
	<u>\$209,320</u>	<u>\$187,656</u>	<u>\$498,387</u>
Contract liabilities— current			
Sale of goods	<u>\$102,165</u>	<u>\$158,662</u>	<u>\$182,228</u>

The change in contract liabilities primarily results from the difference between the point in time when the Company satisfies the performance obligation and the point in time when the customers make payment. Notwithstanding, no significant changes took place in 2023 and 2022.

Amount of the contract liabilities from the beginning of the year recognized in the revenue in the current period:

	<u>2023</u>	<u>2022</u>
Amount of the contract liabilities from the beginning of the year		
Sale of goods	<u>\$158,361</u>	<u>\$181,359</u>

(III) Breakdown of revenue from customer contracts

For the information about breakdown of revenue, please refer to Table 9.

XXI. Net profit (loss) before tax

(I) Interest revenue

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 1,468	\$ 727
Amortization of premium on convertible corporate bonds	<u>5,534</u>	<u>6,147</u>
	<u>\$ 7,002</u>	<u>\$ 6,874</u>

(II) Other revenue

	<u>2023</u>	<u>2022</u>
Rental revenue	\$ 2,650	\$ 2,951
Others	<u>2,725</u>	<u>4,152</u>
	<u>\$ 5,375</u>	<u>\$ 7,103</u>

(III) Other gains and losses

	<u>2023</u>	<u>2022</u>
Net foreign exchange gains	\$ 10,411	\$ 43,246
Net gains (losses) from financial assets and liabilities at fair value through profit or loss	2,894	(3,570)
Gains on redemption of corporate bonds	2,405	-
Gains from disposal of property, plant and equipment	<u>-</u>	<u>62</u>
	<u>\$ 15,710</u>	<u>\$ 39,738</u>

(IV) Financial costs

	<u>2023</u>	<u>2022</u>
Total interest expenses on financial liabilities measured at amortized cost	<u>\$ 45,117</u>	<u>\$ 32,708</u>

(V) Depreciation

	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 42,955	\$ 40,163
Right-of-use assets	<u>112</u>	<u>84</u>
Total	<u>\$ 43,067</u>	<u>\$ 40,247</u>
Summarization of depreciation expenses by function		
Operating Cost	\$ 39,721	\$ 37,690
Operating expenses	<u>3,346</u>	<u>2,557</u>
	<u>\$ 43,067</u>	<u>\$ 40,247</u>

(VI) Employee benefit expenses

	<u>2023</u>	<u>2022</u>
Retirement benefits		
Defined contribution plan	\$ 4,494	\$ 4,819
Defined benefit plan (Note 18)	<u>-</u>	(<u>491</u>)
	4,494	4,328
Salary, dividend and bonus	105,921	110,643
Labor/national health insurance premium	11,463	11,380
Other employee benefits	<u>10,916</u>	<u>12,019</u>
Total employee benefit expenses	<u>\$132,794</u>	<u>\$138,370</u>
Summarization by function		
Operating Cost	\$ 63,872	\$ 63,755
Operating expenses	<u>68,922</u>	<u>74,615</u>
	<u>\$132,794</u>	<u>\$138,370</u>

(VII) Remuneration to employees and directors

No less than 2% and no more than 2% of the net profit before tax before deduction of the remuneration to employees and directors for the current year should be distributed to employees and directors, respectively. As net loss before tax was generated in 2023, so no remuneration to employees and directors was estimated. The estimated amount of remuneration to employees and directors for 2022 was resolved by the Board of Directors on March 16, 2023 as follows:

	<u>2022</u>
<u>Estimate on ratio</u>	
Remuneration to employees (%)	2.00
Remuneration to directors (%)	0.37
<u>Amount</u>	
Remuneration to employees	\$ 6,140
Remuneration to directors	1,148

Should there be any change to the annual parent company only financial statements after the reporting date, the differences are accounted for as the changes of accounting estimates in the following year.

There was no difference between the amount of actual remuneration distributed to the employees and directors in 2022 and the amount recognized in the 2022 parent company only financial statements.

Please refer to the “Market Observation Post System” of the Taiwan Stock Exchange for information on the remuneration to the Company’s employees and directors resolved in the 2022 Board of Directors meetings.

(VIII) Net foreign exchange gains (losses)

	<u>2023</u>	<u>2022</u>
Total foreign exchange gains	\$ 56,261	\$118,707
Total foreign exchange losses	(<u>45,850</u>)	(<u>75,461</u>)
Net profit or loss	<u>\$ 10,411</u>	<u>\$ 43,246</u>

XXII. Income tax

(I) Income tax recognized into the income

The income tax expenses (gains) are primarily composed of the following items:

	<u>2023</u>	<u>2022</u>
Current income tax		
Those generated in the current year	\$ -	\$ 98,584
Levied on undistributed earnings	2,832	15,956
Adjustment of previous year(s)	(<u>1,401</u>)	(<u>4,139</u>)
	1,431	110,401
Deferred income tax		
Those generated in the current year	(<u>17,905</u>)	(<u>2,785</u>)
Income tax expenses (gains) recognized into the income	<u>(\$ 16,474)</u>	<u>\$107,616</u>

The accounting income and income tax expenses (gains) are adjusted below:

