

Froch Enterprise Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Froch Enterprise Co., Ltd.

By:

Ping-Yiao Chang
President

March 13, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Froch Enterprise Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Froch Enterprise Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2023 is as follows:

Revenue Recognition

The Group's export sales revenue is affected by the distance or convenience of connection with its customers, which makes the relevant revenue recognition procedures more complicated. A significant portion of export sales to customers for the year ended December 31, 2023, increased significantly compared to the previous year; therefore, we identified recognition of sales revenue as a key audit matter. Refer to Notes 4 and 17.

Our audit procedures performed in respect of revenue recognition included the following:

1. We obtained an understanding of the internal controls, evaluated the design, tested the continuous effectiveness of the implementation of internal controls related to the recognition of sales revenue and the operating procedures of sales collection during the year.
2. We obtained and selected samples of the export sales revenue receipts, vouched the documents to sales order and delivery of goods related to sales revenue and verified the occurrence of the sales revenue.

Other Matter

We have also audited the parent company only financial statements of Froch Enterprise Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ting-Chien Su and Shao-Chun Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 1,335,926	11	\$ 1,272,142	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	22,637	-	22,376	-
Notes receivable from unrelated parties (Notes 4, 8 and 17)	346,220	3	416,430	4
Notes receivable from related parties (Notes 4, 17 and 23)	240	-	-	-
Trade receivables from unrelated parties (Notes 4, 8 and 17)	856,786	7	768,921	6
Trade receivables from related parties (Notes 4, 17 and 23)	13,159	-	32,135	-
Other receivables (Notes 4 and 23)	36,128	1	28,376	-
Current tax assets (Notes 4 and 19)	1,364	-	3	-
Inventories (Notes 4 and 9)	4,127,291	35	4,707,954	39
Prepayments	218,406	2	167,568	1
Current financial assets (Notes 4 and 6)	15,439	-	15,433	-
Other current assets	1,756	-	200	-
Total current assets	6,975,352	59	7,431,538	61
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 24)	4,705,374	39	4,582,139	37
Right-of-use assets (Notes 4, 12 and 23)	87,259	1	85,001	1
Deferred tax assets (Notes 4 and 19)	13,681	-	14,269	-
Prepayments for equipment	78,892	1	94,443	1
Refundable deposits (Note 23)	16,825	-	16,731	-
Total non-current assets	4,902,031	41	4,792,583	39
TOTAL	\$ 11,877,383	100	\$ 12,224,121	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 2,723,232	23	\$ 3,375,563	28
Contract liabilities - current (Notes 4 and 17)	204,136	2	277,653	2
Notes payable to unrelated parties	24,699	-	21,553	-
Notes payables to related parties (Note 23)	3,028	-	3,028	-
Trade payables to unrelated parties	13,623	-	20,358	-
Other payables (Notes 14 and 23)	189,406	2	245,765	2
Current tax liabilities (Notes 4 and 19)	41,647	-	221,213	2
Lease liabilities - current (Notes 4, 12 and 23)	39,635	-	37,480	-
Current portion of long-term borrowings (Notes 13 and 24)	92,069	1	557,474	5
Other current liabilities	2,603	-	4,419	-
Total current liabilities	3,334,078	28	4,764,506	39
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	3,345,078	28	1,836,431	15
Deferred tax liabilities (Notes 4 and 19)	318,435	3	324,636	3
Lease liabilities - non-current (Notes 4, 12 and 23)	27,449	-	25,976	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	17,414	-	26,420	-
Guarantee deposits (Note 23)	14,801	-	20,797	-
Total non-current liabilities	3,723,177	31	2,234,260	18
Total liabilities	7,057,255	59	6,998,766	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,805,260	24	2,805,260	23
Capital surplus	463,471	4	463,471	4
Retained earnings				
Legal reserve	404,189	3	329,028	3
Special reserve	170,026	2	249,968	2
Unappropriated earnings	1,185,228	10	1,547,654	12
Other equity	(208,046)	(2)	(170,026)	(1)
Total equity	4,820,128	41	5,225,355	43
TOTAL	\$ 11,877,383	100	\$ 12,224,121	100

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

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)	\$ 12,856,899	100	\$ 16,247,991	100
OPERATING COSTS (Notes 9, 18 and 23)	<u>11,919,820</u>	<u>93</u>	<u>14,068,198</u>	<u>87</u>
GROSS PROFIT	<u>937,079</u>	<u>7</u>	<u>2,179,793</u>	<u>13</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling and marketing expenses	480,432	4	790,167	5
General and administrative expenses	<u>206,168</u>	<u>1</u>	<u>234,230</u>	<u>1</u>
Total operating expenses	<u>686,600</u>	<u>5</u>	<u>1,024,397</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>250,479</u>	<u>2</u>	<u>1,155,396</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,313	-	5,185	-
Other income (Notes 18 and 23)	22,991	-	13,950	-
Other gains and losses (Note 18)	(27,159)	-	(13,809)	-
Finance costs (Notes 18 and 23)	<u>(160,086)</u>	<u>(1)</u>	<u>(129,831)</u>	<u>-</u>
Total non-operating expenses	<u>(156,941)</u>	<u>(1)</u>	<u>(124,505)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	93,538	1	1,030,891	7
INCOME TAX EXPENSE (Notes 4 and 19)	<u>42,588</u>	<u>1</u>	<u>289,675</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>50,950</u>	<u>-</u>	<u>741,216</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 15)	3,290	-	12,997	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	(658)	-	(2,599)	-

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FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (38,020)	-	\$ 79,942	-
Other comprehensive income (loss) for the year, net of income tax	(35,388)	-	90,340	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 15,562</u>	<u>-</u>	<u>\$ 831,556</u>	<u>5</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.18</u>		<u>\$ 2.64</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ 2.64</u>	

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

(Concluded)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	\$ 2,805,260	\$ 463,471	\$ 208,546	\$ 230,890	\$ 1,496,652	\$ (249,968)	\$ 4,954,851
Appropriation of 2021 earnings							
Legal reserve	-	-	120,482	-	(120,482)	-	-
Special reserve	-	-	-	19,078	(19,078)	-	-
Cash dividends distributed by the Company	-	-	-	-	(561,052)	-	(561,052)
Net profit for the year ended December 31, 2022	-	-	-	-	741,216	-	741,216
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	10,398	79,942	90,340
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	751,614	79,942	831,556
BALANCE AT DECEMBER 31, 2022	2,805,260	463,471	329,028	249,968	1,547,654	(170,026)	5,225,355
Appropriation of 2022 earnings							
Legal reserve	-	-	75,161	-	(75,161)	-	-
Special reserve	-	-	-	(79,942)	79,942	-	-
Cash dividends distributed by the Company	-	-	-	-	(420,789)	-	(420,789)
Net profit for the year ended December 31, 2023	-	-	-	-	50,950	-	50,950
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	2,632	(38,020)	(35,388)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	53,582	(38,020)	15,562
BALANCE AT DECEMBER 31, 2023	\$ 2,805,260	\$ 463,471	\$ 404,189	\$ 170,026	\$ 1,185,228	\$ (208,046)	\$ 4,820,128

