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Kao Hsing Chang Iron & Steel Corp.

2023 Annual Report

Date of publication: May 19, 2024

- **Addresses and telephone numbers of the head office, branches and factories/plants:**

Designation	Address	Telephone
Headquarters	No. 318, Zhonghua 1st Rd., Gushan Dist., Kaohsiung City	(07)5556111
Taipei Branch	No. 62, Liangzhou Street, Taipei City	(02)25530987
Yongan Factory (Cold-Rolling Plant)	No. 6, Yonggong 1st Road, Yongan Industrial Park, Yongan District, Kaohsiung City (suspended)	(07)6229601
Pingdong Branch (Steel Pipe Plant)	No. 2, Yongxiang Rd., Fangliao Township, Pingnan Industrial Park, Pingtung County	(08)8668800

- **Spokesperson**

  Name: Hsu Pang-Feng

  Title: Manager of Steel Tube Dept.

  Telephone: (07)555-6111

  E-mail:purc02@khc.com.tw

- **Deputy Spokesperson**

  Name: Kuo Chien-Hung

  Title: Assistant Manager of Steel Tube Department

  Telephone: (07)555-6111

  E-mail:sale01@khc.com.tw

- **Handling of stock transfer agency**

  Name: Kao Hsing Chang Iron & Steel Corp. Stock Affairs Division

  Address: No. 62, Liangzhou Street, Taipei City

  Telephone: (02)25536052・25536053

  Website:http://bit.ly/2W3hvVg

- **CPAs for the most recent annual financial reports**

  Name: Hsu Chen-Lung, Chen Yung-Hsiang

  Name: KPMG Taiwan

  Address: 12F-6, No. 211, Zhongzheng 4th Road, Qianjin District, Kaohsiung City

  Telephone: (07)213-0888

  Website:http://www.kpmg.com.tw

- **The name of any exchanges where the Company's securities are traded offshore and the method by which to access information on said offshore securities: None.**
- **Company website:** http://www.khc.com.tw

Contents

One. Letter to Shareholders

I. Chairman’s Remarks:

Dear Shareholders, ladies and gentlemen:

Welcome to the AGM. I hereby present the business overview for 2023 and the business plan for this year:

In 2023, global demand for end products was weak due to factors such as high interest rates, high inflation, and China’s weaker-than-expected economic performance following the pandemic, resulting in a slowdown in manufacturing activities in various countries. In the steel industry, despite geopolitical instability, a high interest rate environment, and other factors, this will affect domestic and international market demand, export orders, and inventory replenishment for the majority of downstream steelmakers. However, the prices of upstream steelmaking materials remain high, while those of supporting products are rising.

The Company’s steel pipe sales fell 37% in 2023 as the market contracted even more than in 2022. In terms of API oil pipe exports, the number of wellheads decreased rather than increased as international oil prices fell. In 2023, the Company faced tariff-free and low-cost competition. Export sales of steel pipes totaled 2,872 MT, a decrease of 82% from the same period last year. As oil prices remain stable in the second half of the year, we expect them to remain above US$80 per barrel in the future. Despite the slow domestic demand for steel pipe, our main product, galvanized steel pipe, is receiving a steady stream of orders from electronics manufacturers. Domestic steel pipe sales in 2023 totaled 24,328 MT, a 16.8% decrease from the same period last year, but the products remained profitable.

Looking ahead to 2024, the steel industry selling to the US is still subject to high tariffs under Section 232 and has to compete against tariff-free and low-priced Korean products. The competition for export orders is therefore intense. Meanwhile, US demand is generally soft, with customers still working through inventory. As international steel prices rise steadily, it is expected that the US API oil pipeline inquiry will continue to be released in 2024. The export market is optimistic that order receipts should be more active than in 2023.

For the domestic sales of steel pipes, although private builders have delayed construction, the demand for chip packaging and testing has increased significantly due to the blooming AI applications, the insufficient supply of advanced packaging, and the rebound of the memory market. The five major local packaging and testing companies actively The capital expenditure this year totaled nearly NT$90 billion, and the domestic demand for galvanized steel pipes has increased significantly. Therefore, despite the shrinking domestic demand for steel pipes, the Company's orders for domestic sales of steel pipes are still good. It is expected that the demand for galvanized steel pipes in 2024 will continue to increase.

All in all, we are cautiously optimistic about the operation of this year, and hope for your continued support and encouragement from our shareholders.

Finally, I wish all for shareholders

good health and happy families

Chairman

II. 2023 business results

(I) Outcomes of the implementation of the business plan:

The 2023 production was 33,993 metric tons, down by 32% from 50,238 metric tons in 2022. The 2023 sales volume was 35,026 metric tons, a 33% decrease from 52,419 metric tons in 2022.

The 2023 operating revenue was NT$1,460,295 thousand, a decrease of 34% from the 2022 operating revenue of NT$2,216,055 thousand, the net profit after tax was NT$432,836 thousand, and the earnings per share was NT$2.24. Details are as follows:

III. Analysis of income, expenses and profitability:

(I) Financial income and expenditure:

1. Comprehensive income statement for the last two years: Unit: NTD Thousand

Item	2023	%	2022	%
Operating income	1,460,295	100	2,216,054	100
Operating costs	1,258,760	86	1,888,923	85
Gross operating loss	201,535	14	327,131	15
Marketing fees	35,144	2	120,872	5
Management expenses	77,746	5	67,785	3
Net operating loss	88,645	7	138,474	7
Non-operating revenue and expenses	323,527	23	(18,915)	(2)
Profit (loss) before tax	412,172	30	119,559	5
Income tax expense (benefit)	(20,664)		7,375	
Net profit (loss) for the period	432,836	31	112,184	5

2. The decrease in operating revenue in 2023 is mainly due to the decrease in sales volume.
3. The increase in non-operating income in 2023 is mainly due to the gain on disposal of investment property of NT$329,307 thousand.

4. Net income after tax in 2023 was NT$432,836 thousand, translating to an earnings per share of NT$2.24.

(II) Profitability analysis:

Analysis item			2023
Profitability	Return on assets (%)		6.80
	Shareholder return on equity (%)		13.82
	Ratio to paid-in capital (%)	Operating profit (loss)	4.64
		Pre-tax profit (loss)	21.59
	Net profit rate (%)		19.53
	Earnings per share (NTD)		2.24

IV. R&D development:

The Company constantly endeavors to renew steel pipe equipment by focusing on improving production efficiency, conserving energy, controlling pollution, and enhancing occupational safety, in order to achieve better product quality and work environment. 2023 Replacement of energy-saving air compressor equipment, renewal of galvanizing furnace equipment, renewal of zinc recovery equipment, continuous upgrading of pipe-making trolley equipment, renovation of crane tracks, etc.

V. Impacts from the external competitive environment, regulatory environment and overall business environment:

1. The current international geopolitical conflicts continue, and the Russo-Ukrainian War is still pending, which affects the supply of bulk commodities; the conflict between Israel and Hamas has deepened the tension in the Middle East, impacted the oil supply chain and increased global inflation pressure. However, the global economic momentum has recovered steadily. The US economic resilience was higher than expected, with strong employment and consumption performance, and the easing of the government debt ceiling crisis and the end of the strike by car manufacturers are all favorable. The demand for auto steel is gradually released, and the trend of easing inflation remains unchanged, and it is expected that the rate hike cycle of the Federal Reserve and the European Central Bank is coming to an end, leading to a stabilization of economic growth.
2. According to the latest Short Range Outlook (SRO) released by World Steel Association, the global steel demand in 2024 has passed its trough and is benefited from the recovery of

global automobile production. The demand growth rate is revised up from the original 1.7% to 1.9%, and an increase of 0.1% from 1.8% for 2023, an increase of demand by about 34.6 million tons. Although the trough of global steel demand has passed, there is still a high degree of uncertainty. The energy crisis, the Russo-Ukrainian War, high interest rate, inflation, and high inventory are still the main difficulties faced by the steel industry in 2024, but the overall negative factors are less than last year.

3. China maintains the “capacity control policy” to control the output of crude steel. The global supply of steel is shrinking, which is beneficial to accelerate the stabilization of international steel prices. On the demand side, China has successively launched a monetary easing policy and increased its efforts to stabilize growth. The United States is expected to introduce a series of supporting fiscal measures to reduce the impact of interest rate hikes on the real economy and further drive the demand for steel.
4. The import restrictions from China and the violation of Article 232 of the Trump era of the United States were judged in violation by the WTO, and have affected the market. Therefore, it is necessary to further study the changes in the market. At present, the cost pressure of steelmakers remains high. In addition to supporting steel prices to a certain extent, steelmakers in various countries have started to reduce production. As the “carbon neutrality” goals continue to be promoted in various countries, the global steel supply and demand will gradually improve, which is favorable for the steel market to recover. It is expected that the steel price will rise with support.
5. The 2024 Outlook released by the Taiwan Steel and Iron Industries Association shows that with the significant recovery of investment in the manufacturing industry, emerging technologies and net zero emissions investment demand, geopolitical risks cooling down, high price levels being controlled, and a slowdown in interest rate hikes in Europe and the United States, the global steel market is expected to outperform last year. However, possible market variables include the impact of the Israel-Hamas conflict, the Ukraine-Russian War and the geopolitical risks in the Middle East. In addition, it remains to be seen how the EU CBAM and the global net zero emission requirements will affect the cost of steel.

VI. 2024 Business Plan Highlights:

Steel pipe sales in 2024 are expected to be 47,463 tons, up approximately 51% from 31,349 tons in 2023, while distributed product sales are expected to be 3,000 tons, down 17% from 3,636 tons in 2023. (This is the 2024 budget approved by the Board of Directors on November 3, 2023).

In April, the International Monetary Fund (IMF) revised the global economic growth rate for this year to 3.2%, a 0.1% increase from the previous forecast, mainly due to the significant increase in the economic growth in the United States. The recovery of steel demand in East Asia as a result of the lifting of lockdowns in China and the recovery of demand for steel. The interest rate hike cycle is expected to come to an end in 2024, and the normalization of the supply chain is expected to further boost the demand for steel. However, the lag effect of monetary tightening and repeated rising inflation may have a long-term impact on the economy. It is estimated that global steel demand growth in the future will still not reach pre-pandemic levels.

Currently, the steel industry selling to the US is still subject to high tariffs under Section 232 and has to compete against tariff-free and low-priced Korean products. The competition for export orders is therefore intense. Meanwhile, the US demand is generally soft, and customers are still working through inventory. As the international steel price rises steadily, it is expected that the US API oil pipeline inquiry will continue to be released in 2024. The export market is optimistic that the order receipt should be more active than in 2023.

For the domestic sales of steel pipes, the demand for chip packaging and testing has increased significantly due to the blooming AI applications, the insufficient supply of advanced packaging, and the rebound of the memory market, although private builders have delayed construction. The five major local packaging and testing companies actively spent nearly NT$90 billion on capital expenditure this year, and the domestic demand for galvanized steel pipes has increased significantly. Therefore, despite the shrinking domestic demand for steel pipes, the Company’s orders for domestic sales of steel pipes are still good. The demand continues to increase, and the sales in 2024 will be better than the previous year.

Two. Company Profile

I. Date Established

Established on January 15, 1966.

II. Company history

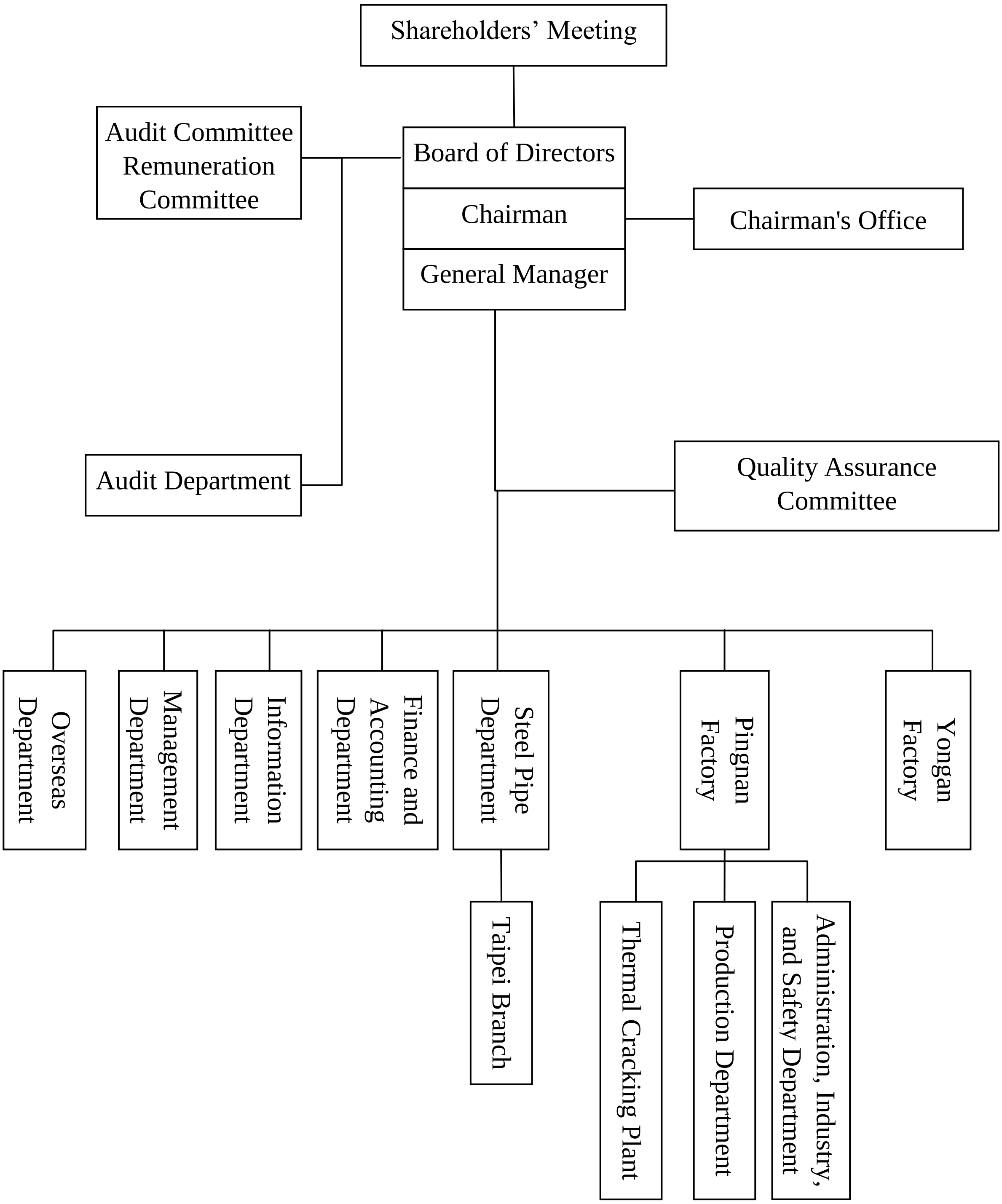
January 1966:	The Company was founded in Kaohsiung City with capital of NTD 800,000. It mainly produced steel pipes, steel plates and tinplate. Mr. Lu Te-Hsing was elected Chairman at this time.
June 1968:	Won CNS mark for galvanized steel from the Central Bureau of Standards of the Ministry of Economic Affairs.
February 1975:	Merged with Kao Hsing Iron & Steel Company with capital of NTD 200 million.
June 1975:	The trials of the Zhonghua Cold-rolled Steel Factory was completed, and cold-rolled coils were officially produced.
September 1975:	Re-elected directors and supervisors unanimously esteemed Mr. Lu Tse-Shang as Chairman.
June 1977:	Added API 6"- 16” pipe making vehicle.
October 1981	Won the authorization of the American Petroleum Institute (API) to use 5L high-pressure oil pipeline manufacturing.
May 1983:	The **trials** of the Yongan Factory was completed, and the plant officially joined the production of cold-rolled coils.
July 1985:	Large-scale SAW submerged arc welding equipment was added to produce 18"-60" steel pipes.
January 1988:	Yongan Factory purchased six-stage cold rolling and quenching and tempering equipment.
December 1988	The Company’s stock was officially listed with a capital of NTD 1.6 billion.
July 1993:	Purchased 32.228 hectares of land in Pingnan Industrial Park for the relocation of the Zhonghua Factory.
January 1996	The steel pipe factory was accredited by the international standard quality assurance system ISO 9001.
May 1996	The cold rolled products of the Yongan Factory were accredited by the international standard quality assurance system ISO 9001.