	<u>2023</u>	<u>2022</u>
Net profit (loss) before tax	(<u>\$165,623</u>)	<u>\$299,226</u>
Income tax on net profit before tax at statutory tax rate	(\$ 33,125)	\$ 59,845
Expenses and losses not exempted from tax, and income not required to be included	(139)	989
Levied on undistributed earnings	2,832	15,956
The current income tax expenses of previous year(s) adjusted in the current year	(1,401)	(4,139)
Unrecognized changes in temporary difference	<u>15,359</u>	<u>34,965</u>
Income tax expenses (gains) recognized into the income	(<u>\$ 16,474</u>)	<u>\$107,616</u>
(II) Income tax stated into other comprehensive income - for 2022 only		<u>2022</u>
Deferred income tax gains		
Defined benefit plan remeasurement		<u>\$ 1,137</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	Balance, beginning	Recognized into the income	Balance, ending
<u>Deferred income tax assets</u>			
Temporary difference			
Exchange differences of foreign financial statements	\$ 49,775	\$ -	\$ 49,775
Loss credit	-	9,853	9,853
Others	<u>5,697</u>	<u>7,438</u>	<u>13,135</u>
	<u>\$ 55,472</u>	<u>\$ 17,291</u>	<u>\$ 72,763</u>
<u>Deferred income tax liabilities</u>			
Temporary difference			
Undistributed earnings of subsidiaries	\$ 15,106	\$ -	\$ 15,106
Others	<u>614</u>	<u>(614)</u>	<u>-</u>
	<u>\$ 15,720</u>	<u>(\$ 614)</u>	<u>\$ 15,106</u>

2022

	Balance, beginning	Recognized into the income	Balance, ending
<u>Deferred income tax assets</u>			
Temporary difference			
Exchange differences of foreign financial statements	\$ 49,775	\$ -	\$ 49,775
Others	<u>2,382</u>	<u>3,315</u>	<u>5,697</u>
	<u>\$ 52,157</u>	<u>\$ 3,315</u>	<u>\$ 55,472</u>
<u>Deferred income tax liabilities</u>			
Temporary difference			
Undistributed earnings of subsidiaries	\$ 15,106	\$ -	\$ 15,106
Defined benefit pension plan	1,137	-	-
Others	<u>84</u>	<u>530</u>	<u>614</u>
	<u>\$ 16,327</u>	<u>\$ 530</u>	<u>\$ 15,720</u>

(IV) Aggregate of temporary difference related to investment and without recognizing deferred income tax liabilities

Until December 31, 2023 and 2022, the taxable temporary differences related to investment in subsidiaries and without recognizing deferred income tax liabilities were NT\$1,029,091 thousand and NT\$1,171,118 thousand, respectively.

(V) Unused loss credit

As of December 31, 2023, the information on loss credit is stated as follows:

<u>Balance to be deducted</u>	<u>Last year of credit</u>
<u>\$ 49,265</u>	<u>2023</u>

(VI) Authorization of income tax

The tax collection authorities have authorized the profit-seeking enterprise income tax returns of the Company until 2020.

XXIII. Earnings (loss) per share

The current net income (loss) and weighted average number of ordinary shares used to calculate the earnings (loss) per share are enumerated below:

Net income (loss)

	<u>2023</u>	<u>2022</u>
Net income (loss)	(\$149,149)	\$191,610
Effect of potentially dilutive ordinary shares		
Conversion of corporate bonds	-	(2,668)
Net income (loss) used to calculate diluted earnings per share	(<u>\$149,149</u>)	<u>\$188,942</u>

Shares

	<u>2023</u>	<u>Unit: Thousand Shares</u> <u>2022</u>
The weighted average number of ordinary shares used to calculate the basic EPS	165,307	165,037
Effect of potentially dilutive ordinary shares		
Remuneration to employees	-	395
Conversion of corporate bonds	-	<u>9,524</u>
The weighted average number of ordinary shares used to calculate the diluted EPS	<u>165,307</u>	<u>174,956</u>

If the Company offers to settle the remuneration to employees in cash or shares, when calculating diluted earnings per share, the Company needs to assume that the entire amount of the remuneration to employees will be settled in shares, and the resulting potential shares shall be included in the weighted average number of ordinary shares used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares should be included in the computation of

diluted earnings per share until the number of shares to be distributed to employees is resolved by the Board of Directors in the next year.

The Company incurred a net loss in 2023 with no dilutive effect when calculating the diluted earnings (net loss) per share.

XXIV. Share-based payment agreement

The Company has transferred the treasury stock totaling 1,350 thousand shares to the employees per the resolution rendered by the Board of Directors in September 2023.

The Company's treasury stock to employees is calculated using the Black-Scholes-Merton valuation model. The valuation assumptions are as follows:

Stock price on grant date	NT\$17.05
Exercise price	NT\$14.07
Projected volatility ratio (%)	14.68
Duration (years)	0.04
Projected dividend ratio (%)	-
Risk-free interest rate (%)	1.42
Fair value of stock options granted in the current year	NT\$2.99

The projected volatility ratio is subject to the average value of annualized standard deviation of Company's daily rate of return before the grant date.

The number of shares subscribed for by the employees based on said treasury shares was measured at fair value on the grant date in accordance with IFRS 2 "Share-based Payment." The employee stock option cost recognized by the Company in 2023 was NT\$4,036 thousand.