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

(With Deloitte & Touche audit report dated March 13, 2024)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 93,538	\$ 1,030,891
Adjustments for:		
Depreciation expense	283,719	260,935
Expected credit reversed on trade receivables	(926)	(1,250)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	(1,407)	2,340
Finance costs	160,086	129,831
Interest income	(7,313)	(5,185)
Gain on disposal of property, plant and equipment	(5,894)	(528)
Write-down of inventories	-	21,682
Reversal of write-down of inventories	(7,545)	-
Net loss (gain) on foreign currency exchange	38,366	(20,454)
Gain on lease modification	(677)	(923)
Changes in operating assets and liabilities		
Notes receivable	70,786	18,058
Trade receivables	(80,407)	452,228
Other receivables	(7,754)	38,011
Inventories	593,359	1,551,061
Prepayments	(50,377)	937
Other current assets	(1,556)	618
Contract liabilities	(73,892)	(113,183)
Notes payable	3,146	(24,349)
Trade payables	(6,299)	(120,190)
Other payables	(33,102)	(83,489)
Other current liabilities	(1,816)	(1,285)
Net defined benefit liabilities	(5,716)	(16,699)
Cash generated from operations	958,319	3,119,057
Interest received	7,313	5,185
Interest paid	(161,739)	(127,342)
Income tax paid	(229,779)	(344,012)
Net cash generated from operating activities	<u>574,114</u>	<u>2,652,888</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(14,069)	(8,621)
Proceeds from sale of financial assets at fair value through profit or loss	15,215	-
Payments for property, plant and equipment	(400,907)	(250,599)
Proceeds from disposal of property, plant and equipment	20,312	781
Decrease (increase) in refundable deposits	(94)	224
Decrease (increase) in other financial assets	(9)	84,863
Increase in prepayments for equipment	(635)	(7,175)
Net cash used in investing activities	<u>(380,187)</u>	<u>(180,527)</u>

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FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	\$ (654,671)	\$ (1,661,360)
Proceeds from long-term borrowings	2,547,650	-
Repayments of long-term borrowings	(1,504,408)	(465,094)
Proceeds from guarantee deposits received	-	9,955
Return of deposits received	(5,996)	-
Repayment of the principal portion of lease liabilities	(49,620)	(37,060)
Dividends paid to owners of the Company	<u>(420,789)</u>	<u>(561,052)</u>
Net cash used in financing activities	<u>(87,834)</u>	<u>(2,714,611)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(42,309)</u>	<u>(2,596)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,784	(244,846)
CASH AT THE BEGINNING OF THE YEAR	<u>1,272,142</u>	<u>1,516,988</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,335,926</u>	<u>\$ 1,272,142</u>

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

(Concluded)

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Froch Enterprise Co., Ltd. (the “Company”) was incorporated in October 1984. It mainly manufactures and sells various stainless steel tube, steel tube, copper tube and aluminium tube.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since December 1998.

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 13, 2024.

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

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

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

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

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

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

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

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced 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"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10, Table 7 and Table 8 for the detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries and branches in other countries) that use currency which is different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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 (less depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

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

a. Measurement categories

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 22.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes receivable at amortized cost, trade receivables, other receivables, and other financial assets - current and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial asset that is not credit-impaired on purchase or origination but has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred: significant financial difficulty of the issuer or the borrower; breach of contract, such as a default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.

- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

- c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

- a. Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

- b. Derecognition of financial liabilities

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

- j. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of various stainless steel tube and coil. Sales of various stainless steel tube and coil are recognized as revenue and trade receivables when the primary responsibility for sales to future customers has been transferred according to the transaction terms agreed with individual customers. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

- k. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

- 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term used to determine payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 2,061	\$ 2,083
Bank deposits	<u>1,349,304</u>	<u>1,285,492</u>
	1,351,365	1,287,575
Less: Other financial assets - current	<u>(15,439)</u>	<u>(15,433)</u>
	<u>\$ 1,335,926</u>	<u>\$ 1,272,142</u>

Other financial assets are mainly time deposits with original maturity of more than 3 months and restricted bank deposits.

7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets - current</u>		
Mutual funds	<u>\$ 22,637</u>	<u>\$ 22,376</u>

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 347,848	\$ 418,443
Less: Allowance for impairment loss	<u>(1,628)</u>	<u>(2,013)</u>
	<u>\$ 346,220</u>	<u>\$ 416,430</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 860,539	\$ 773,281
Less: Allowance for impairment loss	<u>(3,753)</u>	<u>(4,360)</u>
	<u>\$ 856,786</u>	<u>\$ 768,921</u>

a. Notes receivable

The aging of notes receivable is as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Not past due	\$ 347,848	\$ 418,443
Past due	<u>-</u>	<u>-</u>
	<u>\$ 347,848</u>	<u>\$ 418,443</u>

The above aging schedule was based on the past due days.

b. Trade receivables

The average credit period of sales of goods was 30-120 days. No interest was charged on trade receivables and notes receivable for the first 30-120 days from the date of the invoice. The Group uses other publicly available financial information or its own trading records to rate its major customers.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2023</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$ 805,117	\$ 17,608	\$ 20,949	\$ 16,865	\$ -	\$ -	\$ -	\$ -	\$ 860,539
Loss allowance (Lifetime ECLs)	-	(176)	(1,047)	(2,530)	-	-	-	-	(3,753)
Amortized cost	<u>\$ 805,117</u>	<u>\$ 17,432</u>	<u>\$ 19,902</u>	<u>\$ 14,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 856,786</u>
<u>December 31, 2022</u>									
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$ 717,346	\$ 21,752	\$ 15,028	\$ 18,360	\$ 226	\$ -	\$ -	\$ 569	\$ 773,281
Loss allowance (Lifetime ECLs)	-	(218)	(751)	(2,754)	(68)	-	-	(569)	(4,360)
Amortized cost	<u>\$ 717,346</u>	<u>\$ 21,534</u>	<u>\$ 14,277</u>	<u>\$ 15,606</u>	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,921</u>

The Group's expected credit loss rate for notes receivable is 1%.

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 6,373	\$ 8,961
Net remeasurement of loss allowance	(926)	(1,250)
Amounts written off	-	(1,389)
Foreign exchange gains and losses	(66)	51
Balance at December 31	<u>\$ 5,381</u>	<u>\$ 6,373</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Finished goods	\$ 1,306,602	\$ 1,649,195
Work in progress	835,798	778,759
Raw materials	1,898,055	2,064,625
Supplies	59,503	69,044
Inventory in transit	<u>27,333</u>	<u>146,331</u>
	<u>\$ 4,127,291</u>	<u>\$ 4,707,954</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 11,927,365	\$ 14,046,516
Write-down (reserval) of inventories	<u>(7,545)</u>	<u>21,682</u>
	<u>\$ 11,919,820</u>	<u>\$ 14,068,198</u>

The reversals of previous write-downs resulted from inventory depletion and increased selling prices in certain markets.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of the business	% of Ownership	
			2023	2022
Froch Enterprise Co., Ltd.	Froch Enterprise International Co., Ltd.	International investment business	100	100
	Century Nova Steel Co., Ltd.	International investment business	100	100
	Froch Stainless Co., Ltd.	International investment business	100	100
	Froch Africa Co., Ltd.	International investment business	100	-
Froch Enterprise International Co., Ltd.	Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe production and sales businesses	100	100
	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	30	30
Froch Metal (Suzhou) Co., Ltd.	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	70	70
Century Nova Steel Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	100	100
Froch Stainless Co., Ltd	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	83	83
Century Nova Steel Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	17	17
Froch Africa Co., Ltd.	Froch Stainless Morocco	Operating stainless steel and other steel pipe production and sales businesses	100	-

See Tables 7 and 8 for information on the places of incorporation and principal places of business.