May 1999:	The Yongan Factory passed ISO 14001 certification.
June 2002:	Re-elected directors and supervisors unanimously elected Mr. Lu Tai Rong as Chairman.
April 2007:	The trials of a tension leveler for cold rolling at Yongan Factory was completed.
May 2007:	The Pingnan Factory applied for American Petroleum Institute API-5CT oil well pipe authorization approval.
April 2008:	Cold-rolled products of the Yongan Factory obtained ISO 9001, ISO 14001, and OHSAS 18001 certifications.
June 2012	The Yongan Factory suspended production.
December 2013:	The capital was reduced by 35% in cash. After the capital reduction, the paid-in capital was NTD 2,754,872,930.
January 2015:	The steel pipe factory's products obtained JIS, CNS 15506, and OHSAS 18001 certifications.
June 2015:	Re-elected directors and supervisors unanimously elected Mr. Lu Tai Rong as Chairman.
March 2018:	Treasury share capital reduction of NTD 223,000 thousand, bringing paid-in capital after the capital reduction to NTD 2,008,522,930.
August 2018:	Disposed of all machinery and electrical equipment in the Yongan Factory.
May 2023:	The capital was reduced by NTD 100,000 thousand for the treasury stock, and the paid-in capital after the capital reduction was NTD 1,908,522,930.

Three. Corporate Governance Report

I. Organization system

(I) Organizational system chart



(II) Businesses operated by major departments

Chairman's Office: Assist the Chairman of the Board of Directors in promoting business improvement, review of forwarded documents, implementation of case tracking, and drafting of innovation plans; undertaking the Chairman's Board meetings.

Audit Department: Responsible for the audit of the Company's business units with the purpose of achieving operational effects and efficiency, reliability of financial reporting, and compliance with relevant laws and regulations.

Management Department: Procurement of materials, machinery and equipment, and engineering; personnel, industrial safety, legal affairs, security, operational repair, general affairs, and property management. (Relevant expenses of the Yongan Factory will be included in management expenses from September 2018)

Information Department: The Company's comprehensive computerization promotion, programming, file data maintenance and management.

Finance and Accounting Department: Establishment and compliance of accounting system, accounting cost, accounting and tax treatment, business analysis; control of financial status and stock affairs such as capital scheduling.

Steel Pipe Department: Sales of raw materials, outsourcing, hot rolling, distribution, sales of steel pipes, steel products, scaffolding, and thermal cracking, after-sales service, credit investigation, and market research and analysis.

Foreign Affairs Department : Handle overseas sales and assist in the coordination of logistics and procurement operations.

Pingnan Factory: The management of manufacturing, processing, machinery and other equipment of steel pipes and thermal cracking products, R&D design, industrial safety, quality control and quality assurance, etc.

Yungan Factory: Production was suspended since June 2012; all machinery and electrical equipment in the Yung On Plant were dismantled in August 2018; the removal was completed in August 2020.

II. Information on directors, the General Manager, deputy general managers, associate managers, and supervisors of various departments and branches

(I) Directors

1. Information on directors April 22, 2024

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note 2)	Appointment date	Term of office	Date first appointed (Note 3)	Shares held at the time of appointment		Number of shares currently held		Number of shares currently held by spouse and minor children		Shares held in the name(s) of others		Principal Experience (Education) (Note 4)	Positions concurrently serving in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks (Note 5)
							Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership			Job Title	Name	Relationship	
Chairman	Taiwan	Lu Tai Rong	Male 61–70 years old	2021.8.26	3 years	1980.6.30	27,551,329	14.44	27,551,329	14.44	6,053,477	3.17	-		Department of Philosophy, Tunghai University	Director, Kao Hsing Industrial Co.	Director	Huang Li-Chun	Brother-in-law	
Director representative	Japan	Pro Imp'ex Company Limited Sheng Lu Rong Feng	Male 61–70 years old	2021.8.26	3 years	1980.6.30	121,621 6,293,995	0.06 3.30	121,621 6,293,995	0.06 3.30	-	-	-		Tokai University	1. General Manager of the Company 2. Director, Xiechang Steel Company				
Director representative	Taiwan	Huida Investment Co., Ltd. Huang Li-Chun	Male 61–70 years old	2021.8.26	3 years	2008.6.25	40,999,31222,343	21.48 -	40,999,312 22,343	21.48 -	5,785,926	3.03	-		Mechanical Engineering, Chung Yuan Christian University	1. Chairman, Huida Investment Co., Ltd. 2. Deputy General Manager, Kao Hsing Smelting & Chemical Fiber Co., LTD.				
Director representative	Taiwan	You Chang Co., Ltd. Wu Hsien-Ming	Male 61–70 years old	2021.8.26	3 years	2011.9.27	380,000 38,000	0.20 0.02	380,000 38,000	0.20 0.02	-		-		Faculty of Law, National Taiwan University	Lawyer				
Director representative	Taiwan	You Chang Co., Ltd. Lin Tzu-Hui	Male 61–70 years old	2021.8.26	3 years	2012.9.24	380,000 4,566	0.20 -	380,000 4,566	0.20 -	1,544	-	-		Department of Accounting, Feng Chia University	1. Consultant of the Company's Finance and Accounting Department 2. Corporate governance officer				
Director representative	Taiwan	Hong Well Company Limited Lu En-Chang	Male 71–80 years old	2021.8.26	3 years	1980.6.30	138,040 199,418	0.07 0.10	138,040 97,418	0.07 0.05	-	-	-		Waseda University	Former Vice Chairman of the Company				
Independent Director	Taiwan	Lin Hsien-Lang	Male 71–80 years old	2021.8.26	3 years	2018.6.27	-	-	-	-	-	-	-		National Taiwan University Department of Business	Director of Corporate Operation Association/Executive Supervisor of Taiwan Corporate Governance Association				
Independent Director	Taiwan	Chen Chi-Hsiung	Male 71–80 years old	2021.8.26	3 years	2015.6.23	-	-	-	-	-	-	-		National Chung Hsing University Master's Degree, Law Institute	Served as Judge and President of the Kaohsiung Branch of the Taiwan High Court				
Independent Director	Taiwan	Wu Hsiao-Yen	Female 61–70 years old	2021.8.26	3 years	2015.6.23	-	-	-	-	-	-	-		National Chung Cheng University Master's Degree, Law Institute	1. Director, Chien Yeh Law Office, Kaohsiung Office 2. Independent Director, Shiny Chemical Industrial Co. 3. Director, Yung Chi Paint & Varnish Mfg. Co.				

Note 1: Institutional shareholders should list the names of the institutional shareholders and their representatives separately (if they are representatives of institutional shareholders, the name of the institutional shareholders should be indicated) and fill in Table 1 below.

Note 2: Please state the actual age, and the interval can also be used, such as 41 to 50 years old or 51 to 60 years old.

Note 3: It shall show when did he/she/it assume position of director or supervisor for the first time. If it is discontinuous, it shall be described in the note. Lu Tai Rong: 1989.06.16-1996.09.03 discontinuous; Sheng Lu Rong Feng: 1989.06.16-1996.09.03 discontinuous.

Note 4: If work experience related to position now is in accounting firm or affiliated company in the period shown above, it shall show his/her title and function of position.

Note 5: If the Company's Chairman and General Manager or equivalent (top manager) are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

2. Table 1: Major shareholders of the corporate shareholders as of April 22, 2024

Name of institutional shareholder	Major Shareholders of Institutional Shareholders (Shareholding ratio contributions of the ten largest shareholders)
1. Huida Investment Co., Ltd.	Lu Tai-Rong (13%); Liao Ying-Chung (11%); Lu Ho-Lin (11%); Lu Ho-Ching (10%); Lu Ho-Lin’s Trust Property Account (8.89%)
2. Pro Imp'ex Company Limited	Chen Hsin-Ya (40%); Liao Ying-Chung (60%)
3. You Chang Co., Ltd.	Lu Tai-Rong (40%); Yang Yen-Ju (20%); Lu Ho-Ching (20%); Lu Ho-Lin (20%)
4. Hong Well Company Limited	Lu En-Chang (40%), Li Ke-Yu (36%)

3. Table 2: Major shareholders of major shareholders who are juridical persons as referred to in Table 1: None.

4. Disclosure of directors' professional qualifications and independence of independent directors:

April 22, 2024

Terms / Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	No. of positions concurrently held in other companies as independent director
Lu Tai Rong Director	More than 5 years of experience in Board leadership and the steel industry, and not under the conditions specified in Article 30 of the Company Act	-	0
Sheng Lu Rong Feng Director	More than 5 years of experience in company management and steel industry, and not under the conditions specified in Article 30 of the Company Act	-	0
Huang Li-Chun Director	More than 5 years of experience in company management and steel industry, and not under the conditions specified in Article 30 of the Company Act	-	0
Wu Hsien-Ming Director	More than 5 years of experience as a Board leader, lawyer, or company management, and not under the conditions specified in Article 30 of the Company Act	-	0
Lin Tzu-Hui Director	More than 5 years of experience in financial accounting management and steel industry, and not under the conditions specified in Article 30 of the Company Act	-	0
Lu En-Chang Director	More than 5 years of experience in company management and steel industry, and not under the conditions specified in Article 30 of the Company Act	-	0
Lin Hsien-Lang Independent Director	Qualified accountant for more than 5 years, president of KPMG, and not under the circumstances specified in Article 30 of the Company Act	Compliance with the absence of the following: 1. Including but not limited to the director, supervisor or employee of the Company or its affiliates, such as the person himself/herself, spouse or relative within the second degree of kinship.	0

Terms / Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	No. of positions concurrently held in other companies as independent director
		2. The number and percentage of shares held by the person, their spouse, or a relative within the second degree of kinship (or in the name of another person). 3. Serving as a director, supervisor, or employee of a company that has a specific relationship with the Company. 4. The amount of remuneration for providing the Company or its affiliates with commercial, legal, financial, accounting services in the last two years.	

Terms / Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	No. of positions concurrently held in other companies as independent director
Chen Chi-Hsiung Independent Director	Taiwan High Court Kaohsiung Branch Judge and President , and not under the conditions specified in Article 30 of the Company Act	Compliance with the absence of the following: 1. Including but not limited to the director, supervisor or employee of the Company or its affiliates, such as the person himself/herself, spouse or relative within the second degree of kinship. 2. The number and percentage of shares held by the person, their spouse, or a relative within the second degree of kinship (or in the name of another person). 3. Serving as a director, supervisor, or employee of a company that has a specific relationship with the Company. 4. The amount of remuneration for providing the Company or its affiliates with commercial, legal, financial, accounting services in the last two years.	0
Wu Hsiao-Yen Independent Director	Attorney-at-Law at Law Office for more than 5 years, Director of Kaohsiung Office of Chien Yeh Law Offices, and not under the conditions specified in Article 30 of the Company Act	Compliance with the absence of the following: 1. Including but not limited to the director, supervisor or employee of the Company or its affiliates, such as the person himself/herself, spouse or relative within the second	1

Terms / Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	No. of positions concurrently held in other companies as independent director
		degree of kinship. 2. The number and percentage of shares held by the person, their spouse, or a relative within the second degree of kinship (or in the name of another person). 3. Serving as a director, supervisor, or employee of a company that has a specific relationship with the Company. 4. The amount of remuneration for providing the Company or its affiliates with commercial, legal, financial, accounting services in the last two years.	

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? Specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees). Do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? Specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

5. Diversity and independence of the Board of Directors:

Diversity of the Board of Directors:

1. According to the Company's "Procedures for Election of Directors," the composition of the Board of Directors should take diversity into account, and an appropriate diversity policy should be formulated based on its own operation, business model and development needs, including but not limited to the following two major standards:
   (1) Basic conditions and values: gender, age, nationality and culture, among others.
   (2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.
2. Members of the Board of Directors shall generally possess the necessary knowledge, skills, and attributes to perform their duties, and shall have the following abilities as a whole:
   (1) Operational judgment.
   (2) Accounting and financial analysis.
   (3) Operation and management.
   (4) Crisis management.
   (5) Industry knowledge.
   (6) The international market view.
   (7) Leadership.
   (8) Decision-making.

There were nine directors for the 21st term of the Company, including three independent directors; three concurrently serving as employees, accounting for 33.3%. One female independent director to achieve the goal of gender equality.

The members of the Board of Directors are highly experienced in management and have relevant professional backgrounds. They have the necessary professional knowledge, skills, and literacy to perform their duties. At least one-third of the members of the Board of Directors have the ability to execute the business related to the eight core items.