XXV. Transactions other than those in cash

(I) Non-cash transactions

The Company's investing activities for non cash transactions in 2023 and 2022 are stated as follows:

	<u>2023</u>	<u>2022</u>
Investing activities that affect cash and non-cash items at the same time		
Increase in property, plant and equipment	\$ 97,087	\$116,356
Increase (decrease) in prepayments for equipment	7,661	(10,509)
Decrease (increase) in payables for equipment and engineering (stated into other payables)	(<u>705</u>)	<u>354</u>
Cash paid for procurement of property, plant and equipment		
Cash	<u>\$104,043</u>	<u>\$106,201</u>

(II) **Changes in liabilities from financing activities**
2023

	Short-term loans	Short-term notes and bills payable	Corporate bonds payable (including the current portion)	Long-term loans (including current portion)	Lease liabilities	Deposit received	Total
Balance on January 1, 2023	\$ 692,667	\$ 280,000	\$ 310,962	\$ 317,899	\$ 254	\$ 11,927	\$ 1,613,709
Net cash flow from financing activities	53,601	90,000	(300,584)	279,800	(112)	(1,879)	120,826
Non-cash changes							
Amortization of premium and issue cost	-	-	(5,534)	876	-	-	(4,658)
Gains on redemption of corporate bonds	-	-	(2,405)	-	-	-	(2,405)
Balance on December 31, 2023	\$ 746,268	\$ 370,000	\$ 2,439	\$ 598,575	\$ 142	\$ 10,048	\$ 1,727,472

2022

	Short-term loans	Short-term notes and bills payable	Corporate bonds payable (including the current portion)	Long-term loans (including current portion)	Lease liabilities	Deposit received	Total
Balance on January 1, 2022	\$ 1,268,303	\$ 200,000	\$ 317,109	\$ 1,317,223	\$ -	\$ 5,973	\$ 3,108,608
Net cash flow from financing activities	(575,636)	80,000	-	(1,000,200)	(83)	5,954	(1,489,965)
Non-cash changes							
Additional lease	-	-	-	-	337	-	337
Amortization of premium and issue cost	-	-	(6,147)	876	-	-	(5,271)
Balance on December 31, 2022	\$ 692,667	\$ 280,000	\$ 310,962	\$ 317,899	\$ 254	\$ 11,927	\$ 1,613,709

XXVI. Capital risk management

The Company conducts the capital management to ensure that the entities within the Company may, insofar as they can continue operating, maximize the ROE by optimizing the balances of liabilities and equity. The overall strategies adopted by the Company remained unchanged in the most recent two years.

The capital structure of the Company consists of net debt (i.e. loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e. Capital stock, capital surplus, retained earnings and other equity).

Except Note 15, the Company is not required to comply with any other external capital requirements.

XXVII. Financial instruments

(I) Information about fair value

Except the corporate bonds payable measured at amortized cost, the Company's management consider that the carrying amounts of non-financial assets/liabilities at fair value through profit or loss approximate their fair value. The carrying amounts of corporate bonds payable were NT\$2,439 thousand and NT\$310,962 thousand, and the fair value thereof NT\$2,363 thousand and NT\$289,260 thousand, on December 31, 2023 and 2022.

(II) Information about fair value - Financial instruments at fair value on a recurring basis

1. Fair value hierarchy
December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities				
Call options and put option for convertible corporate bond	\$ -	\$ 2,812	\$ -	\$ 2,812

There was no transfer of fair value measurement between Level 1 and Level 2 in 2023 and 2022.

2. Evaluation technology or input for Level 2 fair value measurement

Financial instrument category	Evaluation technology or input
Derivatives - Call options and put option for convertible corporate bond	Option pricing model: Include the present value technology and reflect the time value and intrinsic value of the call options and put options.

(III) Financial instrument category

Financial assets	<u>December 31, 2023</u>	<u>December 31, 2022</u>
At fair value through other comprehensive income	\$ 27,219	\$ -
Measured at amortized cost (Note 1)	433,041	417,364
<u>Financial liabilities</u>		
At fair value through profit or loss	-	2,812
Measured at amortized cost (Note 2)	1,828,192	1,869,625

Note 1: The balances include the financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposit (stated into other non-current assets).

Note 2: The balances include the financial liabilities measured at amortized cost, such as short-term loans, short-term notes and bills payable, notes payable, accounts payable, other payables, corporate bonds payable (including the current portion), long-term loans (including the current portion) and deposit received.

(IV) Financial risk management objectives and policies

The major financial instruments of the Company include bank deposits, notes and accounts receivable, other receivables, other financial assets, loans, short-term notes and bills payable, notes and accounts payable, borrowings, other payables, corporate bonds payable and lease liabilities. The financial management department of the Company analyzes and manages financial risks related to the operation of the Company based on the risk level and span. Such risks include market risks (including foreign exchange rate risk and interest rate risk), credit risk and liquidity risk.

The financial management departments present the report to the Company's management periodically.

1. Market risk

The Company's business activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(1) Foreign exchange rate risk

The Company engages in foreign currency-denominated sales and purchases, which expose the Company to the risk of foreign exchange rate fluctuation.

For the non-functional currency-denominated monetary assets and liabilities (including the non-functional currency-denominated monetary items already written off in the consolidated financial statements) of the Company rendering significant impacts on the balance sheet date, please refer to Note 31.

Sensitivity analysis

The Company is primarily exposed to the fluctuation in foreign exchange rate in USD.

The following table explains the Company's sensitivity analysis in the case of the increase or decrease in NTD (the functional currency) against any critical foreign currency by 1%.

The sensitivity analysis includes outstanding foreign currency-denominated monetary items. A positive (negative) number indicated in the following table indicates an increase (decrease) in net profit (loss) before tax associated with the functional currency appreciation by 1% against the related currency, while it would be the same but negative (positive) number reflecting the effect on the net profit (loss) before tax associated with the functional currency depreciation by 1%.

	<u>2023</u>	<u>2022</u>
Profit or loss	(<u>\$693</u>)	<u>\$456</u>

(2) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates on the balance sheet date are stated as following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 41,238	\$ 6,000
Financial liabilities	898,981	793,228
Cash flow interest rate risk		
Financial assets	116,095	141,624
Financial liabilities	819,868	810,655

For the assets and liabilities with floating interest rate, when the Company reports the interest rates to the major management internally, the variable interest rates applied is the interest rate increase or decrease by 100 base points. If the interest rate increases for 100 base points (1%), while other variables are kept the same, the net profit before tax of the Company in 2023 and 2022 will decrease by NT\$7,000 thousand and NT\$7,000 thousand, respectively. The main reason is the Company's bank loans and deposits with floating interest rate.