The Group invested US\$7,500 thousand to establish Froch Africa Co., Ltd. with 100% equity and indirectly invested € 5,500 thousand for the establishment of Froch Stainless Morocco with 100% equity. The above investment was approved by the Investment Review Commission of the Ministry of Economic Affairs.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	\$ 4,477,335	\$ 4,350,673
Assets leased under operating leases	<u>228,039</u>	<u>231,466</u>
	<u>\$ 4,705,374</u>	<u>\$ 4,582,139</u>

a. Assets used by the Group

	For the Year Ended December 31, 2023						
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Beginning balance	\$ 1,241,386	\$ 1,320,671	\$ 4,136,659	\$ 101,318	\$ 713,640	\$ 233,457	\$ 7,747,131
Additions	25,897	11,933	120,611	12,919	17,500	189,116	377,976
Disposals	-	-	(68,723)	(8,720)	(1,422)	-	(78,865)
Reclassified	-	206,768	19,124	863	2,555	(212,930)	16,380
Effects of foreign currency exchange differences	-	(13,022)	(27,458)	(325)	(915)	(1,560)	(43,280)
Ending balance	<u>\$ 1,267,283</u>	<u>\$ 1,526,350</u>	<u>\$ 4,180,213</u>	<u>\$ 106,055</u>	<u>\$ 731,358</u>	<u>\$ 208,083</u>	<u>\$ 8,019,342</u>
Accumulated depreciation							
Beginning balance	\$ -	\$ 444,144	\$ 2,485,620	\$ 79,952	\$ 386,742	\$ -	\$ 3,396,458
Additions	-	32,503	164,533	5,741	26,201	-	228,978
Disposals	-	-	(54,356)	(8,707)	(1,384)	-	(64,447)
Effects of foreign currency exchange differences	-	(3,261)	(14,941)	(194)	(586)	-	(18,982)
Ending balance	<u>\$ -</u>	<u>\$ 473,386</u>	<u>\$ 2,580,856</u>	<u>\$ 76,792</u>	<u>\$ 410,973</u>	<u>\$ -</u>	<u>\$ 3,542,007</u>
Net ending balance	<u>\$ 1,267,283</u>	<u>\$ 1,052,964</u>	<u>\$ 1,599,357</u>	<u>\$ 29,263</u>	<u>\$ 320,385</u>	<u>\$ 208,083</u>	<u>\$ 4,477,335</u>
	For the Year Ended December 31, 2022						
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Beginning balance	\$ 1,322,444	\$ 1,312,769	\$ 3,917,596	\$ 96,899	\$ 701,311	\$ 175,932	\$ 7,526,951
Additions	-	-	160,182	5,891	12,208	55,206	233,487
Disposals	-	-	(8,349)	(1,703)	(467)	-	(10,519)
Reclassified	(81,058)	-	45,019	-	-	(74)	(36,113)
Effects of foreign currency exchange differences	-	7,902	22,211	231	588	2,393	33,325
Ending balance	<u>\$ 1,241,386</u>	<u>\$ 1,320,671</u>	<u>\$ 4,136,659</u>	<u>\$ 101,318</u>	<u>\$ 713,640</u>	<u>\$ 233,457</u>	<u>\$ 7,747,131</u>

(Continued)

For the Year Ended December 31, 2022							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<u>Accumulated depreciation</u>							
Beginning balance	\$ -	\$ 413,643	\$ 2,322,625	\$ 76,374	\$ 361,693	\$ -	\$ 3,174,335
Addition	-	28,100	160,798	4,883	25,107	-	218,888
Disposals	-	-	(8,330)	(1,469)	(467)	-	(10,266)
Effects of foreign currency exchange differences	-	2,401	10,527	164	409	-	13,501
Ending balance	<u>\$ -</u>	<u>\$ 444,144</u>	<u>\$ 2,485,620</u>	<u>\$ 79,952</u>	<u>\$ 386,742</u>	<u>\$ -</u>	<u>\$ 3,396,458</u>
Net ending balance	<u>\$ 1,241,386</u>	<u>\$ 876,527</u>	<u>\$ 1,651,039</u>	<u>\$ 21,366</u>	<u>\$ 326,898</u>	<u>\$ 233,457</u>	<u>\$ 4,350,673</u>

(Concluded)

In September 2005, the Group signed a contract with unrelated parties and paid \$16,047 thousand to purchase land located on Liuzhong Rd., Douliu City, Yunlin County, Taiwan. The land is used for the storage and water tank of the Group. Since the land is classified as agricultural and animal husbandry land, its ownership registration cannot be transferred temporarily, according to the law. Instead, the ownership was registered under the name of the chairman of the board. Both parties signed an agreement consenting that the Company has full rights over the aforementioned land, which has been notarized by a private notary.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings

Main buildings 15-60 years

Others 6-60 years

Machinery and equipment 3-36 years

Transportation equipment 4-15 years

Other equipment 2-60 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 24.

b. Assets leased under operating leases

For the Year Ended December 31, 2023					
	Land	Land Improvements	Buildings	Other Equipment	Total
<u>Cost</u>					
Beginning balance	<u>\$ 151,098</u>	<u>\$ 4,312</u>	<u>\$ 117,961</u>	<u>\$ 19,275</u>	<u>\$ 292,646</u>
Ending balance	<u>\$ 151,098</u>	<u>\$ 4,312</u>	<u>\$ 117,961</u>	<u>\$ 19,275</u>	<u>\$ 292,646</u>
<u>Accumulated depreciation</u>					
Beginning balance	\$ -	\$ 2,791	\$ 44,433	\$ 13,956	\$ 61,180
Additions	-	85	2,077	1,265	3,427
Ending balance	<u>\$ -</u>	<u>\$ 2,876</u>	<u>\$ 46,510</u>	<u>\$ 15,221</u>	<u>\$ 64,607</u>
Net ending balance	<u>\$ 151,098</u>	<u>\$ 1,436</u>	<u>\$ 71,451</u>	<u>\$ 4,054</u>	<u>\$ 228,039</u>

	For the Year Ended December 31, 2022				
	Land	Land Improvements	Buildings	Other Equipment	Total
<u>Cost</u>					
Beginning balance	\$ 70,040	\$ 4,312	\$ 117,961	\$ 19,275	\$ 211,588
Reclassified	<u>81,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,058</u>
Ending balance	<u>\$ 151,098</u>	<u>\$ 4,312</u>	<u>\$ 117,961</u>	<u>\$ 19,275</u>	<u>\$ 292,646</u>
<u>Accumulated depreciation</u>					
Beginning balance	\$ -	\$ 2,706	\$ 42,356	\$ 12,691	\$ 57,753
Additions	<u>-</u>	<u>85</u>	<u>2,077</u>	<u>1,265</u>	<u>3,427</u>
Ending balance	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ 44,433</u>	<u>\$ 13,956</u>	<u>\$ 61,180</u>
Net ending balance	<u>\$ 151,098</u>	<u>\$ 1,521</u>	<u>\$ 73,528</u>	<u>\$ 5,319</u>	<u>\$ 231,466</u>