Independence of the Board of Directors:

The Company's 21st Board of Directors consisted of nine directors, including three independent directors, who accounted for 33.3% to ensure the independence of the Board of Directors, and did not have the conditions specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(II) Information on the General Manager, Deputy General Manager, Associate Managers, and the heads of various departments and branches

April 22, 2024

Job Title (Note 1)	Nationality	Name	Gender	Date assumed office	Number of shares held		Spouse and minor children holding shares		Shares held in the name(s) of others		Principal Experience (Education) (Note 2)	No. of positions concurrently held in other companies	Managers who are related to spouse or relatives within 2nd degree of kinship			Remarks (Note 3)
					Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage			Job Title	Name	Relationship	
General Manager	Japan	Sheng Lu Rong Feng	Male	2002.6.21	6,293,995	3.30	-	-	-	-	Department of Mechanical Engineering, Tokai University, Japan Executive Manager, Chairman's Office	Xiechang Steel Company Director	-	-	-	
Corporate Governance Officer	Taiwan	Lin Tzu-Hui	Male	April 1, 2021	4,566	-	1,544	-	-	-	Department of Accounting, Feng Chia University	Consultant of the Company's Director and Finance and Accounting Department	-	-	-	
Foreman, Steel Pipe Factory	Taiwan	Chang Yin-Deng	Male	2021.8.13	-	-	-	-	-	-	Department of Mechanical Engineering, National Taipei Institute of Technology National Pingtung University of Science and Technology EMBA Deputy Manager of Steel Pipe Plant	None	-	-	-	
Manager, Steel Pipe Department	Taiwan	Hsu Pang-Feng	Male	2018.4.1	-	-	-	-	-	-	Department of Business Management, Feng Chia University Deputy Manager, Steel Pipe Department	None	-	-	-	
Manager, Finance and Accounting Department	Taiwan	Chao Hui-Mei	Female	April 1, 2021	-	-	-	-	-	-	Department of Accounting, Soochow University Assistant Manager, Finance and Accounting Department	None	-	-	-	

Note 1: Include General Manager, deputy general managers, associate managers, and the chiefs of all the Company's divisions and branches. Regardless of position, all assignments equivalent to General Manager, deputy general manager, and associate manager shall be shown.

Note 2: If work experience related to position now is in accounting firm or affiliated company in the period shown above, it shall show his/her title and function of position.

Note 3: When the General Manager or equivalent (top manager) and the chairperson are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be disclosed (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

III. Remuneration to General Manager, Deputy General Manager, and Associate Managers in the most recent year April 22, 2024

1. Remuneration to directors (including independent directors) Unit: NTD thousand

Job Title	Name	Directors' compensation								Sum of A+B+C+D and ratio to net income		Compensation from concurrently serving as employee								Sum of A+B+C+D+E+F+G and ratio to net income		Compensation received from investee companies outside of subsidiaries
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Business execution expenses (D)				Salary, bonuses, and special expenses (E)		Retirement pension (F)		Employee remuneration (G)						
																The Company		All companies in the financial reports				
		The Company	All companies in the financial reports	The Company	All companies in the financial reports	The Company	All companies in the financial reports	The Company	All companies in the financial reports	The Company	All companies in the financial reports	The Company (Note 2)	All companies in the financial reports (Note 2)	The Company (Note 2)	All companies in the financial reports (Note 2)	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial reports	
Chairman	Lu Tai Rong	-	-	-	-	-	-	280	280	4,338 1.0022%	4,338 1.0022%	2,609	2,609	-	-	11	-	-	-	10,305 2.3808%	10,305 2.3808%	80
Director	Pro Imp'ex Company Limited Sheng Lu Rong Feng	-	-	-	-	-	-	280	280			2,479	2,479	-	-	11	-	-	-			None
Director	Huida Investment Co., Ltd. Huang Li-Chun	-	-	-	-	-	-	880	880			-	-	-	-	-	-	-	-			None
Director	You Chang Co., Ltd. Wu Hsien-Ming	-	-	-	-	-	-	280	280			-	-	-	-	-	-	-	-			None
Director	You Chang Co., Ltd. Lin Tzu-Hui	-	-	-	-	-	-	280	280			847	847	-	-	11	-	-	-			None
Director	Hong Well Company Limited Lu En-Chang	-	-	-	-	-	-	280	280			-	-	-	-	-	-	-	-			None
Independent Director	Lin Hsien-Lang	318	318	-	-	-	-	400	400			-	-	-	-	-	-	-	-			None
Independent Director	Chen Chi-Hsiung	270	270	-	-	-	-	400	400			-	-	-	-	-	-	-	-			None
Independent Director	Wu Hsiao-Yen	270	270	-	-	-	-	400	400			-	-	-	-	-	-	-	-			None

Note 1: The Company provides automobiles for management. The balance of such automobile equipment in 2023 undiscounted is NTD 563,490 (cost of NTD 11,270,000 less accumulated depreciation of NTD 10,706,510). In addition, the Chairman of the Board is equipped with a driver, and salaries of drivers shall be the same as those of employees.

2: Not applicable to the consolidated financial statements of 2023; the 2023 net profit after tax is NTD 432,836 thousand.

2. Remuneration to the General Manager and Deputy General Manager April 22, 2024

Unit: NTD Thousand

Job Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special expenses (C)		Employee compensation amount (D)				Sum of A+B+C+D and ratio to net income (%)		Compensation received from investee companies outside of subsidiaries
		The Company	All companies in the financial reports	The Company	All companies in the financial reports	The Company	All companies in the financial reports	The Company		All companies in the financial reports		The Company	All companies in the financial reports	
								Cash dividend Amount	Stock dividend amount					
Director and General Manager	Sheng Lu Rong Feng	2,281	2,281	0	0	198	198	11	0	0	0	2,490 0.58%	2,490 0.58%	None

Note 1: One vehicle was provided in 2023. The balance of such vehicle equipment before depreciation was NTD 281,745 (cost of NTD 5,635,000 less accumulated depreciation of NTD 5,353,255).

2. Vice General Manager of the Company (vacancy).

3. Remuneration to the top five executives with the highest remuneration (disclose the name and means of remuneration individually) (Note 1)

Job Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Employee compensation amount (D) (Note 4)				Sum of A+B+C+D and ratio to net income (%) (Note 6)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)
		The Company	All companies in the financial reports (Note 5)	The Company	All companies in the financial reports (Note 5)	The Company	All companies in the financial reports (Note 5)	The Company		All companies in the financial reports (Note 5)		The Company	All companies in the financial reports	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Sheng Lu Rong Feng	2,281	2,281	0	0	198	198	11	0	11	0	2,490 0.58	2,490 0.58	280
Chief Corporate Governance Officer	Lin Tzu-Hui	776	776	0	0	71	71	11	0	11	0	858 0.20	858 0.20	280
Manager, Finance and Accounting Department	Chao Hui-Mei	1,306	1,306	0	0	73	73	11	0	11	0	1,390 0.32	1,390 0.32	None
Steel Pipe Department Manager	Hsu Pang-Feng	901	901	0	0	75	75	11	0	11	0	987 0.23	987 0.23	None
Steel Pipe Factory Plant Manager	Chang Yin-Deng	940	940	0	0	68	68	11	0	11	0	1,019 0.24	1,019 0.24	None

Note 1: In the “top five supervisors with the highest remuneration” mentioned here, “supervisor” indicates a manager of the Company, and criteria for identification of the relevant managers are handled in accordance with the scope of the application of “managers” stipulated by the former Securities and Futures Commission of the Ministry of Finance in letter Taicaizheng

San Zi No. 0920001301 dated March 27, 2003. As for principles of calculation and determination of the “top five supervisors with the highest remuneration,” this refers to the total amounts of salaries, retirement pensions, bonuses, special expenses, etc., as well as employee remuneration (in other words, the total of four items A+B+C+D) that are received by the Company’s managers from all companies in the consolidated financial statements; and after this data is sorted, the top five managers with the highest remunerations will be identified. If any concurrently serving director(s) is among those top, fill out this table and also Table (1-1) above.

Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in the most recent fiscal year.

Note 3: This refers to the amount of all rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, and other remuneration of the five highest remunerated management personnel in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2 including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc. – should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the five highest remunerated management personnel in the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the five highest remunerated management personnel by all companies in the consolidated financial report (including the Company).

Note 6: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 7: a. In this column, specifically disclose the amount of remuneration received by the five highest remunerated management personnel of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state “None”).

b. Remuneration means remuneration received by the five highest remunerated management personnel of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

4. Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

	Job Title	Name	Stock amount	Cash amount	Total	As a % of net profit
Manager	General Manager	Sheng Lu Rong Feng	0	11	11	0
Manager	Corporate Governance Officer	Lin Tzu -Hui	0	11	11	0
Manager	Manager, Finance and Accounting Department	Chao Hui-Mei	0	11	11	0

5. Separately compare the analysis of total remuneration paid in the last two years by the Company and all companies included in the consolidated financial statements to the Company's directors and General Manager, and the respective proportions of such remuneration to income after tax, as well as the policies, standards, and packages by which it was paid, the procedures through which the compensation was determined , and its association with future risk:

Units: NTD Thousand, %

Year	Net profit or loss after tax	Directors' compensation		Director's compensation as a percentage of after-tax profit or loss		General Manager's compensation		General Manager's compensation as a percentage of after-tax profit or loss	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements
2023	432,836	10,305	10,305	2.38%	2.38%	2,770	2,770	0.64%	0.64%
2022	112,184	10,282	10,282	9.17%	9.17%	2,763	2,763	2.46%	2.46%

Note: on 6/27/2018 3 independent director positions were established and an Audit Committee was set up.

The Company pays compensation based on the salary level of the position in the industry’s market, the scope of responsibility of the position in the Company, and the contribution to the Company’s operating goals. The purpose is to attract outstanding individuals to join and encourage those with development potential to stay, and create high performance for the Company by forming a management team with outstanding talent, generating operating results through the payment of compensation.

In order to closely integrate the employees’ personal work goals with the Company’s business goals and shareholders’ interests, and to attract outstanding talents to serve the Company, the Company’s overall reward strategy and positioning are performance-oriented, and a salary policy with market competition is designed. Based on the Company's operating results and individual performance, it is allocated reasonably to create the common interests of individuals, the Company and shareholders, and achieve a win-win situation.

(1) Managers’ remuneration

a. Managers’ remuneration is determined based on the overall market positioning of the Company, the results of relevant industry salary surveys, and the goal achievement and contribution of managers.

b. Managers’ remuneration includes basic salary, supervisor’s allowance, various allowances, bonuses, year-end bonus and employee remuneration.

c. The individual salaries and remunerations to managers are handled in accordance with the Company's regulations governing the salaries of employees, and the reasonableness of remunerations is regularly evaluated by the Remuneration Committee.

(2) Remuneration to directors:

a. According to the Company's Articles of Incorporation, an amount not exceeding 5% of the current year's profit may be appropriated as remuneration to the directors for the current year, and the distribution shall be distributed according to the performance evaluation results of each director for the current year.

b. According to Article 21 of the Company's Articles of Incorporation, the Company may remunerate directors' traveling expenses, remuneration to independent directors, and remuneration to directors for performing their duties in the Company, and authorize the Board of directors to pay. The amount is determined by reference to the standards of peers and public-listed companies.

Resolution of the 1995 shareholders' meeting: for the resident executive directors and supervisors of the Company, the monthly salary of each employee shall be within the limit of NTD 280,000 per person per month to authorize the Board of directors to make resolutions.

A transportation allowance of NTD 20,000 per month per director and NTD 30,000 per independent director per month; and NTD 10,000 per person attending Board meetings.

Directors and independent directors who serve as members of each functional committee of the Company may be paid a monthly remuneration as the functional committee member, and the transportation allowance will be paid based on the number of meetings attended.

Independent directors receive a monthly remuneration and do not participate in the distribution of earnings.

The total amount of remuneration paid to the Directors and President of the Company in the last 2 years was limited to fixed remuneration such as transportation allowance and fixed monthly remuneration. Variable remuneration was not paid and has nothing to do with performance.

IV. Corporate Governance Status

(I) Information on the operation of the Board of Directors

1. A total of four Board of Directors meetings were held in January 2023. The attendance of directors is as follows:

<table>
<tr><th>Job Title</th><th colspan="2">Name</th><th>Number of times actually attending (observing)</th><th>Frequency of attendance</th><th>Actual attendance (observation) rate (%)</th><th>Remarks</th></tr>
<tr><td>Chairman</td><td>Lu Tai Rong</td><td></td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Director</td><td>Pro Imp'ex Company Limited</td><td>Sheng Lu Rong Feng</td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Director</td><td>Huida Investment Co., Ltd.</td><td>Huang Li-Chun</td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Director</td><td rowspan="2">You Chang Co., Ltd.</td><td>Wu Hsien-Ming</td><td>3</td><td>1</td><td>75%</td><td></td></tr>
<tr><td>Director</td><td>Lin Tzu-Hui</td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Director</td><td>Hong Well Company Limited</td><td>Lu En-Chang</td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Independent Director</td><td>Lin Hsien-Lang</td><td></td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Independent Director</td><td>Chen Chi-Hsiung</td><td></td><td>4</td><td>-</td><td>100%</td><td></td></tr>
<tr><td>Independent Director</td><td>Wu Hsiao-Yen</td><td></td><td>4</td><td>-</td><td>100%</td><td></td></tr>
</table>

Other matters to be recorded:

I. If any of the following occurs in the operation of the Board, specify the date, the session, the content of the motion, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
2023.3.7 8th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Discussion of 2022 distribution of remuneration to employees and directors	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: Recognition of 2022 business report and financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Recognition of 2022 earnings appropriation	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 4: Evaluation of the Independence of CPAs	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 5: Proposal to issue 2022 statement of internal control system	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 6: Amendments to the Company's "Stock Services Internal Control System"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 7: Plan to buy back treasury shares for the 7th time	The amendments were approved by all attending directors: The minimum repurchase price was revised to NTD 13.5, and the range of the repurchase price was NTD 13.5 to NTD 27.	None	Not applicable
2023.5.9 9th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: The Company's 2023 Q1 financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: Recognition of 2023 Q2 financial statements	Approved by all directors present.	None	Not applicable

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
	Matters for Acknowledgment and Discussion, Proposal 3: Amendments to the Company's "Stock Services Internal Control System"	Approved by all directors present.	None	Not applicable
2023.8.3 10th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Recognition of 2023 Q2 financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: 2024 loan from financial institutions	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Plan to cooperate with a builder to participate in government tenders	Approved by all directors present.	None	Not applicable
2023.11.3 11th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Recognition of 2023 Q3 financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: 2024 annual audit plan	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 4: Adjustment of the stock investment structure of Haowei Electronic Technology (Huizhou) Co., Ltd. to follow the fund flow according to the fair value	Approved by all directors present.	None	Not applicable
2024.1.15 12th meeting of the 21st Board of Directors	Matters for discussion: The Company and KUO CHENG CONSTRUCTION CO., LTD. participated in the Kaohsiung City Government's MRT Orange Line O13 Station and yellow line Y10 Station "Land Development Project" and The Company was selected as the best applicant to jointly fund the establishment of the company and sign an agreement with the Kaohsiung City Government to establish the Company	Approved by all directors present.	1. Establishment of a project company based on mutual agreement. 2. O13 according to the requirements of the election documents; Y10 according to the joint application	Approved by all directors present

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
			agreement. 3. After the project company is established, it is necessary to pay attention to its operational status.	
2024.3.8 13th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: 2023 distribution of employees' and directors' remuneration	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: The Company's 2023 business report and financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Appropriation of the Company's 2023 earnings	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 4: Assessment of the independence and suitability of CPAs	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 5: Plan to issue the Company's 2023 statement of internal control system	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 6: Amendment to the "Rules of Procedure for Board of Directors Meetings"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 7: Amendment to the "Audit Committee Charter"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 8: Full re-election of the Company's directors	Approved by all directors present.	None	Not applicable
2024.4.24 14th meeting of the 21st Board of	Matters for Acknowledgment and Discussion, Proposal 1: Recognition of the 2024 Q1	All attending directors agreed to approve the proposal.	None	Not applicable

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
Directors	financial statements			
	Matters for Acknowledgment and Discussion, Proposal 2: Amendments to the Company's "Stock Services Internal Control System"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: Nomination of Director Candidates for the Company's 22nd Board of Directors	Approved by all directors present.	None	Not applicable

(II) Further to the aforementioned matters, any adverse opinion or qualified opinion of the Independent Directors against the resolutions of the Board: None.