2. Credit risk

Credit risk refers to the risk that a trading counterpart will default on its contractual obligations and thereby result in the risk of financial loss to the Company. The credit risk of the Company primarily arises from cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposit (stated into other non-current assets). The maximum credit risk exposure is equivalent to the carrying amount of financial assets in the parent company only balance sheet.

Trading counterparties of the Company have adopted their own loan policies and procedures for management of accounts receivable, in order to ensure the collection and evaluation of accounts receivable. Meanwhile, the trading counterparties cover multiple customers and banks. Therefore, no significant concentrated credit exposure exists.

3. Liquidity risk

The Company manages and maintains the cash and facility positions sufficient to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The Company's management also monitor the status of the facility granted by banks and ensures compliance with loan contracts. Therefore, there should be no liquidity risk generated from unfulfilled contract obligations due to failure to raise fund.

The Company may be asked to repay the financial liabilities included in the earliest time band in the following table immediately, regardless of the probability for the trading counterparties to choose exercise of their rights immediately. Notwithstanding, the analysis on the maturity dates for other non-derivative financial liabilities is prepared based on the agreed repayment dates.

The undiscounted interest for the cash flow of interest payable at floating interest rate serves as the basis for estimation of the future interest cash flow based on the interest rate on the balance sheet date.

	Repayment on demand or less than 1 month	1–3 months	3 months 1 year	– 1–5 years
<u>December 31, 2023</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 92,275	\$ 3,267	\$ 5,320	\$ 10,048
Lease liabilities	10	19	115	-
Floating interest rate instruments	59,049	52,544	121,995	613,954
Fixed interest rate instruments	670,545	152,490	-	-
Financial guarantee liabilities	-	-	1,449,840	553,680
	<u>\$ 821,879</u>	<u>\$ 208,320</u>	<u>\$ 1,577,270</u>	<u>\$ 1,177,682</u>
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 246,154	\$ 8,614	\$ 1,402	\$ 11,927
Lease liabilities	10	19	229	-
Floating interest rate instruments	83,516	2,184	415,569	331,179
Fixed interest rate instruments	150,192	300,042	300,000	-
Financial guarantee liabilities	-	-	1,094,210	736,080
	<u>\$ 479,872</u>	<u>\$ 310,859</u>	<u>\$ 1,811,410</u>	<u>\$ 1,079,186</u>

The floating interest rate instruments of said non-derivative financial assets and liabilities could vary depending on the floating rate, and the interest rate estimated on the balance sheet date.

(V) Transfer of financial assets

The information about factoring of the Company's accounts receivable yet matured at the end of the year:

Trading counterparty	Current factoring amount (NT\$ Thousand)	Amount re-stated into other receivables (NT\$ Thousand)	Available advance amount (NT\$ Thousand)	Amount already advanced (NT\$ Thousand)	Annual interest on amount already advanced (%)
<u>December 31, 2023</u>					
CTBC Bank	USD 2,689	USD 1,421	USD 883	USD 1,268	6.21~6.60
E.SUN Bank	1,973	197	-	1,776	6.14~6.55
Taipei Fubon Bank	703	703	562	-	-
	<u>USD 5,365</u>	<u>USD 2,321</u>	<u>USD 1,445</u>	<u>USD 3,044</u>	
<u>December 31, 2022</u>					
CTBC Bank	USD 2,236	USD 800	USD 290	USD 1,436	4.55~5.22
E.SUN Bank	211	21	-	190	4.39~5.10
Taipei Fubon Bank	366	366	293	-	-
	<u>USD 2,813</u>	<u>USD 1,187</u>	<u>USD 583</u>	<u>USD 1,626</u>	

According to the factoring contracts, the loss derived from business dispute (e.g. sales return or allowances, etc.) should be borne by the Company, while the loss derived from credit risk should be borne by the bank. The Company has provided the promissory notes to secure the loss generated from the business dispute in the following amount:

	Unit: Any currency thousand	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	\$ 23,675	\$ 24,675

XXVIII. Transactions with related parties

The transactions between the Company and related parties, other than those already disclosed in other notes, are stated as follows:

(I) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Company</u>
QIYI PRECISION METALS CO., LTD	Subsidiaries
Surewin Global Limited (HK)	Subsidiaries
Ningbo Qiyi Precision Metals Co., Ltd. (Ningbo Qiyi)	Subsidiaries

(II) Operating Revenue

<u>Category of related party</u>	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ 44,310</u>	<u>\$ 55,207</u>

The transaction prices between the Company and related parties are measured at cost plus price. There is no non-related party transaction available for comparison, and there is no significant difference between the payment terms and those of the general customers.

(III) Purchase of goods

<u>Category of related party</u>	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ 880</u>	<u>\$ 1,188</u>

There is no significant difference between the purchase price of the Company with the related party and that of the general supplier, and the payment term is open on 30 days monthly settlement.

(IV) Receivables - related party

<u>Account title</u>	<u>Category of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Subsidiaries	<u>\$ 3,824</u>	<u>\$ 1,087</u>

The outstanding balance of accounts receivable - related party has not yet require guarantee. No impairment loss on receivables-related party has been provided in 2023 and 2022.

(V) Accounts payable - related party

<u>Account title</u>	<u>Category of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	Subsidiaries	<u>\$ 8,345</u>	<u>\$ 9,617</u>

The outstanding balance of accounts payable - related party is not secured, but will be repaid in cash.