Operating leases relate to leases of the factory in Yuanlin and part of the land of Yuanfu Plant with lease terms of 12 and 16.5 years, respectively. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2023	2022
Year 1	\$ 26,910	\$ 14,827
Year 2	26,910	26,910
Year 3	25,996	26,910
Year 4	24,167	25,996
Year 5	24,167	24,167
Year 5 onwards	<u>253,751</u>	<u>277,918</u>
	<u>\$ 381,901</u>	<u>\$ 396,728</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	30 years
Buildings	30-60 years
Other equipment	5-60 years

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 44,077	\$ 79,679
Buildings	3,962	5,322
Machinery and Equipment	<u>39,220</u>	<u>-</u>
	<u>\$ 87,259</u>	<u>\$ 85,001</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 54,131</u>	<u>\$ 78,775</u>
Depreciation charge for right-of-use assets		
Land	\$ 35,302	\$ 35,061
Buildings	3,571	3,559
Machinery and Equipment	<u>12,441</u>	<u>-</u>
	<u>\$ 51,314</u>	<u>\$ 38,620</u>

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 39,635</u>	<u>\$ 37,480</u>
Non-current	<u>\$ 27,449</u>	<u>\$ 25,976</u>

Range of discount rate (%) for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.09-2.40	1.09
Buildings	1.09-6.91	1.09-4.40
Machinery and Equipment	2.25-2.46	-

c. Material leasing activities and terms - as lessee

The Group leases certain machinery and equipment for manufacturing with lease terms of 3 years.

The Group leases certain land and buildings for the use of factories and offices with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

In July 2005, Century Nova Steel, Co., Ltd.-CN obtained the land use rights of 325,745 square meters in Xishan Economic Development Zone, Wuxi City, Jiangsu Province, China for 50 years. It is entitled to the right to use the land and the right to profit from the land, and the right to dispose of the land with transfers or leases within the land use period. Meanwhile, it is responsible for various taxes and fees due to the use of the land. The land is used for the construction of production plants, office buildings and staff dormitories.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to low-value asset leases	<u>\$ 3,012</u>	<u>\$ 2,151</u>
Total cash outflow for leases	<u>\$ (54,023)</u>	<u>\$ (40,508)</u>

The Group's leases of certain assets qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Unsecured borrowings		
Letter of credit borrowings	\$ 1,266,370	\$ 547,772
Line of credit borrowings	<u>1,456,862</u>	<u>2,827,791</u>
	<u>\$ 2,723,232</u>	<u>\$ 3,375,563</u>
<u>Interest rates (%)</u>		
Letter of credit borrowings	1.75-2.05	1.63-2.13
Line of credit borrowings	1.85-3.70	1.50-7.15

b. Long-term borrowings

	December 31	
	2023	2022
Mortgage borrowings (with maturity date from December 2025 to December 2035)	\$ 3,437,147	\$ 2,393,905
Less: Current portion	<u>(92,069)</u>	<u>(557,474)</u>
Long-term borrowings	<u>\$ 3,345,078</u>	<u>\$ 1,836,431</u>
<u>Interest rates (%)</u>		
Mortgage borrowings	2.07-2.45	1.88-2.57

Mortgage borrowings are secured by the Group's land and buildings. See Note 24.

In November 2022, the Company signed a syndicated loan contract with a group of banks, including Land Bank of Taiwan and ten financial institutions, with a total loan amount of \$5.8 billion. Subject to the terms of the contract, the Company shall maintain the following ratios in the standalone financial statements for each year during the loan period:

- 1) The current ratio shall not be less than 100% (inclusive);
- 2) The debt ratio shall not be higher than 250% (inclusive);
- 3) Times interest earned (i.e., the sum of pre-tax net income plus various depreciation, amortization and interest expense, which are divided by interest expense) shall be maintained at least 1.5 times (inclusive) from 2023;
- 4) Shareholders' equity shall not be less than \$2.8 billion (inclusive).

In accordance with the provisions of the syndicated loan agreement, if the Company's annual standalone financial statements do not match the above financial ratios, the Company shall not be deemed to be in breach of its financial commitment if the improvement is completed within 6 months from April 1 of the following year (the improvement period), provided that the interest rate for the period from April 1 to the improvement date shall be increased by 0.125% per annum; however, if the borrower fails to complete the improvement within the improvement period, it shall (1) pay a penalty at the rate of 0.05% of the principal balance on the expiration date of the improvement period, and (2) increase the interest rate by 0.125% per annum from the expiration date of the improvement period to the actual improvement date. If the improvement is not completed and is notified by the management bank, it shall be adjusted within 3 months through capital increase via cash or such other means as the management bank agrees. A breach of the financial ratio shall not be deemed to be a breach if the borrower fully complies with the foregoing agreement.

14. OTHER PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Payables for salaries or bonuses	\$ 86,507	\$ 85,681
Payables for freight	25,149	26,942
Payables for compensation of employees and remuneration of directors	4,920	28,520
Payables for purchases of equipment	2,721	25,652
Others	<u>70,109</u>	<u>78,970</u>
	<u>\$ 189,406</u>	<u>\$ 245,765</u>

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute amounts at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 117,358	\$ 125,225
Fair value of plan assets	<u>(99,944)</u>	<u>(98,805)</u>
Net defined benefit liabilities	<u>\$ 17,414</u>	<u>\$ 26,420</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2023	\$ <u>125,225</u>	\$ <u>(98,805)</u>	\$ <u>26,420</u>
Service cost			
Net interest expense (income)	<u>1,477</u>	<u>(1,160)</u>	<u>317</u>
Recognized in profit or loss	<u>1,477</u>	<u>(1,160)</u>	<u>317</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(995)	(995)
Actuarial loss (gain)			
Changes in demographic assumptions	80	-	80
Changes in financial assumptions	445	-	445
Experience adjustments	<u>(2,820)</u>	<u>-</u>	<u>(2,820)</u>
Recognized in other comprehensive income (loss)	<u>(2,295)</u>	<u>(995)</u>	<u>(3,290)</u>
Contributions from the employer	-	(3,471)	(3,471)
Benefits paid	<u>(7,049)</u>	<u>4,487</u>	<u>(2,562)</u>
Balance at December 31, 2023	<u>\$ 117,358</u>	<u>\$ (99,944)</u>	<u>\$ 17,414</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ 143,883	\$ (87,767)	\$ 56,116
Service cost			
Net interest expense (income)	965	(581)	384
Recognized in profit or loss	965	(581)	384
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,826)	(6,826)
Actuarial loss (gain)			
Changes in demographic assumptions	10	-	10
Changes in financial assumptions	(5,601)	-	(5,601)
Experience adjustments	(580)	-	(580)
Recognized in other comprehensive income (loss)	(6,171)	(6,826)	(12,997)
Contributions from the employer	-	(16,502)	(16,502)
Benefits paid	(13,452)	12,871	(581)
Balance at December 31, 2022	\$ 125,225	\$ (98,805)	\$ 26,420

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rate (%)	1.2	1.25
Expected rate of salary increase (%)	2	2

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	\$ (2,204)	\$ (2,420)
0.10% increase	(889)	(977)
0.10% decrease	900	990
0.25% decrease	2,271	2,498
Expected rate of salary increase		
0.25% increase	2,247	2,473
0.25% decrease	(2,192)	(2,409)

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

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 2,127</u>	<u>\$ 2,209</u>
Average duration of the defined benefit obligation	7 years	7 years

- c. Froch Enterprise International Co., Ltd., Century Nova Steel Co., Ltd., Froch Stainless Co., Ltd. and Froch Africa Co., Ltd. have no employee pension plan.