II. For recusal of directors from motions due to conflicts of interest, specify the names of the Directors, the content of the motions, the reasons for recusal, and the participation in voting: None.

III. According to the Company's "Procedures for Performance Evaluation of the Board of Directors," the performance evaluation of the Board of Directors shall be conducted once a year; 2023 was completed by all directors via a questionnaire.

2023 Board of Directors Evaluation and Implementation

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Contents of evaluation
Once per year	2023.01.01–2023.12.31	Board of Directors Performance Evaluation	Board's Internal Self-Evaluation	A. Level of participation in the Company's operations B. Improving the quality of the Board's decision-making C. Composition and structure of the Board of directors D. Election and continuing education of directors E. Internal control
Once per year	2023.01.01–2023.12.31	Individual director's performance evaluation	Board members Self-Evaluation	A. Alignment of the Company's goals and missions B. Awareness of the duties of directors C. Level of participation in the Company's operations D. Management of internal relationship and communication E. Directors' professionalism and continuing education F. Internal control
Once per year	2023.01.01–2023.12.31	Audit Committee Performance Evaluation	Internal Self-Evaluation of the Audit Committee	A. Level of participation in the Company's operations B. Awareness of the duties of the functional committee C. Improving the quality of decision-making by the functional committee D. Composition of the functional committee and election of its members E. Internal control
Once per year	2023.01.01–2023.12.31	Remuneration Committee Performance	Internal Self-Evaluation of the	A. Level of participation in the Company's operations

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Contents of evaluation
		Evaluation	Remuneration Committee	B. Awareness of the duties of the functional committee C. Improving the quality of decision-making by the functional committee D. Composition of the functional committee and election of its members

IV. The objectives of strengthening the functions of the Board of directors in the current year and the most recent year (such as setting up an audit committee, and improving information transparency), and evaluation of their implementation.

1. 2018/6/27 A candidate nomination system was adopted for the election of directors at the General Meeting of Shareholders.
2. 6/27/2018 The General Meeting of Shareholders elected 3 independent directors and established an Audit Committee.
3. 5/6/2019 Established Standard Operating Procedures for Handling Director Requests.
4. The “Procedures for Performance Evaluation of the Board of Directors” was established on November 7, 2019, which has been implemented since 2022. The performance evaluation of the Board of Directors for 2022 was submitted to the 8th meeting of the 21st Round of the Board of Directors on March 7, 2023.
5. The 13th meeting of the 20th Board of Directors on March 11, 2021 resolved to establish a corporate governance officer.
6. The 7th meeting of the 21st Board of Directors on November 11, 2022 resolved to establish the ESG Sustainability Report Implementation Committee.

(II) Information on the operation of the Audit Committee:

The Company established the Auditing Committee on June 27, 2018, and the 2nd Audit Committee held four meetings in 2023. The attendance of independent directors is as follows:

Job Title	Name	Actual attendance	Attendance by proxy Frequency	Actual attendance (observation) rate (%)	Remarks
Convener	Lin Hsien-Lang	4	-	100%	Independent Director Re-election on August 26, 2021 Re-elected
Member	Chen Chi-Hsiung	4	-	100%	Independent Director Re-election on August 26, 2021 Re-elected
Member	Wu Hsiao-Yen	4	-	100%	Independent Director Re-election on August 26, 2021 Re-elected

Other matters to be recorded:

I. If any of the following occurs in the operation of the Audit Committee, specify the date, the session, the content of the motion, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions.

(I) Matters specified in Article 14-5 of the Securities and Exchange Act:

Date and session of the Audit Committee	Proposal content	Audit Committee resolution results	The Company's handling of the Audit Committee's opinions (result of the resolution of the Board of Directors)
2023.3.7 8th meeting of the 2nd Audit Committee	Matters for Acknowledgment and Discussion, Proposal 3: The Company's 2022 business report and financial statements	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 2: Appropriation of the Company's 2022 earnings	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 3: Evaluation of the Independence of CPAs	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
	Matters for Acknowledgment and Discussion, Proposal 4: Plan to issue the Company's 2022 statement of internal control system	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
	Matters for Acknowledgment and Discussion, Proposal 5: Amendments to the Company's "Stock Services Internal Control System"	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
	Matters for Acknowledgment and Discussion, Proposal 6: Plan to buy back treasury shares for the 7th time	It was unanimously approved by all attending members upon enquiry by the chairperson.	The amendments were approved by all attending directors: The minimum repurchase price was revised to NTD 13.5, and the range of the repurchase price was NTD 13.5 to NTD 27.
2023.5.9 9th meeting of the 2nd Audit Committee	Matters for Acknowledgment and Discussion, Proposal 1: The Company's 2023 Q1 financial statements	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 2: Amendments to the Company's "Stock Services Internal Control System"	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
2023.8.3 10th meeting of the 2nd Audit Committee	Matters for Acknowledgment and Discussion, Proposal 1: The Company's 2023 Q2 financial statements	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.

Date and session of the Audit Committee	Proposal content	Audit Committee resolution results	The Company's handling of the Audit Committee's opinions (result of the resolution of the Board of Directors)
2023.11.3 11th meeting of the 2nd Audit Committee	Matters for Acknowledgment and Discussion, Proposal 1: The Company's 2023 Q3 financial statements	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 2: 2024 annual audit plan	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
2024.1.15 12th meeting of the 2nd Audit Committee	Matters for discussion: The Company and KUO CHENG CONSTRUCTION CO., LTD. participated in the Kaohsiung City Government's MRT Orange Line O13 Station and yellow line Y10 Station "Land Development Project" and The Company was selected as the best applicant to jointly fund the establishment of the company and sign an agreement with the Kaohsiung City Government to establish the Company	It was unanimously approved by all attending members upon enquiry by the chairperson.	The Audit Committee's opinion is stated as follows: 1. Establishment of a project company based on mutual agreement. 2. O13 according to the requirements of the election documents; Y10 according to the joint application agreement. 3. After the project company is established, it is necessary to pay attention to its operational status. Approved by all directors present.
2024.3.8 13th meeting of the 2nd Audit Committee	Matters for Acknowledgment and Discussion, Proposal 3: The Company's 2023 business report and financial statements	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 2: The Company's 2023 earnings appropriation table	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 3: Assessment of the independence and suitability of CPAs	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
	Matters for Acknowledgment and Discussion, Proposal 4: Plan to issue the Company's 2023 statement of internal control system	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
	Matters for Acknowledgment and Discussion, Proposal 5: Proposal for the amendment to the "Audit Committee Charter"	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present

(II) Except for the aforementioned matters, other matters that have not been approved by the Audit Committee and approved by more than two-thirds of all directors: None.

II. For recusal of independent directors from motions due to conflicts of interest, specify the names of the independent directors, the content of the motions, the reasons for recusal, and the participation in voting: None.

III. Status of communication between independent directors, internal audit supervisors, and accountants.

(I) The audit supervisor of the Company attends regular Audit Committee meetings and Board meetings as non-voting delegates to report on the implementation of internal audit work; the audit department regularly sends audit reports and follow-up report results to independent directors for review.

(II) The Company's CPAs attend regular Audit Committee meetings and Board of Directors' meetings, and communicate and discuss matters related to financial statements separately before the meetings.

IV. Major tasks of the Audit Committee in 2023:

1. Review the adequacy of the annual financial report and the financial statements of each quarter.
2. Review of business report and earnings distribution.
3. Evaluate the independence and suitability of the hired CPAs with reference to the Audit Quality Indicators (AQIs).
4. Review of the amendments to the internal control system.
5. Review of annual audit plan.
6. Evaluation of the effectiveness of the internal control system.
7. Review of major asset transactions and major investments.

(III) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
I. Has the Company prepared and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?		✓	The Company complies with the relevant regulations of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.	There are no significant differences.
II. The equity structure and shareholders' equity of the Company				
(I) Does the Company have internal operating procedures to handle shareholders' suggestions, doubts, disputes and litigation matters, and have they implemented them in accordance with the procedures?	✓		Directing relevant departments to handle shareholder suggestions, doubts, disputes, and litigation matters.	There are no significant differences in accordance with Article 13 of the guidelines.
(II) Does the Company keep track of the list of major shareholders who actually control the Company and the ultimate controllers of such major shareholders?	✓		The share affairs unit controls the major shareholders' changes in shareholdings.	There are no significant differences in accordance with Article 19 of the guidelines.
(III) Does the Company establish and implement risk control and firewall mechanisms for affiliates?	✓		The Board of Directors has passed and implemented the "Subsidiary Supervision and Management Measures."	There are no significant differences in accordance with Article 14 of the guidelines.
(IV) Does the Company establish internal regulations to prohibit	✓		The Board of Directors approved the "Prevention of Insider	There are no significant differences.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
insiders from trading securities using undisclosed information in the market?			Trading Management Procedures" and implemented accordingly.	
III. Composition and Duties of the Board of Directors				
(I) Does the Board of Directors establish and implement a diversified policy for the composition of members?	✓		The selection of Board members considers both the overall composition and the basic qualifications, values, and professional knowledge and skills.	There are no significant differences.
(II) In addition to the Remuneration Committee and the Audit Committee, has the Company established other functional committees voluntarily?		✓	A remuneration committee has been established in accordance with regulations, and three independent directors were elected at the shareholders' meeting on August 26, 2021. An audit committee has also been established.	There are no significant differences.
(III) Does the Company establish the rules and methods for evaluating the performance of the Board of Directors, conduct the performance evaluation periodically, and submit the results of the performance evaluation to the Board of Directors, and use it as a reference for individual directors' remuneration and nomination?	✓		The Company has established the "Procedures for Performance Evaluation of the Board of Directors" on November 7, 2019. A self-assessment questionnaire will be distributed annually at the end of each fiscal year starting from 2020. The results of the assessment are reported to the Board of directors and The results of the assessment are reported to the Board of directors and	There are no significant differences.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
(IV) Does the Company evaluate the independence of CPAs on a regular basis?	✓		serve as a reference for the individual directors' remuneration, compensation, and nomination for re-election. 1. Assessing the independence of the appointed CPAs once a year 2. The certified public accountant issues a declaration of independence. 3. Reference is made to the audit quality indicators to assess the independence and suitability of the appointed auditors, taking into account Article 47 of the Certified Public Accountant Act and the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 on "Integrity, Fairness, Objectivity, and Independence." The independence and suitability of the 2023 signing auditors were evaluated, and the evaluation report was submitted for discussion at the 13th meeting of the 2nd Audit Committee. It was then submitted to the 21st meeting of the 13th	There are no significant differences.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
			Board of Directors and approved on March 8, 2024. 4. Criteria for evaluating the independence of commissioned CPAs: (1) As of the most recent certification assignment, the Board has not been replaced for seven years. (2) There is no significant financial conflict of interest with the client. (3) Avoidance of any inappropriate relationship with the Company. (4) CPAs shall ensure the honesty, impartiality, and independence of their assistants. (5) The financial statements of the agency in the two years prior to practicing the law shall not be audited. (6) The name of CPAs shall not be used by others. (7) Does not hold shares in the Company and affiliated companies.	

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
			(8) No loan with the Company and its affiliated companies. (9) There is no joint investment or benefit-sharing relationship with the Company or its affiliates. (10 Not receiving fixed salary from the regular work of the Company or any affiliated enterprise concurrently. (11) Does not involve the management functions of the decision-making of the Company or affiliated enterprises. (12) The Company does not engage in other businesses that may lose its independence. (13) Not having a relationship with the Company's management personnel such as spouse, relatives by blood, or collateral blood within two degrees. (14) No business-related commission was received. (15) Up to now, there	

Evaluation item	Operational status: Yes	Operational status: No	Operational status: Summary Description	Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
			have been no penalties or violations of the independence principle. CPAs Hsu, Chen-Long and Chen Yung-Hsiang of KPMG did not violate the independence of the above-mentioned CPAs.	
IV. Is the TWSE / TPEx listed company equipped with qualified and appropriate number of corporate governance personnel, and appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the Board of Directors and shareholders' meeting in accordance with the law, and producing minutes of Board meetings and shareholders' meetings)?	✓		Personnel of the Chairman's Office concurrently handle corporate governance affairs. For further information and contact information, please visit the Company's website at http: //www.khc.com.tw 2021/3/11 13th meeting of the 20th Board of Directors approved the establishment of Corporate Governance Officer to handle corporate governance related affairs.	There are no significant differences.
V. Has the Company established channels for the communications with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers),	✓		A stakeholder section has been set up on the company's website, and relevant departments are responsible for the related matters. The stakeholder section	There are no significant differences in accordance with Article 51 of the guidelines.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
and the section for the shareholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?			includes stakeholder needs and expectations (shareholders, employees, customers, partners, communities, and government departments). Shareholders can communicate with the company through a toll-free shareholder hotline and e-mail.	
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting?		✓	Stock services self-administered.	There are no significant differences.
VII. Disclosure of Information (I) Does the Company set up a website to disclose financial, business and corporate governance information?	✓		http://www.khc.com.tw The company has an investor section on its website, which is regularly updated with financial, business, and other information for investors' reference.	There are no significant differences in accordance with Article 56 of the guidelines.
(II) Has the Company adopted other means of information disclosure (e.g. setting up an English website, appointing dedicated personnel to collect and disclose information, implementing a spokesperson system, and posting the information of investor conference on the Company's website)?	✓		The Company has a designated spokesperson responsible for collecting media materials. All external statements are unified and made by the spokesperson, and other employees are not allowed to disseminate information to the public without authorization.	There are no significant differences.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second, and third quarters and the operating status of each month before the prescribed deadline?		✓	Currently, the deadline is announced in accordance with the law.	
VIII. Is there any other essential information that would help understand the pursuit of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of directors and supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and professional liability insurance coverage for the directors and supervisors)?	✓		1. Set up a labor union and employee welfare committee to ensure employee rights and employee care, and strive to improve the working environment and welfare of employees. 2. Establish a dedicated unit to regularly disclose the Company's important operating information, continue to improve the transparency of the Company's information, and establish a feedback mechanism for investors to express relevant suggestions for the Company's development. 3. The Company's website has a dedicated area to respond to interested parties, who can get into direct contact and	There are no significant differences.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	
			communicate via telephone, fax, and email.	

IX. Please explain corrective action taken in response to the result of the Corporate Governance Evaluation conducted by the Corporate Governance Center of Taiwan Stock Exchange Corporation, and the priority of action on issues pending for corrective action in the most recent year.