(VI) Commission revenue

The commission revenue collected by the Company from the subsidiary in China, Ningbo Qiyi, through the triangle trading was NT\$310 thousand and NT\$169 thousand, respectively, in 2023 and 2022, stated into operating revenue.

(VII)	Endorsements/guarantees		
	<u>Category of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Subsidiaries	<u>\$2,759,880</u>	<u>\$3,050,596</u>

Until December 31, 2023 and 2022, the Company's Chairman has provided endorsements/guarantees of the equivalent amount for the short-term loan, short-term notes and bills payable and long-term loans for the Company.

(VIII)	Salary and compensation to key management level		
		<u>2023</u>	<u>2022</u>
	Short-term employee benefits	\$ 16,254	\$ 19,189
	Share-based payment	<u>673</u>	<u>-</u>
		<u>\$ 16,927</u>	<u>\$ 19,189</u>

The salaries and remunerations to directors and the key management are determined subject to the personal performance and market trends.

XXIX. Assets pledged as collateral or for security

The Company has provided the following assets as collateral or security for the bank loans:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$755,752	\$766,013
Other financial assets — current	108,660	109,642
Accounts receivable	76,400	32,012
Investment property	<u>45,380</u>	<u>45,380</u>
	<u>\$986,192</u>	<u>\$953,047</u>

XXX. Major contingent liabilities and unrecognized contractual commitments

The Company has the following major commitments on the balance sheet date:

(I) Until December 31, 2023 and 2022, the Company has issued the letters of credit, which remain unused, bearing the amounts, NT\$116,268 thousand and NT\$484,359 thousand, respectively.

(II) The Company's unrecognized contractual commitments are stated as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Purchase agreement	<u>\$150,800</u>	<u>\$294,923</u>
Purchase of property, plant and equipment	<u>\$ 39,679</u>	<u>\$ 66,653</u>

XXXI. Information about foreign-currency-denominated assets and liabilities that have significant influence

The following information is summarized according to the foreign currencies other than the functional currency of the Company. The foreign exchange rates disclosed are used to translate the foreign currency into the functional currency. Foreign-currency-denominated assets and liabilities that have significant influence:

	Foreign currency (NT\$ Thousand)	Foreign exchange rate	NT\$ Thousand
<u>December 31, 2023</u>			
Monetary financial assets			
USD	\$ 6,175	USD1=NTD30.76	\$189,948
Monetary financial liabilities			
USD	3,923	USD1=NTD30.76	120,683
<u>December 31, 2022</u>			
Monetary financial assets			
USD	5,133	USD1=NTD30.67	157,419
Monetary financial liabilities			
USD	6,618	USD1=NTD30.67	202,979

For the significant realized and unrealized gains (losses) on foreign exchange of the Company, please refer to the foreign currency exchange gains (losses), net referred to in Note 21(8).

XXXII. Disclosures in notes

- (I) Information on significant transactions
1. Fund loaned to others: Please refer to Schedule 1 hereto.
 2. Making of endorsements/guarantees for others: Please refer to Schedule 2 hereto.
 3. Marketable securities held at the end of year (exclusive of investment in subsidiaries, affiliated companies and joint ventures): None.
 4. Cumulative amount of the same marketable security purchased or sold reaching NT\$300 million or more than 20% of the paid-in capital: None.
 5. Acquisition amount of real estate reaching NT\$300 million or more than 20% of the paid-in capital: None.
 6. The amount of real estate disposed of exceeds NT\$300 million or 20% of paid-in capital: None.
 7. Purchase/sale amount of transactions with related parties reaching NT\$100 million or more than 20% of the paid-in capital: None.
 8. Accounts receivable-related party reaching NT\$100 million or more than 20% of the paid-in capital: None.
 9. Derivatives trading: Please refer to Note 7.
- (II) Information on investees (if the issuer directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee not in the territories of the mainland China): Please refer to Schedule 3 hereto.
- (III) Information on investment in the mainland China
1. Investees' name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, profit or loss for the period and recognized investment gain or loss, investment year end carrying amount, investment income and loss inward, and investment limits in the mainland China: Please refer to Schedule 4 hereto.
 2. Any of the following significant transactions with investees in the mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

- (1) Purchase amount and percentage and the related payables ending balance and percentage: Please refer to Schedule 5 hereto.
 - (2) Sale amount and percentage and the related receivables ending balance and percentage: Please refer to Schedule 5 hereto.
 - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Please refer to Schedule 2 hereto.
 - (5) The highest balance, the end of period balance, the interest rate range, and total interest for the current year, with respect to financing of funds: Please refer to Schedule 1 hereto.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the provision or acceptance of services: None.
- (IV) Information on major shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Please refer to Schedule 6 hereto.

Yuen Chang Stainless Steel Co., Ltd.
Fund loaned to others
January 1 to December 31, 2023

Schedule 1

Unit: NT\$ Thousand

No.	Loaner	Debtor	Accounting title	Related Party or not	Maximum balance for the current period	Balance, ending	Drawdown, ending	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Limit of lending to an individual debtor (Note 1)	Limit of total lending (Note 2)	Remark
													Title	Value			
0	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Other receivables	Yes	\$ 300,000	\$ 300,000	\$ -	-	Short-term financing	\$ -	Business turnover	\$ -	-	\$ -	\$ 1,511,156	\$ 1,511,156	

Note 1: Limit of lending by the Company to any individual debtor shall be no more than 40% of the Company's net worth. Limit of lending to a foreign company in which the Company holds 100% of the voting shares, directly or indirectly, shall be no more than 200% of the company's net worth.

Note 2: The limit of total lending by the Company to others shall be no more than 40% of the Company's net worth.