16. EQUITY

- a. Ordinary shares

	December 31	
	2023	2022
Shares authorized (in thousands of shares)	<u>400,000</u>	<u>400,000</u>
Shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>280,526</u>	<u>280,526</u>
Shares issued	<u>\$ 2,805,260</u>	<u>\$ 2,805,260</u>

A holder of issued ordinary share with a par value of \$10 is entitled to vote and receive dividends.

- b. Capital surplus

	December 31	
	2023	2022
Issuance of ordinary shares	\$ 370,809	\$ 370,809
Treasury share transactions	<u>92,662</u>	<u>92,662</u>
	<u>\$ 463,471</u>	<u>\$ 463,471</u>

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Additionally, the dividends, capital surplus and legal reserve could be distributed in whole or in part by cash with more than half of the attending directors' consent at their meetings, in which two-thirds or more of the directors should present.

The Company's dividends policy shall be made based on the following: the current and future developments, investment environment, capital needs and domestic and foreign competition, and the interests of shareholders and other factors should also be taken into account. The distributable earnings shall be allocated not less than 50% of the dividends distributed to shareholders; however, the cumulative dividends may not be distributed if the dividends are less than 10% of the Company's paid-in capital; the distribution of dividends to shareholders shall be allowed by cash or stocks, and the cash dividends shall not be less than 20% of the total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meetings on June 15, 2023 and June 21, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 75,161	\$ 120,482
(Reversal of) Special reserve	(79,942)	19,078
Cash dividends	420,789	561,052
Cash dividends per share (NT\$)	1.5	2.0

The appropriation of earnings for 2023 proposed by the Company's board of directors in March 2024 was as follows:

	Appropriation of Earnings
Legal reserve	\$ 5,358
Special reserve	38,020
Cash dividends	140,263
Cash dividends per share (NT\$)	0.50

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held in June 2024.

17. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	\$ 12,835,394	\$ 16,223,925
Other operating revenue		
Revenue from sale of electricity	21,341	21,109
Revenue from processing service	<u>164</u>	<u>2,957</u>
	<u>\$ 12,856,899</u>	<u>\$ 16,247,991</u>

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and trade receivables	<u>\$ 1,216,405</u>	<u>\$ 1,217,486</u>	<u>\$ 1,645,629</u>
Contract liabilities - current			
Sale of goods	<u>\$ 204,136</u>	<u>\$ 277,653</u>	<u>\$ 377,612</u>

The changes in the balance of contract liability primarily result from the timing difference between the Group's performance obligations and the respective customer's payment.

b. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2023	2022
Asia	\$ 9,019,853	\$ 10,953,644
America	1,574,552	2,144,619
Europe	1,068,379	1,395,246
Middle East	586,794	929,066
Others	<u>585,816</u>	<u>801,350</u>
	<u>\$ 12,835,394</u>	<u>\$ 16,223,925</u>

18. COMPREHENSIVE INCOME FOR THE YEAR

Net profit comprised of the following items:

a. Other income

	<u>For the Year Ended December 31</u>	
	2023	2022
Rental income (Note 23)	\$ 16,088	\$ 3,943
Others	<u>6,903</u>	<u>10,007</u>
	<u>\$ 22,991</u>	<u>\$ 13,950</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ 5,894	\$ 528
Gain (loss) on fair value changes of financial assets at FVTPL	1,407	(2,340)
Net foreign exchange losses	(28,357)	(10,275)
Others	<u>(6,103)</u>	<u>(1,722)</u>
	<u>\$ (27,159)</u>	<u>\$ (13,809)</u>

c. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 158,695	\$ 128,534
Interest on lease liabilities	<u>1,391</u>	<u>1,297</u>
	<u>\$ 160,086</u>	<u>\$ 129,831</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 239,258	\$ 221,367
Operating expenses	<u>44,461</u>	<u>39,568</u>
	<u>\$ 283,719</u>	<u>\$ 260,935</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 609,362	\$ 624,038
Post-employment benefits		
Defined contribution plan	28,071	27,569
Defined benefit plans (Note 15)	317	384
Other employee benefits	<u>30,929</u>	<u>35,396</u>
Total employee benefits expense	<u>\$ 668,679</u>	<u>\$ 687,387</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 406,090	\$ 402,337
Operating expenses	<u>262,589</u>	<u>285,050</u>
	<u>\$ 668,679</u>	<u>\$ 687,387</u>

f. Compensation of employees and remuneration of directors

If the Company makes a profit in the year, 1% of the profit should be allocated for the compensation of employees, which should be resolved by the board of directors and distributed in the form of stock dividends or cash dividends. The employees of the Company and its subsidiaries who meet certain requirements will receive the compensation. Less than 3% of the profit will be allocated for the remuneration of directors; the allocation should be resolved by the board of directors. The compensation of employees and remuneration of directors should be reported to the shareholders' regular meeting. However, if the Company has accumulated losses, any profit should be first used to offset losses before making allocation for the compensation and remuneration according to the above-mentioned percentage.

The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors in March 2024 and 2023, respectively, were as follows:

Cash	For the Year Ended December 31			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	1%	\$ 847	1%	\$ 9,776
Remuneration of directors	1%	\$ 847	1%	\$ 9,776

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 33,305	\$ 267,014
Income tax on unappropriated earnings	16,780	25,211
Adjustments for prior year	(1,226)	(22)
Deferred tax		
In respect of the current year	<u>(6,271)</u>	<u>(2,528)</u>
Income tax expense recognized in profit or loss	<u>\$ 42,588</u>	<u>\$ 289,675</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	\$ 93,538	\$ 1,030,891
Income tax expense calculated at the statutory rate	\$ 26,588	\$ 264,071
Nondeductible expenses in determining taxable income	555	415
Tax-exempt income	(109)	-
Income tax on unappropriated earnings	16,780	25,211
Unrecognized loss carryforwards	-	-
Adjustments for prior years' tax	<u>(1,226)</u>	<u>(22)</u>
Income tax expense recognized in profit or loss	<u>\$ 42,588</u>	<u>\$ 289,675</u>

The corporate income tax rate was 20%. The applicable tax rate used by subsidiaries in China is 25%. For Froch Enterprise International Co., Ltd., Century Nova Steel Co., Ltd., Froch Stainless Co., Ltd., and Froch Africa Co., Ltd. there is no local corporate income tax law in the places that they operated; therefore, they do not have income tax.

b. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	\$ 1,364	\$ 3
Current tax liabilities		
Income tax payable	\$ 41,647	\$ 221,213