9.1 Explanation of improvements:

9.1.1 Do the Company's Articles of Incorporation require a comprehensive candidate nomination system for director elections?
Yes, on 2018/6/27 a candidate nomination system was adopted for the election of directors at the Shareholders' Meeting.

9.1.2 Has the Company set up an Audit Committee for compliance?
Yes; on 6/27/2018 the Shareholders' Meeting elected 3 independent directors and established an Audit Committee.

9.1.3 Is information reported in English?
From 2020, the English version of financial statements, annual reports and meeting manuals were prepared as required.
From 2022, the material messages were released in both Chinese and English as required.

9.1.4 The Sustainability Report was first compiled and reported on and uploaded to the Company’s website before the end of September 2023.

9.2 Priority enhancements and measures for items that have not yet improved:

9.2.1 Does the Company’s website disclose financial, business, and corporate governance information?
Has been updated on the Company’s website

9.2.2 Does the Company establish an English website that includes financial, business and corporate governance related information?
To be constructed

(I) 2023 Directors’ continuing education:

Name	Date	Organizer	Course title	Hours
Lu Tai Rong Chairman	2023/10/20	Securities and Futures Institute	Entrusted Training of ENRESTEC INC. – Information Disclosure and Prevention of Insider Trading	3 hours
Lu Tai Rong Chairman	2023/12/12	Securities and Futures Institute	The concept, practice and tools of group taxation governance	3 hours

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	

Wu Hsien-Ming Director	2023/10/13	Securities and Futures Institute	2023 Insider Trading Prevention Conference	3 hours
Lin Tzu-Hui Director	2023/04/10	Taiwan Investor Relations Institute	2023 KPMG Leadership Academy Forum “The Business Opportunities and Challenges of the Net Zero Blossom”	3 hours
Lin Tzu-Hui Director	2023/06/02	Securities and Futures Institute	2023 Insider Trading Prevention Conference	3 hours
Lin Tzu-Hui Director	2023/07/04	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Banking and Climate Change Summit	6 hours
Lin Tzu-Hui Director	2023/10/13	Securities and Futures Institute	2023 Insider Trading Prevention Conference	3 hours
Lin Tzu-Hui Director	2023/10/20	Securities and Futures Institute	Entrusted Training of ENRESTEC INC. – Information Disclosure and Prevention of Insider Trading	3 hours
Lin Tzu-Hui Director	2023/11/15	Securities and Futures Institute	2023 Legal Compliance of Insider Equity Transactions Seminar	3 hours
Lin Hsien-Lang Independent Director	2023/03/16	Corporate Operating and Sustainable Development Association	Corporate ESG low-carbon transformation strategies	3 hours
Lin Hsien-Lang Independent Director	2023/09/08	Taiwan Institute of Directors	ESG Rating Analysis in the Capital Market and Business Implications of Sustainability Assessment	3 hours
Lin Hsien-Lang Independent Director	2023/10/02	Taiwan Institute of Directors	Thinking and Resilience in the New International Order	3 hours

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof:
	Yes	No	Summary Description	

Lin Hsien-Lang Independent Director	2023/10/19	Taiwan Institute of Directors	Environmental tax, anti-tax avoidance and corporate tax governance from the global ESG tide	3 hours
Chen Chi-Hsiung Independent Director	2023/07/04	Taiwan Stock Exchange	2023 Cathay Pacific Sustainable Banking and Climate Change Summit	6 hours
Wu Hsiao-Yen Independent Director	2023/07/19	Taiwan Investor Relations Institute	The Company's Sustainable Operation and Family Governance are the Keys	3 hours
Wu Hsiao-Yen Independent Director	2023/10/25	Taiwan Digital Governance Association	The Key to Sustainable Company Operation and Family Governance – Legal and Taxation	3 hours
Wu Hsiao-Yen Independent Director	2023/11/08	Taiwan Corporate Governance Association	Discussion on the Three Principles of Ethical Corporate Management, Corporate Governance and Sustainability and the Cases of Practice	3 hours

(II) Implementation of risk management policies and risk measurement standards, and implementation of customer policies:

1. The annual budget is sent to the Board of Directors for deliberation, and the budget and cash flow are controlled.
2. Board meetings, report business, financial and audit reports.
3. Review customer sales credit limits every year and instruct relevant departments to control them.
4. In order to reduce the credit risk of accounts receivable, most of the Company's customer's open letters of credit before shipment.

(III) Insurance purchased by the Company for directors and supervisors:

The Company has purchased liability insurance for directors:

1. Insurance company: ShinKong Insurance Co., Ltd.; Liability Insurance for Directors, Supervisors and Managers of ShinKong Insurance.
2. Insurance period: August 22, 2023 to August 22, 2024.
3. Insurance amount: USD 3,000,000 (accumulated liability for compensation during the insurance period).

Kao Hsing Chang Iron & Steel Corp. Code of Ethical Conduct

Reported to the Shareholders' Meeting of 2016/6/17

Article 1 Purpose of establishment and its basis

In order to ensure that the behavior of the Company's directors, supervisors, managers and all employees (hereinafter referred to as "Company Personnel") complies with ethical standards, and to allow the Company's stakeholders to better understand the Company's ethical standards, the Company has developed these standards in an adherence with the Code of Ethical Conduct for TWSE/GTSM Listed Companies as announced by the Taiwan Stock Exchange Corporation.

Article 2 Ethical principles

Company Personnel shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

Article 3 Covered content

(I) Preventing conflicts of interest:

Company Personnel shall handle official duties in an objective and efficient manner, and shall not allow themselves, their spouses, parents, children, or their relatives within the second degree to obtain improper benefits while holding their positions. The Company and affiliated companies to which the aforementioned personnel belong, or provide them with guarantees, major asset transactions, or purchase (sales) of goods. Company Personnel should take the initiative to explain whether they have a potential conflict of interest with the Company.

(II) Avoiding opportunities for personal gain:

1. Company Personnel should avoid the following matters:
   (1) Opportunities for personal gain through the use of Company property, information, or the convenience of one's position.
   (2) Gaining personal benefit through the use of Company property, information, or the convenience of one's position.
   (3) Competition with the Company.
2. When the Company has a profit opportunity, the personnel of the Company are responsible for increasing the reasonable and legitimate interests that can be obtained by the Company.
3. Should not obtain or give rebates or other improper benefits from customers, suppliers, or groups related to the Company.

(III) Duty of confidentiality:

The personnel of the Company shall be obliged to keep confidential the Company's own information or that of its purchase (sales) customers, except when authorized or required by law to be disclosed. Information that should be kept confidential includes all unpublished information that may be used or leaked by competitors to harm the Company or customers.

(IV) Fair trading:

The Company's personnel shall treat the Company's purchase (sales) customers, competitors, and employees fairly, and shall not obtain them by manipulating, concealing, or misusing the information they have learned based on their duties, making misrepresentations on important matters, or other unfair trading methods to obtain improper interests.

(V) Protecting and appropriately using Company assets:

The Company's personnel are responsible for protecting the Company's assets and ensuring that they can be used effectively and legally for official duties. Theft, negligence, or waste would directly affect the Company's profitability.

(VI) Following laws and regulations:

Company Personnel must truly adhere to the Company Act, the Securities and Exchange Act, and other laws and regulations.

Insider trading is prohibited; implement the environment and establish a healthy and safe working environment.

(VII) Encouraging the reporting of any illegal or unethical conduct:

The Company should strengthen the promotion of ethical concepts. When Company Personnel know or discover any behavior that may violate laws, regulations, or the Code of Ethical Conduct, they should report to the supervisor, manager, internal audit supervisor or other appropriate personnel. Any individual use whistleblowing reporting method provided that sufficient information is provided. If anyone believes that he or she has been retaliated against (threats or harassment) for the above actions, this should be reported to the direct supervisor or personnel supervisor or internal audit supervisor or other appropriate personnel, and the Company will do its best to protect the safety of the informant from retaliation.

(VIII) Disciplinary measures:

When Company Personnel violate the Code of Ethical Conduct, the Company shall deal with it in accordance with the disciplinary measures stipulated in the Code of Ethical Conduct. In addition, immediate disclosure shall be made on the Market Observation Post System regarding information on the date of violation, the reason for the violation, the violation of the standard and the handling situation of the person who violated the Code of Ethical Conduct; and remedial measures will be taken.

Before disciplinary action is taken, the person who violated ethical conduct should be issued a verbal explanation of the complaint.

Article 4 Procedures for exemptions

If Company Personnel are exempted from following the Company's code of ethical conduct, this must be approved by the Board of Directors, and immediate disclosure must be made on the Market Observation Post System regarding the date of approval of the waiver by the Board of Directors, the objections or reservations of independent directors, the period of application of the waiver, the reasons for the waiver and the criteria for the application of the waiver, and other information. This shall be done to facilitate shareholders' evaluation of whether the resolutions made by the Board of Directors are appropriate to prevent arbitrary or questionable exemptions from complying with the standards, and ensure that any exemptions from complying with the standards have appropriate control mechanisms to protect the Company.

Article 5 Methods of disclosure

The Company shall disclose its Code of Ethical Conduct on the Company website, annual report, public brochures, and Market Observation Post System, and the same shall apply for revisions.

Article 6 Implementation

This Code shall be implemented after the approval of the Board of Directors, and shall be sent to the supervisors and reported to the Shareholders Meeting. The same shall apply for revisions.

(IV) If the Company has established a remuneration committee, its organization, duties and operation shall be disclosed:

1. Information of Remuneration Committee Members

April 22, 2024

By identity (Note 1) / Name / Terms		Professional qualifications and experience (Note 2)	Status of independence (Note 3)	Number concurrently serving as members of the remuneration committees of other publicly issued companies
Independent Director Convener	Lin Hsien-Lang	Please refer to Table 1 on Page 14 for information on directors		0
Independent Director	Chen Chi-Hsiung			0
Independent Director	Wu Hsiao-Yen			1

2. Information on the operation of the Remuneration Committee
   (1) The Company's Remuneration Committee consists of three members.
   (2) The term of office of the current (5th) members: from August 26, 2021 to August 25, 2024. The 2023 Remuneration Committee met two times, and the qualifications and attendance of members are as follows:

Job Title	Name	Number of times actually attending (B)	Frequency of attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Lin Hsien-Lang	2	-	100%	
Member	Wu Hsiao-Yen	2	-	100%	
Member	Chen Chi-Hsiung	2	-	100%	
Other matters to be recorded: I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date and period of the Board of Directors, the content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee should be stated. (If the remuneration approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the differences and reasons should be stated): None. II. On resolutions of the Remuneration Committee, if members have objections or					

reservations and have records or written declarations, the date, period, proposal content, opinions of all members and the handling of the opinions of the members shall be stated: None.

Note:

(A) Before the end of the year, if a member of the Remuneration Committee resigns, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during the term of service and the actual number of attendances.

(B) Before the end of the year, if the Remuneration Committee is re-elected, the new and old Remuneration Committee members should be listed, and the remarks column should indicate whether the member is old, new or re-elected and the date of reelection. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during the term of service and the actual number of attendances.

In accordance with the Remuneration Committee Rules and Regulations:

1. The committee convenes twice a year.
2. The company regularly reviews the performance evaluation criteria for directors and executives, as well as the annual and long-term performance goals, and the policies, systems, standards, and structure of compensation and rewards.

The content of the performance evaluation criteria is disclosed in the annual report.

Remuneration Committee Meetings:

Date and session of the Remuneration Committee	Proposal content	Resolution of the Remuneration Committee	The Company's handling of the Remuneration Committee's opinions (result of the resolution of the Board of Directors)
2023.3.7 5th meeting of the 5th Remuneration Committee	Matters for Discussion: Distribution of 2022 remuneration to employees and directors	The motion was approved unanimously by the members present.	Approved by all directors present.
2023.6.20 6th meeting of the 5th Remuneration Committee	Matters for discussion: Evaluating the Company's existing directors and Policies, systems, standards and structure for managers' remuneration	The motion was approved unanimously by the members present.	Implemented in accordance with the resolution.
2024.3.8 7th meeting of the 5th Remuneration Committee	Matters for Discussion: Distribution of 2023 remuneration to employees and directors	The motion was approved unanimously by the members present.	Approved by all directors present.

(V) Implementation Status and Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational status</th><th rowspan="2">Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of directors authorized senior management to handle related matters under the supervision of the Board?</td><td>✓</td><td></td><td>1. At the 7th meeting of the 21st Board of the Company on November 11, 2022, the Company passed a resolution to establish an ESG Report Implementation Committee. The General Manager serves as the convener, and it is divided into governance, economic, social and environmental groups, and is composed of department heads and related personnel.
2. The 2023 Sustainability Report was completed before September 2023 and verified by a third party.</td><td></td></tr>
<tr><td>II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?</td><td>✓</td><td></td><td><table>
<tr><th>Category</th><th>Risk description</th><th>Risk management strategy (countermeasures)</th></tr>
<tr><td>Sustainable Environment</td><td>Greenhouse gas emissions continue to increase</td><td>To meet the requirements of Taiwan’s Greenhouse Gas Management Regulation, the company must improve the energy efficiency and effectiveness of equipment. If the goal is not met, the carbon tax and carbon trading may have an impact on the greenhouse gas reduction plan, increasing operating costs and making operations more difficult.
Countermeasures: A short-term environmental management system. New greenhouse gas inventory management measures and operating standards with reduction measures (target reduction of 1% per year),</td></tr>
</table></td><td>Currently formulated according to the ESG Sustainability Report implementation progress</td></tr>
</table>

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			<table><tr><td></td><td></td><td>mid-term ISO 14064 certification, and more effective implementation of greenhouse gas reduction measures, long-term implementation of ISO 14064 effectiveness, and continuous improvement to meet the government's greenhouse gas reduction targets.</td></tr><tr><td></td><td>Inability to save energy effectively</td><td>If the required energy savings (1% as stipulated by the Bureau of Energy) and the reduction in greenhouse gas emissions (as stipulated by the Environmental Protection Administration) cannot be effectively achieved, there may be potential penalties and increased operational costs, as well as operational difficulties, due to the impact of carbon taxes and carbon trading. Corresponding measures: Response Measures: Short term: 1. Strengthen energy efficiency audits (check for air leaks, ensure lights, fans, and air conditioners are not in use when not needed). 2. Develop energy-saving measures and plans. 3. Establish an Energy Saving and Carbon Reduction Committee to hold regular meetings for review. 4. Replace old, high-energy-consuming equipment with high-efficiency, energy-saving equipment on-site. Medium term: Implement ISO 14064 certification for more effective implementation of greenhouse gas reduction measures. Long term: Consistently improve the effectiveness of ISO 14064 implementation to meet government energy saving and carbon reduction requirements.</td></tr></table>	