Yuen Chang Stainless Steel Co., Ltd.
Making of endorsements/guarantees for others
January 1 to December 31, 2023

Schedule 2

Unit: NT\$ Thousand

No.	Endorser/guarantor	Endorsed/guaranteed party		Limits on endorsements/guarantees for a single enterprise (Note 1)	Current maximum endorsement/guarantee balance	Endorsement/guarantee balance - ending	Drawdown, ending	Endorsement/guarantee amount secured with property as collateral	Ratio of the cumulative endorsement/guarantee amount to the net worth in the most recent financial statements (%)	Maximum endorsements/guarantees (Note 2)	Endorsement/guarantee made by the parent company for its subsidiaries	Endorsements/guarantees made by the subsidiaries for the parent company	Endorsement/guarantee made for the operations in Mainland China
		Company name	Affiliation										
1	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Subsidiary in which the Company indirectly holds 100% of the voting shares	\$ 7,555,782	\$ 3,170,152	\$ 1,990,880	\$ 1,449,840	\$ -	53	\$ 7,555,782	Yes	No	Yes
2	The Company	Surewin Global Limited (HK)	Subsidiary in which the Company indirectly holds 100% of the voting shares	7,555,782	812,000	769,000	553,680	-	20	7,555,782	Yes	No	No

Note 1: The maximum amount of the endorsement/ guarantee to a single subsidiary wholly owned by the Company shall not exceed 200% of the Company's net worth.

Note 2: The total amount of the endorsement/ guarantee for others shall not exceed 200% of the Company's net worth.

Yuen Chang Stainless Steel Co., Ltd.
Information related to the investees, such as names and locations, etc.
January 1 to December 31, 2023

Schedule 3

Unit: NT\$ Thousand

Investor's name	Investee's name	Location	Main business lines	Original investment amount		Holding at end of year			Investee's current income	Investment income recognized in the current year	Remark
				End of the current year	End of last year	Shares	Percent age (%)	Carrying amount			
The Company	QIYI PRECISION METALS CO., LTD	British Cayman Islands	Engaged in professional investment activities	\$ 1,140,000	\$ 1,140,000	480,000,000	100	\$ 2,430,674	(\$ 76,795)	(\$ 76,795)	Subsidiaries

Yuen Chang Stainless Steel Co., Ltd.
Information on investment in the mainland China
January 1 to December 31, 2023

Schedule 4

Unit: NT\$ Thousand
(Unless otherwise noted)

Mainland China Investee's name	Main business lines	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at the beginning of the year	Investment remittance or regain in the current year		Accumulated outward remittance for investment from Taiwan at the end of the year	Investee's current income	Ownership of direct or indirect investment (%)	Investment income recognized in the current year	Carrying amount of the investment at the end of the year	Accumulated repatriation of investment income until the end of the year	Remark
					Outward	Inward							
Ningbo Qiyi Precision Metals Co., Ltd.	Stainless steel shearing, splitting and cold rolling, processing and trading, and import & export of stainless steel products.	RMB\$500,297 thousand	Note 1	\$ 1,140,000	\$ -	\$ -	\$ 1,140,000	(\$ 77,837)	100	(\$ 77,837)	\$ 2,420,038	\$ -	

Investor's name	Accumulated outward remittance for investment in Mainland China until the end of the period	Investment amounts authorized by Investment Commission, MOEA (Note 3)	Limit of investment amount by the Company in the mainland China (Note 2)
Yuen Chang Stainless Steel Co., Ltd.	\$ 1,140,000 (US\$37,619 thousand)	\$ 2,309,450 (US\$77,619 thousand)	\$ 2,266,735

Note 1: To invest in the mainland China companies through remittance from a company existing in a third area.

Note 2: Limit of investment amount by Yuen Chang Stainless Steel Co., Ltd. in the mainland China is calculated as follows: $\$3,777,891 \times 60\% = \$2,266,735$.

Note 3: Including the recapitalization of earnings of Ningbo Qiyi Precision Metals Co., Ltd., US\$40,000 thousand.

Yuen Chang Stainless Steel Co., Ltd.

Any of the following significant transactions with investees in the mainland China, either directly or indirectly through a third party, and their prices, payment terms, unrealized gains or losses and other related information.

2023

Schedule 5

Unit: NT\$ Thousand
(Unless otherwise noted)

Mainland China Investee's name	Type of transaction	Purchase (sale)		Price	Trading conditions		Accounts/notes receivable (payable)		Unrealized profit or loss	Remark
		Amount	Percentage		Payment terms	Comparison with the general transactions	Amount	Percentage		
Ningbo Qiyi Precision Metals Co., Ltd.	Sale of goods	\$ 44,310	-	General trading conditions	O/A 45 days	No material difference from the general customers.	\$ 3,824	2	\$ -	Note
	Purchase of goods	880	-	General trading conditions	O/A 45 days	No material difference from the general suppliers.	(8,345)	74	-	

Note: Primarily as a result of the collection and payment in the triangle trading.

Yuen Chang Stainless Steel Co., Ltd.
Information on major shareholders
December 31, 2023

Schedule 6

Name of major shareholder	Shares	
	Quantity of Shares Held	Shareholding Percentage (%)
Yuji Investment Co., Ltd.	37,731,750	22.67

Note 1: The information on major shareholders referred to herein is based on the information about the shareholders holding more than 5% of the ordinary shares (including treasury stock) of the Company for which the Company has already completed the non-tangible registration and delivery, as calculated by TDCC on the last business day at the end of the current quarter. The capital stock recorded in the Company's parent company only financial statements might be different, or vary, from the number of shares for which the non-tangible registration/delivery has been completed, depending on the preparation basis.