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 12,015	\$ (2,033)	\$ -	\$ 9,982
Defined benefit obligations	1,744	(1,744)	-	-
Others	<u>510</u>	<u>3,189</u>	<u>-</u>	<u>3,699</u>
	<u>\$ 14,269</u>	<u>\$ (588)</u>	<u>\$ -</u>	<u>\$ 13,681</u>

(Continued)

For the Year Ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 278,856	\$ (6,258)	\$ -	\$ 272,598
Defined benefit obligations	-	(601)	658	57
Land appreciation tax	45,775	-	-	45,775
Others	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
	<u>\$ 324,636</u>	<u>\$ (6,859)</u>	<u>\$ 658</u>	<u>\$ 318,435</u>

(Concluded)

For the Year Ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 7,692	\$ 4,323	\$ -	\$ 12,015
Defined benefit obligations	7,683	(3,340)	(2,599)	1,744
Others	<u>-</u>	<u>510</u>	<u>-</u>	<u>510</u>
	<u>\$ 15,375</u>	<u>\$ 1,493</u>	<u>\$ (2,599)</u>	<u>\$ 14,269</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment income	\$ 279,847	\$ (991)	\$ -	\$ 278,856
Land appreciation tax	45,775	-	-	45,775
Others	<u>49</u>	<u>(44)</u>	<u>-</u>	<u>5</u>
	<u>\$ 325,671</u>	<u>\$ (1,035)</u>	<u>\$ -</u>	<u>\$ 324,636</u>

d. Income tax assessments

The Company's income tax returns through 2021 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Shares (NT\$)
<u>For the year ended December 31, 2023</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 50,950	280,526	<u>\$ 0.18</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>125</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 50,950</u>	<u>280,651</u>	<u>\$ 0.18</u>
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 741,216	280,526	<u>\$ 2.64</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>519</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 741,216</u>	<u>281,045</u>	<u>\$ 2.64</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group (comprising issued capital, capital surplus, retained earnings and other equity).

The key management personnel of the Group review the capital structure regularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that the carrying amounts of financial assets and financial liabilities are close to fair value or the fair value cannot be measured reliably.

b. Fair value of financial instruments measured at fair value on recurring basis

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2023</u>				
Financial assets at FVTPL				
Mutual funds	\$ 22,637	\$ -	\$ -	\$ 22,637
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Mutual funds	\$ 22,376	\$ -	\$ -	\$ 22,376

There were no transfers between Level 1 and Level 2 in 2023 and 2022.

c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 22,637	\$ 22,376
Financial assets at amortized cost (1)	2,620,723	2,550,168
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	6,405,936	6,080,969

1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables, other financial assets - current and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include notes receivable and payable, trade receivables and payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Group's board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Group's risk management committee.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including non-functional monetary items that have been written off in the consolidated financial statements) are set out in Note 26.

Sensitivity analysis

The Group is mainly exposed to the US dollar. If the exchange rate of the functional currency changed by 1% against the US dollar, the net profit before tax would have changed by \$5,100 thousand and \$4,322 thousand respectively for the years ended December 31, 2023 and 2022, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk because the exposure at the end of the year does not reflect the exposure during the period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows.

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 15,439	\$ 15,433
Financial liabilities	67,084	63,456
Cash flow interest rate risk		
Financial assets	1,333,806	1,269,999
Financial liabilities	6,160,379	5,769,468

Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates of 25 basis point (0.25%) would have resulted in a decrease in the interest expense before tax by approximately \$12,066 thousand and \$11,249 thousand for the years ended December 31, 2023 and 2022, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of the counterparty to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities set out in (2) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

Non-derivative Financial Liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>December 31, 2023</u>					
Non-interest bearing	\$ 228,385	\$ 2,371	\$ -	\$ 462	\$ 14,339
Lease liabilities	4,762	9,524	26,307	27,985	-
Variable interest rate liabilities	<u>156,329</u>	<u>848,336</u>	<u>1,810,636</u>	<u>2,229,064</u>	<u>1,116,014</u>
	<u>\$ 389,476</u>	<u>\$ 860,231</u>	<u>\$ 1,836,943</u>	<u>\$ 2,257,511</u>	<u>\$ 1,130,353</u>

Non-derivative Financial Liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>December 31, 2022</u>					
Non-interest bearing Lease liabilities	\$ 288,436 3,196	\$ 2,269 6,392	\$ - 28,619	\$ 462 27,141	\$ 20,334 -
Variable interest rate liabilities	<u>200,330</u>	<u>807,839</u>	<u>2,924,868</u>	<u>1,321,013</u>	<u>515,418</u>
	<u>\$ 491,962</u>	<u>\$ 816,500</u>	<u>\$ 2,953,487</u>	<u>\$ 1,348,616</u>	<u>\$ 535,752</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
<u>December 31, 2023</u>				
Lease liabilities	\$ 40,593	\$ 27,985	\$ -	\$ -
Variable interest rate liabilities	<u>2,815,301</u>	<u>2,229,064</u>	<u>1,021,906</u>	<u>94,108</u>
	<u>\$ 2,855,894</u>	<u>\$ 2,257,049</u>	<u>\$ 1,021,906</u>	<u>\$ 94,108</u>
<u>December 31, 2022</u>				
Lease liabilities	\$ 38,207	\$ 27,141	\$ -	\$ -
Variable interest rate liabilities	<u>3,933,037</u>	<u>1,321,013</u>	<u>371,150</u>	<u>144,268</u>
	<u>\$ 3,971,244</u>	<u>\$ 1,348,154</u>	<u>\$ 371,150</u>	<u>\$ 144,268</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Amount used	\$ 7,840,124	\$ 6,132,634
Amount unused	<u>8,512,014</u>	<u>8,798,418</u>
	<u>\$ 16,352,138</u>	<u>\$ 14,931,052</u>

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Santorics Metals Co., Ltd.	Others
Beittia Metals Co., Ltd.	Others
Ren-Xiang Li	Others

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Ping-Yiao Chang	Others
Hsiou-Miao Lee	Others
Hsin-Ta Chang	Others
Li-Shen Chang	Others

(Concluded)

b. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Others		
	Santorics Metals Co., Ltd.	\$ 412,915	\$ 571,820
	Beittia Metals Co., Ltd.	<u>9,732</u>	<u>-</u>
		<u>\$ 422,647</u>	<u>\$ 571,820</u>

There was no significant difference in sales prices and terms between related and third parties. The general credit term was terms of payment within 60 days of the transaction. General customers were required to pay the payment according to the agreed period with a contract, and a few important customers have a collection period within 60 to 90 days.

c. Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Purchases	Others		
	Santorics Metals Co., Ltd.	\$ 516,630	\$ 828,714
	Others	<u>229,306</u>	<u>277,035</u>
		<u>\$ 745,936</u>	<u>\$ 1,105,749</u>

The terms of purchases from related parties were payments of L/C within 45 to 50 days and were no significant difference with the third parties.

d. Rental income

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Rental income	Others		
	Santorics Metals Co., Ltd.	<u>\$ 2,743</u>	<u>\$ 2,743</u>

The above is the factory lease agreement signed between the Company and the related party, and the contract period is from September 1, 2014 to August 31, 2026. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The related party provided a guarantee deposit of \$500 thousand as deposit for the lease.

e. Receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Trade receivables	Others Santorics Metals Co., Ltd.	\$ 13,159	\$ 32,135
Notes receivables	Others	240	-
Other receivables	Others	<u>1,999</u>	<u>2,194</u>
		<u>\$ 15,398</u>	<u>\$ 34,329</u>

f. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Notes payable	Others Beittia Metals Co., Ltd.	\$ 2,835	\$ 2,835
	Others	193	193
Other payables	Others	<u>2,183</u>	<u>1,314</u>
		<u>\$ 5,211</u>	<u>\$ 4,342</u>

g. Lease arrangements as lessee

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Acquisitions of right-of-use assets</u>		
Others		
Beittia Metals Co., Ltd.	\$ -	\$ 66,712
Others	<u>-</u>	<u>10,960</u>
	<u>\$ -</u>	<u>\$ 77,672</u>

Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Others Beittia Metals Co., Ltd.	\$ 16,149	\$ 48,184
	Others	<u>6,936</u>	<u>9,485</u>
		<u>\$ 23,085</u>	<u>\$ 57,669</u>

Related Party Category	For the Year Ended December 31	
	2023	2022
<u>Finance costs</u>		
Others	<u>\$ 455</u>	<u>\$ 1,034</u>

The above is the factory lease agreement signed between the Company and the related parties, and the contract period is from January 1, 2019 to August 31, 2026. The rental rates are based on the rental rates in the nearby area and subject to agreements between the two parties. The Company provided a refundable deposit of \$5,000 thousand as deposit for the lease.

- h. Endorsements and guarantees : Refer to Table 2
- i. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	<u>\$ 21,855</u>	<u>\$ 29,987</u>

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings or the guarantee for the quality of the goods sold:

	December 31	
	2023	2022
Property, plant and equipment	<u>\$ 1,189,544</u>	<u>\$ 1,738,228</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials amounted to approximately \$330,985 thousand and \$357,051 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2023	2022
Acquisition of property, plant and equipment	<u>\$ 122,187</u>	<u>\$ 79,108</u>

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group, and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 20,090	30.705	\$ 616,863	\$ 15,607	30.71	\$ 479,291
USD (USD/CNY)	1,599	7.0827	49,097	1,167	6.9646	35,839
<u>Financial liabilities</u>						
Monetary items						
USD	342	30.705	10,501	29	30.71	891
USD (USD/CNY)	4,738	7.0827	145,480	30,820	6.9646	946,482

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

	For the Year Ended December 31				
	2023		2022		
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)	
USD	31.155 (USD:NTD)	\$ 12,243	29.805 (USD:NTD)	\$ 101,241	
USD	7.0423 (USD:CNY)	<u>(40,600)</u>	6.7208 (USD:CNY)	<u>(111,516)</u>	
		<u>\$ (28,357)</u>		<u>\$ (10,275)</u>	

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

3) Marketable securities held (excluding investments in subsidiaries: Table 3

4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: Table 6
 - 11) Information on investees: Table 7
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Tables 4 and 6.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Tables 4 and 6.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Table 2.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.
- c. Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. See Table 9.

28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

a. Segment revenue and results

	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
	Department Revenue	Department Profit	Department Revenue	Department Profit
Operating areas of the Republic of China	\$ 9,256,540	\$ 256,892	\$ 12,265,912	\$ 956,602
Operating areas of the People's Republic of China	3,600,359	11,885	3,982,079	208,682
Operating areas of the Africa	-	(3)	-	-
Total from continuing operations	<u>\$12,856,899</u>	268,774	<u>\$16,247,991</u>	1,165,284
Finance costs		(160,086)		(129,831)
Exchange losses		(28,357)		(10,275)
Interest income		7,313		5,185
Gains or losses on disposal of property, plant and equipment		<u>5,894</u>		<u>528</u>
Profit before tax		<u>\$ 93,538</u>		<u>\$ 1,030,891</u>

Segment profit represented the profit before tax earned by each segment without interest income, finance costs, gains on disposal of property, plant and equipment, exchange losses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

	December 31	
	2023	2022
<u>Segment assets</u>		
Operating areas of the Republic of China	\$ 7,986,765	\$ 8,093,194
Operating areas of the People's Republic of China	3,673,253	4,116,658
Operating areas of the Africa	<u>203,684</u>	<u>-</u>
Consolidated total assets	<u>\$ 11,863,702</u>	<u>\$ 12,209,852</u>
<u>Segment liabilities</u>		
Operating areas of the Republic of China	\$ 6,148,251	\$ 5,660,105
Operating areas of the People's Republic of China	<u>590,569</u>	<u>1,014,025</u>
Consolidated total liabilities	<u>\$ 6,738,820</u>	<u>\$ 6,674,130</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2023	2022
Stainless steel tube	\$ 10,506,823	\$ 12,802,215
Stainless steel coil	2,267,854	3,413,507
Others	<u>82,222</u>	<u>32,269</u>
	<u>\$ 12,856,899</u>	<u>\$ 16,247,991</u>

d. Geographical information

The Group's revenue from external customers by location of operation are detailed below.

	For the Year Ended December 31	
	2023	2022
Asia	\$ 9,041,358	\$ 10,977,710
America	1,574,552	2,144,619
Europe	1,068,379	1,395,246
Middle East	586,794	929,066
Others	<u>585,816</u>	<u>801,350</u>
	<u>\$ 12,856,899</u>	<u>\$ 16,247,991</u>

e. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2023 and 2022.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance (Notes 3 and 4)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Froch Enterprise International Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Other receivables	Yes	\$ 260,814	\$ 248,358	\$ 248,358	0.2%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 506,737 (Note 1)	\$ 506,737 (Note 1)	
2	Century Nova Steel Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Other receivables	Yes	542,082	520,225	520,225	0.2%	Short-term financing	-	Operation	-	-	-	2,420,189 (Note 2)	2,420,189 (Note 2)	
3	Froch Stainless Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Other receivables	Yes	67,760	65,028	65,028	0.2%	Short-term financing	-	Operation	-	-	-	104,662 (Note 3)	104,662 (Note 3)	

Note 1: The total amount of loans made by Froch Enterprise International Co., Ltd. and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.

Note 2: The total amount of loans made by Century Nova Steel Co., Ltd. and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.

Note 3: The total amount of loans made by Froch Stainless Co., Ltd. and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.

Note 4: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar at the exchange rate on the balance sheet date.

Note 5: Significant intercompany accounts and transactions have been eliminated.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsed/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Froch Enterprise Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	2	\$ 2,313,662	\$ 1,167,300	\$ 1,105,380	\$ 86,704	\$ -	23	\$ 2,313,662	Yes	-	Yes	
1	Century Nova Steel Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	1	455,645	22,587	21,676	-	-	1	911,289	-	-	Yes	
		Froch Stainless Co., Ltd. - CN	1	455,645	22,587	21,676	-	-	1	911,289	-	-	Yes	

Note 1: The relationship between guarantor and guaranteed party:

1. Companies that do business with each other.
2. Subsidiary which is directly or indirectly held over 50% of the issued share capital.

Note 2: The total amount of the Company's external endorsement guarantee and the amount of the Company's endorsement guarantee for a single enterprise holding 100% voting rights shall not exceed 48% of the net value of the endorsing company in the current period audited or reviewed by an accountant; for a single enterprise that does not hold 100% of the voting rights, the amount of the endorsement guarantee shall be limited to 24% of the net value of the endorsing company for the period audited or audited by an accountant.