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	

	Effluent discharge continues to increase	Recycle and reuse process effluents.
	Waste treatment volume increased/ recycling rate decreased	Enhance automatic inspection of machinery, equipment and pipelines to prevent sludge from oil leakage. Resource sorting/recycling equipment (recycled water, recovered zinc) for general garbage retention is also strengthened. Automatic inspection and renovation are required to increase the recovery rate.
	Water shortage and power shortage	Factory Department: 1. Groundwater can be used instead in case of water shortage. 2. There are three motors that can generate emergency power in case of power shortage. Supply Headquarters: one generator.
	Typhoon and flood	The Company has established a typhoon and heavy rain emergency response team in response to typhoon flooding measures.
	Violation of environmental protection laws and regulations	The factory is certified with the ISO 14001 environmental protection management system and continuously and effectively implements continuous improvement. The environmental, safety and health policies are formulated in accordance with environmental protection laws and regulations.
Employees	Occupational disaster (including impacts from COVID-19)	I. 1. The factory has passed the ISO 45001/CNS 45001 occupational safety management system and continuously improves and effectively implements it. 2. The establishment of occupational safety and health policies must comply with environmental protection laws and regulations to prevent occupational accidents. 3. The production unit implements the PDCA continuous improvement management program. The implementation status is reported to the monthly industrial safety meeting

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			and requires units with deficiencies to propose corrective and preventive measures. This can effectively prevent occupational hazards and achieve zero industrial safety, allowing employees to work with peace of mind and improving production quality and quantity to achieve a win-win situation for both employers and employees. 4. All dangerous machinery and equipment have passed the required inspections to ensure the safe operation of machinery and equipment and the protection of employees' safety and smooth production. 5. All personnel who operate dangerous machinery and equipment shall be licensed and shall comply with the laws and regulations. They shall be retrained on a regular basis to meet the requirements and knowledge of suitability, which can improve safe operation and increase output. 6. The Company provides odd-job labor bonuses to comfort employees. II. In response to the COVID-19 pandemic, the company has implemented measures to protect employees' health. These include measuring the temperature of incoming personnel at the guardhouse at the factory entrance, providing 75% alcohol and masks, encouraging employees to	

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational status</th><th rowspan="2">Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td></td><td>get vaccinated, regularly disinfecting the environment, and complying with the epidemic prevention policies of the Central Epidemic Command Center.</td></tr>
<tr><td></td><td>Burnout (long working hours)</td><td>The management system must be implemented in accordance with the “Implementation Measures for Prevention of Illnesses Caused by Abnormal Workloads of ISO 45001 Management System.” Employees must not (1) extend their working hours for more than 100 hours in a month, (2) have an average monthly extension of hours for two to six months. over 80 hours. (3) For one to six months, the average monthly overtime exceeds 45 hours.</td></tr>
<tr><td></td><td>High turnover rate (labor shortage)</td><td>1. Improve the Company’s promotion and salary adjustment system.
2. Register the required talents on the manpower website and post the company’s benefits.
3. Foreign worker application.</td></tr>
<tr><td>Business performance</td><td>Ethical integrity risk</td><td>1. Establish a “Code of Ethical Conduct” for directors, managers and all employees to follow, including the prevention of conflict of interest, avoidance of opportunities for personal gain, confidentiality obligations, fair trade, protection and appropriate use of company assets, and compliance with laws and regulations, encourage the reporting of any illegal or violation of the Code of Conduct, and disciplinary measures, hoping that the Company’s personnel will comply with ethical standards.
2. The principle of good faith: In the course of engaging in business activities, the personnel of the Company shall not directly or indirectly offer, promise, request or accept any improper benefits,</td></tr>
</table>
</td><td></td></tr>
</table>

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			(nested table below)	

		seeking to obtain or maintain benefits.
	Insufficient transparency of information disclosure	1. The Company's website is not updated regularly. 2. Some data was not digitized, so it was displayed on the online installation for the first time. 3. The policy is implemented in accordance with government regulations. Insufficient transparency will not affect the Company's operations.
	Decline of market competitiveness	As we are a steel pipe manufacturer, the carbon emissions from liquid petroleum gas combustion and Taiwan Power are as high as 80%. Therefore, we are still unable to find other alternative energy sources for carbon reduction. For the time being, this does not affect the market competition of the Company.
	Information security incident	1. Implement information security incident reporting and drills/educational training every year. 2. Management and control of software and hardware such as the use of the original software and the recording of hardware-related information and specifications. 3. No major information security incident has occurred so far.
	Product Responsibility – Facing Recycling / Removed	Kao Hsing Chang has been in the steel pipe industry for more than 50 years, and we have established a brand indicator with no recycling or removal from the shelves. We are striving for sustainable and stable development.
	Supply chain disruption	1. Maintain at least two suppliers of major raw materials. 2. Production and marketing meeting and raw material scheduling discussion once a month to solve the problem of unstable raw material delivery. 3. If there is a rush for materials, the frequency is followed up with the supplier and the interaction is maintained. 4. Conduct annual supplier evaluation. 5. If there is any abnormality in the raw materials, handle it immediately and file a customer complaint with the

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			supplier.	
III. Environmental Issues				
(I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	✓		Passed the ISO 14001 environmental management system certification.	No significant difference.
(II) Is the Company committed to improving the efficiency of resource utilization and to use recycled materials with low impact on the environment?	✓		We are committed to reducing the amount of residues in the process and recycling and reusing resources in the factories.	No significant difference.
(III) Has the Company assessed the potential risks and opportunities posed by climate change to the Company at present and in the future, and taken countermeasures to deal with climate-related issues?	✓		Please refer to the table on page 63 of this annual report for Climate-Related Information of TWSE/TPEx Listed Companies.	No significant difference.
(IV) Has the	✓		1. Please refer to page 63 of this annual	No significant

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational status</th><th rowspan="2">Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>Company kept statistics on its greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and established policies for energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?</td><td></td><td></td><td>report “Climate-Related Information of TWSE/GTSM Listed Companies: Greenhouse Gas Inventory Information.” The Company’s greenhouse gas inventory, Scope 1 and Scope 2, completed the inventory in 2023 and will complete the inventory in 2024. It was reported to the 5th meeting of the 21st Board of Directors on May 10, 2022, and the progress of implementation will be monitored on a quarterly basis.
2. Groundwater is the main source of water used by the factory. Wastewater from Pingnan Industrial Park is treated and recycled.
Water Consumption:
<table>
<tr><th>Year</th><th>Water Consumption (metric tons)</th><th>Water intensity (metric tons/per metric ton of product)</th></tr>
<tr><td>2022</td><td>33930</td><td>0.675</td></tr>
<tr><td>2023</td><td>29845</td><td>0.878</td></tr>
</table>
The Company’s water resource management policy: use of groundwater, recycling of process water (recycled water), and wastewater treatment.
3. Waste output in the last 2 years:
<table>
<tr><th>Year</th><th>Hazardous waste (metric tons)</th><th>Non-hazardous waste (metric tons)</th><th>Gross weight (metric tons)</th><th>Waste intensity (tons/turnover in millions)</th></tr>
<tr><td>2022</td><td>0.03</td><td>433.11</td><td>433.14</td><td>0.195</td></tr>
<tr><td>2023</td><td>0</td><td>496.57</td><td>496.57</td><td>0.34</td></tr>
</table>
The Company’s waste management is to establish an economical and effective waste management mechanism to achieve the goals of safety, sanitation, harmlessness, and reuse of resources.</td><td>difference.</td></tr>
</table>

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
IV. Social Issues				
(I) Does the Company establish relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		According to the Labor Standards Act and other relevant laws and regulations, the Company has formulated the Work Rules for the Employees of the Company, and established an industrial union to implement the protection of the legitimate rights and interests of employees and the non-discriminatory treatment of the employment policy.	No significant difference.
(II) Does the Company establish and implement reasonable employee welfare measures (including remuneration, leave and other benefits), and appropriately reflect the operating performance or results in the employee remuneration?	✓		1. The Company has always cared about and valued the welfare of its employees. In addition to providing benefits on a monthly basis as required, an Employee Welfare Committee has been established to select committee members and formulate the annual plan to facilitate the implementation of various welfare activities. The Company also provides employee group insurance, in-service education and training for employees, and implements employee bonuses to achieve the purpose of enriching employee benefits. Salary, pension and leave are handled in accordance with government regulations. 2. The Company's remuneration policy is linked to the employee performance appraisal system, and salary adjustments are made once every two years based on the appraisal results. In addition, according to the Articles of Incorporation, if the Company makes a profit in a year, it shall set aside no less than 0.5% as employee remuneration.	No significant difference.
(III) Does the Company	✓		1. Regular health checkups and occupational safety training for employees.	No significant difference.

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
provide employees with a safe and healthy work environment, and provide employees with safety and health education on a regular basis?			2. Accredited with ISO 14001, ISO 45001 & CNS 45001 and other occupational safety system certification. 3. No occupational disasters occurred in 2023. 4. No fire accident occurred in 2023; the Company conducts two firefighting drills every year, and carries out inspection and maintenance of firefighting equipment.	
(IV) Does the Company establish an effective career ability development training program for employees?	✓		We organize pre-employment and on-the-job education and training for employees, select employees with development potential and cultivate reserve managers, and attach importance to the development of professional competence of employees.	No significant difference.
(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant policies and	✓		We comply with relevant laws and regulations such as fair trade, and also collect information on major international environmental protection regulations to grasp trends and responses. We carry out customer satisfaction surveys and provide complaints channels for products and services every year.	No significant difference.

Evaluation item	Operational status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
complaint procedures to protect consumers' or customers' rights and interests?				
(VI) Has the Company established a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights, and the implementation status thereof?	✓		The Company has established supplier review and evaluation procedures, and evaluates supplier products, environmental safety, ethics, and social responsibility items.	No significant difference.
V. Does the Company prepare reports disclosing the Company's non-financial information, such as the Sustainability Report, with reference to international reporting standards or guidelines? Has the said reports been certified or guaranteed by a	✓		1. The 2022 Sustainability Report of the Company was prepared in accordance with the GRI Standards, and the report was submitted on the Company's website by the end of September 2023. 2. Obtained the 2022 Company's sustainability report assurance opinion statement from GREAT Certification, and issued a medium assurance level in accordance with the AA1000 assurance standard V3 for application type 1.	No significant difference.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational status</th><th rowspan="2">Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>third-party verification unit?</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">VI. If the Company has established its own sustainable development principles in accordance with the “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies,” please describe the current practices and any deviations from the established principles: Not yet established.</td></tr>
<tr><td colspan="5">VII. Other important information helpful to understand the status of implementation of sustainable development:
1. In implementing and promoting energy saving and waste reduction, in addition to budgeting and investing in environmental protection capital expenditures, the entire Company's waste is classified and recycled, and waste and other pollutants are entrusted to a qualified cleaning company.
2. Community involvement:
Sponsored community activities in Gushan District, Yongan District, Kaohsiung City, and Fangliao Township in Pingtung County, and participated in the promotion of softball activities, and gave priority to employing local villagers.
3. The Company has set up parking lots on a portion of land in Kaohsiung City to help alleviate public parking difficulties.</td></tr>
</table>

Climate-Related Information of TWSE/TPEx Listed Company

1. Implementation of Climate-Related Information

Item	Status of implementation
1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	The company's Board of directors has formed the "ESG Report Implementation Committee." The General Manager serves as the convener. The committee is in charge of carrying out actual work in areas such as environmental sustainability, corporate social responsibility, corporate governance, ethical management, risk management, talent development, and information security. The "ESG Reporting Implementation Committee" is responsible for reporting annual plans and implementation results to the "Board of Directors."
2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short, medium, and long term).	Business: The Company will have little impact on the Company in the short term. Necessary adjustments will be made in the medium and long term based on customer needs. The structure of supply and demand changes the mechanism of products and services, and the ways in which they affect the market are complex and adjusted according to the actual situation. Strategy: Limit any impacts that may contribute to the adverse impacts of climate change, and promote climate change adaptation. Finance: Short-term increase in electricity bills and operating costs for the replacement of energy-saving equipment; medium- and long-term impairment of existing assets and early scrapping; and the impact of the government's carbon tariff policy. - Countermeasures: The plant must improve the energy efficiency of equipment and introduce energy-saving equipment. The purchase or repair of plant equipment will increase the Company's capital expenditure. Cooperate with customers to strengthen green procurement activities for raw materials.
3. Describe the financial impact of extreme climate events and transformation actions.	Extreme climate events: Situations that may result in damage to assets or interruption of the

Item	Status of implementation
	supply chain. Transformation actions: The Company will gradually shift to supporting low-carbon and high-performance technology improvement and innovation, which will affect the competitiveness of the organization and increase the cost of production and distribution.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The purpose of identifying climate change is not to make an accurate forecast, but to strengthen the completeness of the identity through regular monitoring of relevant laws and regulations, guidelines and literature, and to explore and understand potential major risks. This will strengthen the identification and measurement of risks, and provide a reference for the Company's operating decisions. The Company evaluates the possible risks and opportunities of climate change to the enterprise, incorporates the climate change factor into the business strategy planning and decision-making process, and incorporates it into the overall risk management policy. It furthermore promotes green services to mitigate and adapt to the operational impact of climate change.
5. If a scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used shall be explained.	Slight scenario: Low emission scenario, where the temperature increase does not exceed 2℃; warming under control and low physical risk. Severe scenario: High emission scenario, where the temperature increase does not exceed 4℃ Scenario analysis (including 2℃ or more severe scenarios): The Company is concerned about potential equipment damage and production delays due to flooding from heavy rain and typhoons, which are becoming more common as a result of climate change. To mitigate these risks, they are assessing the likelihood and severity of flooding, developing various flood prevention strategies, and have installed floodgates and purchased water pumps to prevent asset loss.
6. If there is a transformation plan in response to the management of climate-related risks, describe the content of the plan, and the	Responding actions: The transition risk is partly due to the correspondence with the requirements of ISO

Item	Status of implementation
indicators and goals used to identify and manage physical risks and transformation risks.	14064-1. For the physical risk section, “Yearly typhoons and rainstorms caused by climate change,” “Each unit shall formulate appropriate emergency response plans based on the level of risk,” and “Each unit shall conduct and conduct inspections.”
7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.	At present, the Company has not planned an internal carbon pricing mechanism. Other than waiting for the confirmation of further greenhouse gas regulations or guidelines by the government agencies, it is expected to implement self-investment and reduction measures.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Short-term goal: Average annual power savings of 1%. Mid-term goal: To achieve 1% annual power savings. Long-term goal: Use government policies to achieve the highest energy-saving efficiency over the long term and continue to promote various environmental protection projects.
9. Greenhouse gas inventories, assurance status, and reduction targets, strategies, and concrete action plans (please fill in 1-1 and 1-2 separately).	The inventory for the past three years is as follows: 2021 7,611.2666 tons CO_2e 2022 7,934.4126 tons CO_2e 2023 7,231.1985 tons CO_2e GHG inventory and third-party verification are expected to be completed in 2024

1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/NT$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
2022: 7,934.4126 tons CO_2e (Note: Scope 1 + Scope 2 + Scope 3) 2023: 7,231.1985 tons CO_2e (Note: Scope 1 + Scope 2 + Scope 3) Intensity: 2022: 0.1591 tons CO_2e/tons (Note: (Scope 1 + Scope 2 + Scope 3) / Output) 3.5804 tons CO_2e/NT$ million (Note: (Scope 1 + Scope 2 + Scope 3) / Revenue) 2023: 0.2149 tons CO_2e/tons (Note: (Scope 1 + Scope 2 + Scope 3) / Output) 4.9518 tons CO_2e/NT$ million (Note: (Scope 1 + Scope 2 + Scope 3) / Revenue) Information covers the Company's: Kaohsiung Headquarters, Pingtung Branch, Taipei Branch

Note 1: Direct emissions (scope 1, i.e. emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e. indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e. emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT$ 1 million) shall be disclosed.