Note 2: If the shareholder puts the shares held by it under trust, said information shall be disclosed by the individual client of the trust account opened by the trustee. According to the Securities and Exchange Act, shareholders with more than 10% ownership interest are subject to insider equity reporting. Insider equity includes shares held in own name and any shares placed under a trust that the insider has control over. Please access the Market Observation Post System for reports on insider equity.

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Yuen Chang Stainless Steel Co., Ltd.
Statement of Cash
December 31, 2023

Statement 1

Unit: NT\$ Thousand, unless otherwise
specified

Item	Memo	Amount
Cash on hand		\$ 104
Bank deposits		
Checks and demand deposit		24,866
Foreign currency demand deposits	US\$604 thousand	18,570
Cash equivalents		
Foreign currency time deposit with initial maturity date within three months	EUR 154 thousand	5,237
		<u>\$48,777</u>

Note: The exchange rates for USD and EUR are USD 1=NTD 30.76 and EUR 1=NTD 33.94, respectively.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Accounts Receivable
December 31, 2023

Statement 2

Unit: NT\$ Thousand

Name of customer	Amount	Accounts overdue for more than one year
Non-related party		
Customer A	\$ 24,633	\$ -
Customer B	18,379	-
Customer C	16,757	-
Customer D	14,431	-
Others (Note)	130,652	-
Related Party		
Ningbo Qiyi	<u>3,824</u>	<u>-</u>
	<u>\$208,676</u>	<u>\$ -</u>

Note: The individual balance is less than 5% of the balance under the Item.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Inventories
December 31, 2023

Statement 3

Unit: NT\$ Thousand

Item	Amount	
	Costs	Net realizable value
Finished goods	\$ 606,893	\$ 681,882
Goods in process	132,724	155,218
Raw materials	804,138	816,115
Supplies	33,266	33,266
	<u>\$ 1,577,021</u>	<u>\$ 1,686,481</u>

Yuen Chang Stainless Steel Co., Ltd.
Statement of Changes in Investment under Equity Method
2023

Statement 4

Unit: NT\$ Thousand

Investee	Balance, beginning		Increase this year		Decrease this year (Note 1)		Balance, ending			Market price or net worth of equity (Note 2)		Guarantee or pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding %	Amount	Unit price (NT\$)	Total amount	
Ordinary shares Non-TWSE/TPEX-listed company QIYI PRECISION METALS CO., LTD	48,000,000	\$ 2,572,701	-	\$ -	-	\$ 142,027	48,000,000	100	\$ 2,430,674	\$ 50.6	\$ 2,430,674	None

Note 1: The changes refer to the share of profit or loss or other comprehensive income of subsidiaries accounted for using equity method.

Note 2: The net worth of equity is calculated based on the financial statements of QIYI PRECISION METALS CO., LTD. and the Company's shareholding.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Short-term Loans
December 31, 2023

Statement 5

Unit: NT\$ Thousand

Category of loan and creditor	Balance, ending	Term of loan	Annual interest rate (%)	Facility	Pledged or guaranteed
Letter of credit and credit loan					
Taishin International Bank	\$ 350,000	December 25, 2023 – January 25, 2024		\$ 350,000	Note
The Export-Import Bank of the Republic of China	100,000	June 15, 2023 – June 14, 2024		300,000	-
Bank of Taiwan	50,000	November 10, 2023 – February 7, 2024		50,000	Note
Mega Bank	50,000	December 13, 2023 – March 12, 2024	1.65~6.17	50,000	Note
Shin Kong Bank	50,000	December 14, 2023 – January 12, 2024		150,000	Note
The Shanghai Commercial & Savings Bank, Ltd.	35,938	October 30, 2023 – April 26, 2024		US\$7,000 thousand	Note
E.SUN Bank	<u>33,930</u>	December 28, 2023 – January 2, 2024		600,000	Note
	<u>669,868</u>				
Export bill negotiation					
E.SUN Bank	48,121	October 18, 2023 – April 17, 2024		US\$10,000 thousand	-
Cathay United Bank	26,490	December 18, 2023 – January 3, 2024	5.93~6.36	US\$4,000 thousand	-
Taishin International Bank	<u>1,789</u>	December 28, 2023 – January 4, 2024		US\$3,000 thousand	-
	<u>76,400</u>				
Total	<u>\$ 746,268</u>				

Note: Please refer to Note 29.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Short-Term Notes and Bills Payable
December 31, 2023

Statement 6

Unit: NT\$ Thousand

Guarantor or accepting institution	Term of contract	Annual interest rate (%)	Amount			Pledged or guaranteed
			Issued amount	Discount on unamortized short-term notes and bills payable	Carrying amount	
Taiwan Cooperative Bills Finance Corporation	December 13, 2023 – February 5, 2024		\$ 100,000	\$ -	\$ 100,000	Note
China Bills Finance Corporation	November 17, 2023 – January 16, 2024		80,000	-	80,000	Note
Ta Ching Bills Finance Corporation	November 24, 2023 – January 23, 2024	1.99~2.00	80,000	-	80,000	Note
Mega Bills	December 29, 2023 – January 26, 2024		60,000	-	60,000	Note
Dah Chung Bills Finance Corp.	December 8, 2023 – January 5, 2024		50,000	-	50,000	Note
			<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ 370,000</u>	

Note: Please refer to Note 29.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Accounts Payable
December 31, 2023

Statement 7

Unit: NT\$ Thousand

Name of supplier	Amount
Non-related party	
Supplier A	\$ 2,421
Supplier B	<u>544</u>
	2,965
Related Party	
Ningbo Qiyi	<u>8,345</u>
	<u>\$ 11,310</u>