Note 3: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar at the exchange rate on the balance sheet date.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Froch Enterprise Co., Ltd.	<u>Mutual funds</u>							
	Shin Kong US Harvest Balance Fund Type A without Dividends (NTD)	None	Financial assets measured at FVTPL - current	185,419	\$ 1,900	-	\$ 1,900	
	TCB US Short Duration High Yield Bond Fund A USD (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,980	-	2,980	
	TCB Global Healthcare M-A Income Fund A (NTD)	None	Financial assets measured at FVTPL - current	500,000	4,015	-	4,015	
	SinoPac ESG Global Digital Infrastructure Fund-TWD, Acc.	None	Financial assets measured at FVTPL - current	300,000	2,757	-	2,757	
	KGI Real Assets Multi-asset Fund A (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,988	-	2,988	
	CITIC Growth Opportunities Multi-Asset Fund A (NTD)	None	Financial assets measured at FVTPL - current	300,000	3,046	-	3,046	
	Mega Global Bond ETF Strategic Income Fund of Fund A (NTD)	None	Financial assets measured at FVTPL - current	500,000	4,951	-	4,951	

Note 1: The term “securities” as used in this table refers to the securities derived from stocks, bonds, beneficiary's notes and the above items which fall within the scope of IFRS No. 9 “Financial Instruments”.

Note 2: For information on investment subsidiaries, refer to Tables 7 and 8.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% of Total	Payment/Collection Terms	Unit Price	Payment/Collection Terms	Ending Balance	% of Total	
Froch Enterprise Co., Ltd.	Santorics Metals Co., Ltd.	Others	Sales	\$ (412,915)	(5)	Note 1	Note 1	Note 1	\$ 13,399	1.4	
	Beittia Metals Co., Ltd.	Others	Purchases	516,630	6	Note 1	Note 1	Note 1	-	-	
			Purchases	229,306	3	Note 1	Note 1	Note 1	(2,835)	(6.2)	
Century Nova Steel, Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	Associate	Sales	(708,181)	(20)	Note 2	Note 2	Note 2	-	-	Note 3
	Froch Stainless Co., Ltd. - CN	Associate	Sales	(2,708,282)	(76)	Note 2	Note 2	Note 2	207,341	96	Note 3
Froch Metal (Suzhou) Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Associate	Purchases	708,181	100	Note 2	Note 2	Note 2	-	-	Note 3
Froch Stainless Co., Ltd. - CN	Century Nova Steel, Co., Ltd. - CN	Associate	Purchases	2,708,282	100	Note 2	Note 2	Note 2	(207,341)	(100)	Note 3

Note 1: There is no material difference between the sales price and the non-related party, and the collection term is within 60 days after the transaction; payment terms are 45-50 days L/C.

Note 2: Subject to the market price agreement between the parties, and the terms of collection are 90 days after the transaction.

Note 3: Significant intercompany accounts and transactions have been eliminated.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Trade Receivables - Related Parties (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Associate	\$ 207,341	12	\$ -	-	\$ 207,341	\$ -
Froch Enterprise International Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Associate	248,358	-	-	-	144,314	-
Century Nova Steel Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Associate	520,225	-	-	-	-	-

Note: Significant intercompany accounts and transactions have been eliminated.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statements Accounts	Amount (Note 2)	Payment Terms	Percentage of Consolidated Net Revenue or Total Assets (%)
1	Froch Metal (Suzhou) Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3 3	Cost of goods sold	\$ 708,101	T/T 90 days	6
				Prepayments to suppliers	84,755	T/T 90 days	1
2	Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	3 3	Sales revenue	2,708,282	T/T 90 days	21
				Trade receivables	207,341	T/T 90 days	2
3	Froch Enterprise International Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Other receivables	248,358	-	2
4	Century Nova Steel Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Other receivables	520,225	-	4
5	Froch Stainless Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Other receivables	65,028	-	1

Note 1: Relationship of counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; and (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership	Carrying Amount (Note 1)			
Froch Enterprise Co., Ltd.	Century Nova Steel Co., Ltd.	British Virgin Islands	International investment business	\$ 1,530,998	\$ 1,530,998	49,000,000	100%	\$ 2,419,754	\$ (14,045)	\$ (14,045)	Subsidiary
	Froch Enterprise International Co., Ltd.	British Cayman Islands	International investment business	115,366	115,366	3,550,000	100%	506,737	9,926	9,926	Subsidiary
	Froch Stainless Co., Ltd.	British Samoa	International investment business	14,959	14,959	500,000	100%	104,662	(28,497)	(28,497)	Subsidiary
	Froch Africa Co., Ltd.	British Virgin Islands	International investment business	236,428	-	7,500,000	100%	236,456	1,325	1,325	Subsidiary
Froch Africa Co., Ltd.	Froch Stainless Morocco	Morocco	Operating stainless steel and other steel pipe production and sales businesses	181,970 (US\$ 5,926)	-	55,000	100%	186,819	13 (US\$ 0.4)	13 (US\$ 0.4)	Subsidiary

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: For information on investments in mainland China, see Table 8.

FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 3 and 6)	Carrying Amount as of December 31, 2023 (Notes 3 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe sales businesses	\$ 103,236 (US\$ 3,000)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	\$ 110,492 (US\$ 3,400)	\$ -	\$ -	\$ 110,492 (US\$ 3,400)	\$ 11,208	100%	\$ 11,208	\$ 236,470	\$ -
Century Nova Steel, Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	1,680,898 (US\$ 54,000) (Note 1)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	1,530,998 (US\$ 49,000)	-	-	1,530,998 (US\$ 49,000)	(6,180)	100%	(6,180)	1,898,519	-
Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	16,250 (US\$ 500)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	4,875 (US\$ 150)	-	-	4,875 (US\$ 150)	(309)	100% (Note 2)	(309)	25,706	-
Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe sales businesses	17,951 (US\$ 600)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	14,959 (US\$ 500)	-	-	14,959 (US\$ 500)	(32,384)	100% (Note 5)	(32,384)	8,328	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ 1,457,176 (US\$ 46,950)	\$ 1,672,697 (US\$ 58,000)	\$ 2,892,077

Note 1: The equipment is priced at US\$6,100 thousand and the rest is invested in cash.

Note 2: The Company established Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd. as a joint venture between Froch Enterprise International Co., Ltd. and Froch Metal (Suzhou) Co., Ltd., holding 30% and 70% equity respectively.

Note 3: The Group recognized its investment gain (loss) based on the audited financial statements as of and for the year ended December 31, 2023.

Note 4: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the amount is calculated using 60% of higher net worth or combined net worth.

Note 5: The Company established Froch Stainless Co., Ltd. - CN as a joint venture between Froch Stainless Co., Ltd. and Century Nova Steel, Co., Ltd. - CN, holding 83% and 17% equity respectively.

Note 6: Significant intercompany accounts and transactions have been eliminated.

TABLE 9**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shin Chieh Shin Co., Ltd.	28,206,372	10.05
Hsin-Ta Chang	21,648,931	7.71
Ping-Yiao Chang	17,547,946	6.25

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.