1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.
The Company did not obtain a full greenhouse gas assertion opinion before the publication date of the annual report. The full conviction and information will be disclosed in the Sustainability Report. Scope of assurance: Kaohsiung Headquarters, Pingtung Branch, Taipei Branch Assurance institution: ARES INTERNATIONAL CERTIFICATION CO., LTD. Assurance standards: ISO 14064-1 guidelines Assurance opinion: Estimated to pass the verification in 2024

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEx.

Note 3: When preparing the disclosure content, the Company may refer to the best-practice reference examples on the TWSE Corporate Governance Center website.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.
According to the prescribed schedule, it should be disclosed in 2025. At present, a complete greenhouse gas conclusion opinion has not yet been obtained for the inventory data. It is expected to be verified in 2024, and the data obtained through the verification shall prevail. Baseline year for greenhouse gas reduction: 7,231.1985 tons of CO_2e in 2023 Reduction target: power saving rate by 1% Strategy and concrete action plan: 1. Plant 1 and Plant 2 replaced 1,000W mercury lamps with 400W LED lamps. Energy saving: 14,600 kWh – Carbon reduction: 7.227 tons of CO_2e 2. The two old air compressors of API and the three old air compressors of the Piping Manufacturing Division were replaced with inverter-type energy-saving air compressors. Energy savings: 59,680 kWh Carbon reduction: 29.5416 tons of CO_2 e Reduction Target Achievement: In 2023, the power conservation rate was 1.47%, and a total of 36.7686 tons of CO_2e

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best-practice reference examples on the TWSE Corporate Governance Center website.

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
I. Formulation of ethical management policy and plans				
(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		✓	Established the “Code of Ethical Conduct” for Directors, Managers and all employees. The company explicitly states its policy of operating with integrity, and both the Board members and management are committed to actively implementing this policy in the execution of their duties.	None.
(II) Has the company established an assessment mechanism for the risk of unethical conduct? Does it regularly analyze and evaluate business activities with a higher risk of unethical conduct? Has it formulated a program to prevent unethical conduct with a scope no less than	✓		The Company’s personnel shall not directly or indirectly provide, promise, request, or accept any improper benefits or engage in other dishonest behaviors that violate integrity, law, or entrusted obligations in the course of engaging in commercial activities, in order to obtain or maintain benefits.	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPE Listed Companies?				
(III) Has the Company established the program to prevent unethical conduct, including operational procedures, guidelines, penalties for violations, and a complaint system, and implemented the program, and regularly review and amend the aforementioned programs?	✓		Prevention of conflicts of interest: The Company's personnel shall handle public affairs objectively and efficiently, and shall not, while holding their positions, provide undue benefits to themselves, their spouses, parents, children, or second-degree relatives. The Company shall provide funds to related enterprises of the aforementioned personnel or provide guarantees, engage in significant asset transactions, or engage in purchase/sales transactions. The Company's personnel shall voluntarily disclose any potential conflicts of interest with the company.	None.
II. Implementation of Ethical Corporate Management				
(I) Does the Company evaluate the ethical records of its trading counterparts, and specify the ethical	✓		Avoiding opportunities for personal gain: The company shall not receive or provide kickbacks or other	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
conduct clauses in the contracts signed with its trading counterparts?			improper benefits from customers, suppliers, or related groups. The company conducts regular assessments and reviews of its customers and suppliers.	
(II) Has the Company set up a dedicated unit under the Board of Directors to promote corporate ethical management, and report the implementation of ethical management policies and programs to prevent unethical behaviors and supervision to the Board of Directors on a regular basis (at least once a year)?		✓	Integrity and honesty are the most important core values of the company's culture. Under the supervision of the Board of directors, the company's managers are responsible for ensuring that all information disclosed by the company to the public is complete, accurate, and timely.	None.
(III) Does the Company establish and implement policies to prevent conflicts of interest, provide appropriate communication channels?	✓		Encourage reporting of any illegal or unethical behavior in accordance with the Code of Ethical Conduct: The Company should strengthen the promotion of ethical concepts. When Company Personnel know or discover any behavior that may violate laws, regulations, or the Code of Ethical Conduct, they should report to the manager, internal audit supervisor or other	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			appropriate personnel. Any individual use whistleblowing reporting method provided that sufficient information is provided. The personnel unit has a complaint mechanism and the Company website has a complaint channel.	
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		The Company has always attached importance to the accuracy and completeness of financial reporting. The audit unit drafts an annual audit plan based on risk assessment, conducts audits, prepares audit reports for submission to the Board of directors, and delivers them to independent directors for review.	None.
(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?	✓		The HR unit organizes related training and promotion annually.	None.
III. Operation of the Company's reporting system				
(I) Does the Company		✓	The Company incorporates	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
establish a specific whistleblowing and reward system, and establish a convenient channel for whistleblowing, and assign appropriate dedicated personnel to handle the reported subjects?			ethical operations into employee evaluations and HR policies, including a system for rewards, penalties, and appeals.	
(II) Does the Company establish standard operating procedures for the investigation of whistleblowing matters, the follow-up measures to be taken after the investigation is completed, and the related confidentiality mechanism?		✓	To be established	None.
(III) Has the Company taken measures to protect the whistleblower from improper treatment due to their whistleblowing?	✓		Individuals who suspect that they have been subjected to retaliation (harassment or threats) for disclosing instances of illegal or unethical conduct ought to notify their immediate supervisor, the human resources manager, the internal audit manager, or another suitable representative. The company shall exert utmost diligence in safeguarding the reporter’s well-being and averting any potential reprisals.	None.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational status</th><th rowspan="2">Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>IV. Strengthening information disclosure
(I) Does the company disclose the content of the ethical corporate management principles established by the Company on its website and Market Observation Post System (MOPS), and the progress of its implementation?</td><td>✓</td><td></td><td>(I) Company website: http://www.khc.com.tw; disclosure of the integrity policy in annual reports and internal regulations.</td><td>None.</td></tr>
<tr><td colspan="5">V. If the Company has enacted the Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the difference between its operation and the Principles: A code of ethical management has not yet been formulated, while a code of ethical conduct has been formulated, and there is no difference between the Company’s operations and the established guidelines.</td></tr>
<tr><td colspan="5">VI. Other information that enables a better understanding of the Company's ethical corporate management (for example, the Company’s review and revision the Ethical Corporate Management Best Practice Principles, etc.): None.</td></tr>
</table>

(VII) If the Company has established the Corporate Governance Best-Practice Principles and related regulations, the inquiry methods shall be disclosed: None.

(VIII) Other important information that is sufficient to enhance the understanding of the Company’s corporate governance and may be disclosed altogether: None.

(IX) Implementation of the internal control system

1. Internal Control System Statement

Kao Hsing Chang Iron & Steel Corp.

Internal Control System Statement

Date: March 8, 2024

Based on the results of self-assessment, the Company states the following for its internal control system in 2023:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers of the Company, and that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, the Company's internal control system has a self-supervision mechanism. Once the missing element is recognized, the Company takes corrective action.

III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the existing system continues to be effective. The criteria defined in “the Regulations” include five elements depending on the management control process: 1. environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several sub-elements. Please refer to “the Regulations” for details.

IV. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.

V. The Company believes that its internal control system (including the supervision and management of subsidiaries) is effective and can reasonably ensure the achievement of the aforementioned objectives as of December 31, 2023, based on the evaluation results stated above. The internal control system is designed and implemented in a manner that is dependable, timely, transparent, and compliant with relevant laws and regulations.

VI. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. The Company shall be held liable for misrepresentation or nondisclosure in the above content, according to Articles 20, 32,171, and 174 of the Securities and Exchange Act.

VII. On March 8, 2024, the Company’s Board of Directors granted approval to this Statement. None of the nine directors in attendance expressed dissenting views; instead, they all agreed with the contents of this statement and hereby declare their agreement.

Chairman: Lu Tai Rong

General Manager: Sheng Lu Rong Feng

2. If a CPA is retained for the conduct of the internal audit system, disclose the Auditor's Report: None

(X) The punishment on the Company and its internal personnel according to law, the punishment on the Company's internal personnel for violating the provisions of the internal control system in the most recent year up to the publication date of the annual report, and the main deficiencies and improvements: None.

(XI) Important resolutions of the shareholders' meeting and the Board of directors in the most recent year and up to the date of publication of the annual report:

1. Important resolutions of the 2023 shareholders' meeting (2023/6/20):

   (1) Vote to acknowledge the 2022 business report and financial statements

   (2) Vote to acknowledge the 2022 earnings appropriation

   Implementation of resolutions of the 2023 shareholders' meeting:

   (1) Vote to acknowledge the 2022 Business Report and Financial Statements: Passed as proposed.

   (2) Vote to acknowledge the 2022 earnings appropriation: Passed as proposed. Cash dividend of NTD 100,426,147 from earnings, or NTD 0.5 per share. Ex-dividend date: July 25, 2023, due to the capital reduction of 10,000,000 shares of treasury, actual cash dividend distributed was NTD 0.52619827.
   After the meeting, the resolutions of the Shareholders' Meeting would be released within the specified time.

2. Important resolutions of the Board of Directors in 2023

Item	Important resolutions
1. 8th meeting of the 21st Board of Directors (March 7, 2023)	1. Discussion of the 2022 remuneration distribution plan for employees and directors 2. Acknowledgment of the 2022 business report and financial statements 3. Acknowledgment of the 2022 earnings appropriation 4. Approved the evaluation of the independence of CPAs 5. Approved the 2022 Declaration of Internal Control 6. Approved the amendments to the "Internal Control System for Share Affairs" 7. Proposed to buy back treasury shares for the 7th time 8. Approved the convention of shareholders' meeting to be held on June 20, 2023 and the agenda 9. Approved the Procedures for Accepting Proposals from Shareholders Holding 1% or More of Shares.
2. 9th meeting of the 21st Board of Directors (May 9, 2023)	1. Acknowledgment of the 2023 Q1 financial statements 2. Capital reduction of treasury shares (cancellation of treasury shares repurchased for the 7th round) 3. Amended the "Stock Services Internal Control System".
3. 10th meeting of the 21st Board of Directors (August 3, 2023)	1. Acknowledgment of the 2023 Q2 financial statements 2. Loans from financial institutions in 2024 3. Proposal to cooperate with construction companies to participate in government tenders.
4. 11th meeting of the 21st Board of Directors (November 3, 2023)	1. Acknowledgment of the 2023 Q3 financial statements 2. Approved the 2024 budget 3. Approved the 2024 annual audit plan 4. The stock investment structure of Haowei Electronic Technology (Huizhou) Co., Ltd. is adjusted according to the fair value funding process
5. 12th meeting of the 21st Board of Directors (January 15, 2024)	1. Approved the Company and KUO CHENG CONSTRUCTION CO., LTD.'s participation in the Kaohsiung City Government's MRT Orange Line O13 Station and yellow line Y10 Station "Land Development Project" and was selected as the best applicant to jointly fund the establishment of the company and sign an agreement with the Kaohsiung City Government to establish the Company
5. 13th meeting of the 21st Board of	1. Discussion of the 2023 remuneration distribution plan for employees and directors

Item	Important resolutions
Directors (March 8, 2024)	2. Acknowledgment of the 2023 business report and financial statements 3. Acknowledgment of the 2023 earnings appropriation 4. Approved the evaluation of the independence and suitability of CPAs 5. Approved the 2023 Declaration of Internal Control 6. Approved the amendments to the “Rules of Procedure for Board of Directors Meetings” 7. Approved the amendments to the “Audit Committee Charter” 8. Approved the full re-election of the Company’s directors 9. Removal of non-compete restrictions for directors 10. Approved the convention of shareholders’ meeting to be held on June 20, 2024 and the agenda 11. Approved the Procedures for Accepting Proposals from Shareholders Holding 1% or More of Shares. 12. Approved the Regulations Governing the Acceptance of Nominations for Director Candidates from Shareholders Holding 1% or More of Shareholdings.

(XII) During the most recent year and up to the date of publication of the annual report, the main contents of any dissenting opinions of directors or independent directors with respect to important resolutions passed by the Board of directors, with records or written statements: None.

(XIII) A summary of the resignation and dismissal of the Company’s Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, and Chief R&D Officer during the most recent year and up to the date of publication of the annual report: None.

Summarization of Resignation/Removal from Office of the Company's Related Parties

May 19, 2024

Job Title	Name	Date of assuming office	Date of resignation or removal from office	Cause of resignation or removal from office
-	-	-	-	-

Note: The Company's related parties refer to the Chairman, General Manager, chief accountant, treasurer, internal audit supervisor and R&D supervisor.

V. Information on CPA fees

Value ： NTD thousand

<table>
<tr><th>Accounting firm name</th><th>Accountant name</th><th>Accountant audit period</th><th>Audit fees</th><th>Non-audit fees</th><th>Total</th><th>Remarks</th></tr>
<tr><td rowspan="2">KPMG Taiwan</td><td>Hsu Chen-Lung</td><td>2023</td><td rowspan="2">1,780</td><td rowspan="2">527</td><td rowspan="2">2,307</td><td rowspan="2">Business tax certification and special project service</td></tr>
<tr><td>Chen Yung-Hsiang</td><td>2023</td></tr>
</table>

Please specify the content of non-audit services: (e.g. tax certification, assurance or other financial consulting services)

Note: If the Company has replaced CPA or CPA firm this year, please list the audit period separately, and explain the reason for the replacement in the remark column, and disclose the audit and non-audit public fees paid in order. Non-audit fees and service contents should be explained in notes.

VI. Changes in Accountant Information

<u>Information about changes of CPAs</u>

(I) Regarding the former CPA

<table>
<tr><td>Date of replacement</td><td colspan="3">None</td></tr>
<tr><td>Reason for replacement and description</td><td colspan="3">None</td></tr>
<tr><td rowspan="3">Explain when the appointing person or accountant was terminated or did not accept the appointment</td><td>Circumstances of the parties
Circumstances</td><td>Accountants</td><td>Appointed person</td></tr>
<tr><td>Voluntary termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td>No longer accepting (continuing) appointment</td></tr>
<tr><td>Comments and reasons for audit reports having other than an unqualified opinion issued in the last two years</td><td colspan="3">Not applicable</td></tr>
<tr><td rowspan="7">Any discrepancies with the issuer</td><td rowspan="5">Not applicable</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial reports</td></tr>
<tr><td></td><td>Audit scope or steps</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td colspan="3">No such situation</td></tr>
<tr><td colspan="3">Explanation</td></tr>
<tr><td>Other disclosures (paragraphs 4 to 1-7 of subparagraph 6, Article 10 of the Guidelines shall be disclosed)</td><td colspan="3">Not applicable</td></tr>
</table>

Note: Description on replacement of CPA in 2023

Explanation for change of CPAs	Not applicable

(II) Regarding the succeeding CPA

Firm name	Not applicable
Accountant name	Not applicable
Date of appointment	Not applicable
Prior to appointment, the accounting treatment methods or accounting principles for holding transactions and the possible issuance of financial reports and consultation matters and results	Not applicable
Written opinion of the successor accountant on the dissenting opinions of the former accountant	Not applicable

(III) The reply of the former CPA in accordance with Article 10, Paragraph 6, Item 1 and 2-3 of the Guidelines: Not applicable.