Note: The individual balance is less than 5% of the balance under the Item.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Long-term Loans
December 31, 2023

Statement 8

Unit: NT\$ Thousand

Creditor bank	Term and repayment regulations	Annual interest rate (%)	Amount			Pledged or guaranteed	Remark
			Expired within one year	Expired after one year	Total		
Syndicate led by E.SUN Bank Revolving loan - Class A	Revolving credit line due in February 2026.	1.90~2.20	\$ -	\$500,000	\$500,000	Land and buildings	Note
Bank SinoPac	Revolving credit line due in September 2025		-	100,000	100,000	Land and buildings	
	Less: Unamortized deferred sponsorship fees		-	(1,425)	(1,425)		
			<u>\$ -</u>	<u>\$598,575</u>	<u>\$598,575</u>		

Note: The syndicate consists of E.SUN Bank, Taiwan Cooperative Bank, Mega Bank, First Bank, Bank of Taiwan, Hua Nan Bank and Shin Kong Bank.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Operating Revenue
2023

Statement 9

Unit: NT\$ Thousand

Item	Quantity (ton)	Amount
Stainless steel coils	About 109,065	\$ 8,897,653
Others (Note)		<u>24,212</u> 8,921,865
Less: Sales returns and discounts		(<u>22,346</u>)
		<u>\$ 8,899,519</u>

Note: The individual balance is less than 10% of the amount under the Item.

Yuen Chang Stainless Steel Co., Ltd.
Statement of Operating Costs
2023

Statement 10

Unit: NT\$ Thousand

Item	Amount
Consumption of direct materials	
Raw materials, beginning	\$ 1,252,107
Materials purchased this year	7,915,110
Less: Raw materials, ending	(<u>804,138</u>)
Consumables this year	8,363,079
Direct Employees	35,449
Manufacturing expenses	<u>207,655</u>
Manufacturing costs	8,606,183
Add: Goods in process, beginning	95,515
Less: Goods in process, ending	(<u>132,724</u>)
Cost of finished goods	8,568,974
Add: Finished goods, beginning	711,165
Less: Finished goods, ending	(606,893)
Others	<u>22,853</u>
	 <u>\$ 8,696,099</u>

Yuen Chang Stainless Steel Co., Ltd.
Statement of Operating Expenses
2023

Statement 11

Unit: NT\$ Thousand

Item	Selling expenses	Administrativ e expenses	R&D expenses	Total
Export expenses	\$ 155,968	\$ -	\$ -	\$ 155,968
Salary expenditure	16,115	37,419	2,607	56,141
Freight	20,768	-	-	20,768
Commission expenditure	4,476	-	-	4,476
Labor/national health insurance premium	1,952	3,366	272	5,590
Insurance premium	293	374	4	671
Depreciation	1,673	1,673	-	3,346
Entertainment expenses	2,245	2,259	-	4,504
Pension	916	1,645	169	2,730
Others	<u>8,100</u>	<u>12,857</u>	<u>67</u>	<u>21,023</u>
	<u>\$ 212,506</u>	<u>\$ 59,593</u>	<u>\$ 3,119</u>	<u>\$ 275,218</u>

Yuen Chang Stainless Steel Co., Ltd.
Summarization of Employee Benefit and Depreciation and Amortization Expenses by Function
2023 and 2022

Statement 12

Unit: NT\$ Thousand

	2023			2022		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$ 49,780	\$ 49,002	\$ 98,782	\$ 48,745	\$ 54,205	\$ 102,950
Labor/national health insurance expenses	5,873	5,590	11,463	6,052	5,328	11,380
Pension expenses	1,764	2,730	4,494	1,969	2,359	4,328
Remuneration to directors	-	7,143	7,143	-	7,702	7,702
Others employee benefit expenses	<u>6,455</u>	<u>4,457</u>	<u>10,912</u>	<u>6,989</u>	<u>5,021</u>	<u>12,010</u>
	<u>\$ 63,872</u>	<u>\$ 68,922</u>	<u>\$ 132,794</u>	<u>\$ 63,755</u>	<u>\$ 74,615</u>	<u>\$ 138,370</u>
Depreciation	<u>\$ 39,721</u>	<u>\$ 3,346</u>	<u>\$ 43,067</u>	<u>\$ 37,690</u>	<u>\$ 2,557</u>	<u>\$ 40,247</u>

Note:

- I. The Company hired 185 employees and 182 employees in 2023 and 2022. Among them, 5 and 4 directors didn't work as employees concurrently in both years.
- II. The average employee benefit expenses were NT\$698 thousand and NT\$734 thousand in 2023 and 2022;
- III. The average employee salary expenses were NT\$549 thousand and NT\$578 thousand in 2023 and 2022, decreasing by 5% in 2023 from 2022.
- IV. The Company has established the Audit Committee. Therefore, no compensation to supervisors was paid.
- V. The Company's remuneration policy:
 1. Director
The Remuneration Committee proposes the remuneration to directors/supervisors based on their involvement in, and the value contributed by them to, the Company's operations, and then submits the proposal to the Board of Directors for resolution. According to the Articles of Incorporation, no more than 2% of the net profit before tax before deduction of the remuneration to employees and directors for the current year should be distributed to directors.
 2. Managers
The Remuneration Committee reviews and proposes the reasonable remuneration to them subject to their involvement in, and the value contributed by them to the Company's operations, and submits the proposal to the Board of Directors for discussion and approval.
 3. Employees
The employee salary standards are adopted in reference to the salary market condition, and the Company's financial position and organizational structure. Meanwhile, according to the Articles of Incorporation, no less than 2% of the net profit before tax before deduction of the remuneration to employees and directors for the current year should be distributed to employees.