VII. The Company's Chairman, General Manager, or the manager responsible for financing or accounting affairs, who has worked for the accounting firm to which CPAs belong or the affiliated enterprises in the past year: None.

VIII. Directors, managers, and major shareholders' equity changes

Job Title	Name	2023		From the current year up to April 22	
		Shareholding Increase (decrease)	Number of pledged shares Increase (decrease)	Shareholding Increase (decrease)	Number of pledged shares Increase (decrease)
Chairman	Lu Tai Rong	-	-	-	-
Director	Pro Imp'ex Company Limited Sheng Lu Rong Feng	-	-	-	-
Director	Huida Investment Co., Ltd.	-	-	-	-
	Huang Li-Chun	-	-	-	-
Director	You Chang Co., Ltd.	-	-	-	-
	Wu Hsien-Ming	-	-	-	-
	Lin Tzu-Hui	-	-	-	-
Director	Hong Well Company Limited	-	-	-	-
	Lu En-Chang	(11,000)		(4,000)	
Independent Director	Lin Hsien-Lang	-	-	-	-
Independent Director	Chen Chi-Hsiung	-	-	-	-
Independent Director	Wu Hsiao-Yen	-	-	-	-
General Manager	Sheng Lu Rong Feng	-	-	-	-
Chief Corporate Governance Officer	Lin Tzu-Hui	-	-	-	-
Financial and Accounting Manager	Chao Hui-Mei	-	-	-	-
Major Shareholder	Lu Tai Rong	-	-	-	-
Major Shareholder	Huida Investment Co., Ltd.	-	-	-	-
Major Shareholder	Hsieh Chang Hsing Trading Co., Ltd.	-	-	-	-

Note 1: Shareholders holding over 10%: Huida Investment Co. (20.41%), Lu Tai Rong (13.72%), Hsieh Chang Hsing Trading Co. (12.95%).

Note 2: If the counterparty of the equity transfer or equity pledge is a related party, the following table should be filled in.

Equity transfer information: None

Name (Note 1)	Reasons for equity transfer (Note 2)	Transaction date	Trade counterparty	Trade counterparty and company, director, supervisors, managerial officers, and shareholders holding more than 10% of the shares	Number of shares	Transaction price
-	-	-	-	-	-	-

Note 1: Fill in the names of the Company's directors, supervisors, managers, and shareholders holding more than 10% of shares.

Note 2: Indicate associated acquisition or disposal.

Equity pledge information: None

Name	Reason for change in pledge status	Date of change	Transaction counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders of more than 10%	Number of shares	Shareholding Percentage	Pledge Percentage	Pledged loan (redemption) Amount
-	-	-	-	-	-	-	-	-

IX. Information about the relationship of the ten largest shareholders:

April 22, 2024

<table>
<tr><th rowspan="2">Sequence</th><th rowspan="2">Name</th><th colspan="2">Number of shares personally held</th><th colspan="2">Spouse and minor children holding shares</th><th colspan="2">Total shares held in the name(s) of others</th><th colspan="3">Where top ten shareholders have a relationship with each other or a relative relationship within the scope of their spouse or relative within the second degree of kinship, the name or designation and the relationship</th><th rowspan="2">Note</th></tr>
<tr><th>Number of shares</th><th>Percentage of ownership</th><th>Number of shares</th><th>Percentage of ownership</th><th>Number of shares</th><th>Percentage of ownership</th><th>Designation (or name)</th><th colspan="2">Relationship</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Huida Investment Co., Ltd. Representative: Huang Li-Chun</td><td>40,999,312</td><td>21.48</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Corporate Director</td><td colspan="2"></td><td></td></tr>
<tr><td>22,343</td><td>-</td><td>5,785,926</td><td>3.03</td><td>-</td><td>-</td><td></td><td>Lu Ho-Ching</td><td>Spouse</td><td></td></tr>
<tr><td>2</td><td>Lu Tai Rong</td><td>27,551,329</td><td>14.44</td><td>6,053,477</td><td>3.17</td><td>-</td><td>-</td><td>Chairman</td><td>Yang Yen-Ju
Lu Chung-Chi
Lu Ho-Ching
Lu Ho-Lin</td><td>Spouse
Brother
Sister and brother
Sister and brother</td><td></td></tr>
<tr><td>3</td><td>HSIEH CHANG HSING TRADING CO., LTD. Representative: Lu Ho-Lin</td><td>26,007,915</td><td>13.63</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>4</td><td>Lu Ho-Lin</td><td>16,426,010</td><td>8.61</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>5</td><td>KHC STEEL INTERNATIONAL CORP. Representative: Lu Ho-Lin</td><td>13,631,000</td><td>7.14</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>6</td><td>Chiang Yi Investment Co., Ltd. Representative: Lu Ho-Lin</td><td>7,546,283</td><td>3.95</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>7</td><td>Sheng Lu Rong Feng</td><td>6,293,995</td><td>3.30</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Director and General Manager</td><td colspan="2"></td><td></td></tr>
<tr><td>8</td><td>Yang Yen-Ju</td><td>6,053,477</td><td>3.17</td><td>27,551,329</td><td>14.44</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>9</td><td>Lu Ho-Ching</td><td>5,785,926</td><td>3.03</td><td>22,343</td><td>-</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>10</td><td>Lu Chung-Chi</td><td>2,718,365</td><td>1.42</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td colspan="2"></td><td></td></tr>
</table>

X. Comprehensive shareholding ratio in identical reinvested business

Units: Shares; %

Reinvested business (Note 1)	The Company's investment		Directors, supervisors, managers, and investments holding direct or indirect control of the business		Comprehensive investment	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Hsieh Chang Hsing Trading Co., Ltd.	17,172,851	45.79%	5,736,200	15.30%	22,909,051	61.09%
KHC Steel International Corp.	7,280,000	38.32%	7,563,200	39.81%	14.843,200	78.12%
Sunward Refractories Co., Ltd.	4,588,600	20.00%	-	-	4,588,600	20.00%
Smartway Ark Alliance Co., Ltd.	9,900,000	45.00%	-	-	9,900,000	45.00%

Note 1: Investment using the equity method.

Four. Status of Fundraising

I. Capital and Shares

(I) Sources of share capital

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
1966.01	10.00	0.8	800	0.8	800	Founded	None	None
1966.09	10.00	10	10,000	10	10,000	Cash capital increase, NTD 9,200 thousand	None	None
1970.08	10.00	40	40,000	40	40,000	Cash capital increase, NTD 30,000 thousand	None	None
1971.06	10.00	120	120,000	120	120,000	Cash capital increase, NTD 80,000 thousand	None	None
1975.02	10.00	220	200,000	200	200,000	Capital increase of NTD 32,000 thousand in cash, merger with Kao Hsing Iron & Steel Company of NTD 40,000 thousand, capitalization of retained earnings of NTD 8,000 thousand.	None	None
1976.12	10.00	230	280,000	280	280,000	Cash capital increase of NTD 20,000 thousand, capital revaluation value resulting in capital increase of NTD 60,000 thousand	None	None
1977.06	10.00	400	400,000	400	400,000	Capital increase through shareholder transactions of NTD 120,000 thousand	None	None
1979.08	10.00	50,000	500,000	50,000	500,000	Capitalization of retained earnings, NTD 100,000 thousand	None	None
1981.04	10.00	60,000	600,000	60,000	600,000	Capitalization of retained earnings, NTD 100,000 thousand	None	None

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
1986.05	10.00	65,000	650,000	65,000	650,000	Cash capital increase, NTD 50,000 thousand	None	None
1986.11	10.00	75,000	750,000	75,000	750,000	Capitalization of capital reserves, NTD 100,000 thousand	None	None
1988.11	15.00	160,000	1,600,000	160,000	1,600,000	Cash capital increase, NTD 850,000 thousand (Note)	None	None
1989.08	10.00	184,000	1,840,000	184,000	1,840,000	Capitalization of capital reserves, NTD 100,000 thousand	None	None
1990.03	40.00	234,000	2,340,000	234,000	2,340,000	Cash capital increase, NTD 500,000 thousand (Note)	None	None
1990.12	10.00	280,800	2,808,800	280,800	2,808,800	Capitalization of retained earnings of NTD 234,000 thousand, capitalization of capital reserves of NTD 234,000 thousand	None	None
1991.1	10.00	308,880	3,088,800	308,880	3,088,800	Capitalization of capital reserves, NTD 280,800 thousand	None	None
1994.01	10.00	339,768	3,397,680	339,768	3,397,680	Capitalization of capital reserves of NTD 308,880 thousand (1994.1.7 (83) Taizaizheng No. 44814)	None	None
1996.10	10.00	445,000	4,450,000	366,949	3,669,494	Capitalization of capital reserves of NTD 271,814.4 thousand (1996.109 (85) Taizaizheng No. 59439)	None	None
1997.12	10.00	450,000	4,500,000	403,644	4,036,443	Capitalization of capital reserves of NTD 146,779 thousand, capitalization of retained earnings of NTD 220,169 thousand (1997.9.11 (86) Taizaizheng (1) No. 70405)	None	None
1998.09	10.00	480,000	4,800,000	423,826	4,238,266	Capitalization of capital reserves of NTD 201,822 thousand, (1998.6.23 (87) Taizaizheng (1) No. 54948)	None	None
2013.12	10.00	580,000	5,800,000	275,487	2,754,872	Cash capital reduction of NTD 1,483,393 thousand (2013.10.16 Jinguanzheng Fazi No. 10300406085)	None	None

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
2016.03	10.00	580,000	5,800,000	272,342	2,723,422	Capital reduction by treasury stock, NTD 31,450 thousand (2016.3.15 MOEA Jingshou Shangzi No. 10501059460)	None	None
2016.05	10.00	580,000	5,800,000	247,942	2,479,422	Capital reduction by treasury stock, NTD 244,000 thousand (2016.5.16 MOEA Jingshou Shangzi No. 10501097240)	None	None
2017.03	10.00	580,000	5,800,000	223,152	2,231,522	Capital reduction by treasury stock, NTD 247,900 thousand (2017.3.27 MOEA Jingshou Shangzi No. 10601039190)	None	None
2018.03	10.00	580,000	5,800,000	200,852	2,008,522	Capital reduction by treasury stock, NTD 223,000 thousand (2018.3.23 MOEA Jingshou Shangzi No. 10701031740)	None	None
2023.05	10.00	580,000	5,800,000	190,852	1,908,522	Capital reduction by NTD 100,000 thousand on treasury shares (Ministry of Economic Affairs, Jing-Shou-Shang No. 11230084810 dated May 17, 2023)	None	None

Notes: 1988.11 the subscription price of cash capital increase issuance was NTD 15 per share; the 1990.03 cash capital increase issuance subscription price was NTD 40 per share, the rest was issued at par.

(II) Share types

April 22, 2024

Type of shares	Approved share capital					Remarks
	Outstanding shares			Unissued shares	Total	
	Already listed on main board (OTC market)	Not yet listed on main board (OTC market)	Total			
Registered common shares	190,852,293	0	190,852,293	389,147,707	580,000,000	

(III) Information related to blanket declaration system: None.

(IV) Shareholder structure

April 22, 2024

Shareholder structure / Quantity	Government agency	Financial institution	Other juridical person	Individual	Foreign institutions and foreigners	Total
Number of individuals	-	2	36	16,394	37	16,469
Number of shares held	-	712	89,194,251	87,065,602	14,591,728	190,852,293
Percentage of shareholding (%)	-	0	46.73	45.62	7.65	100

Note: Primary TWSE and TPEx listed companies and Emerging Stock companies must disclose the shareholding ratio of Mainland Chinese investors. "Mainland Chinese investors" refers to citizens, legal entities, groups, or other institutions of the Mainland China area, or a company in which the same have invested in a third jurisdiction as provided in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

(V) Distribution of shareholdings

April 22, 2024

Shareholding class	Number of shareholders	Number of shares held	Percentage of shareholding (%)
1 – 999	12,580	2,794,307	1.46
1,000 – 5,000	3,199	6,231,317	3.26
5,001 – 10,000	404	3,144,434	1.65
10,001 – 15,000	99	1,263,770	0.66
15,001 – 20,000	56	1,050,707	0.55
20,001 – 30,000	39	1,013,548	0.53
30,001 – 40,000	18	638,330	0.33
40,001 – 50,000	10	452,698	0.24
50,001 – 100,000	18	1,275,109	0.67
100,001 – 200,000	14	1,914,692	1.00
200,001 – 400,000	8	2,392,804	1.25
400,001 – 600,000	4	2,149,458	1.13
600,001 – 800,000	2	1,384,227	0.73
800,001 – 1,000,000	1	1,000,000	0.52
1,000,001 Above	17	164,146,892	86.01
Total	16,469	190,852,293	100.00

Preferred shares: None.

(VI) List of major shareholders: (shareholders holding 5% or more of the total shares or among the top ten in terms of shareholding ratio)

April 22, 2024; unit: shares

Shares / Name	Number of shares held	Percentage of shareholding
Huida Investment Co., Ltd.	40,999,312	21.48%
Lu Tai Rong	27,551,329	14.44%
Hsieh Chang Hsing Trading Co., Ltd.	26,007,915	13.63%
Lu Ho-Lin	16,426,010	8.61%
KHC Steel International Corp.	13,631,000	7.14%
Qiangyi Investment Co., Ltd.	7,546,283	3.95%
Sheng Lu Rong Feng	6,293,995	3.30%
Yang Yen-Ju	6,053,477	3.17%
Lu Ho-Ching	5,785,926	3.03%
Lu Chung-Chi	2,718,365	1.42%

(VII) Market Price, Net Worth, Earnings, and Dividends per Share

<table>
<tr><th colspan="3">Year / Item</th><th>2022</th><th>2023</th><th>From the current year up March 31</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">High</td><td>21.75</td><td>25.20</td><td>23.40</td></tr>
<tr><td colspan="2">Low</td><td>15.2</td><td>17.85</td><td>21.4</td></tr>
<tr><td colspan="2">Average</td><td>17.61</td><td>19.99</td><td>22.17</td></tr>
<tr><td rowspan="2">Net value per share</td><td colspan="2">Before distribution</td><td>14.02</td><td>18.06</td><td>17.81</td></tr>
<tr><td colspan="2">After distribution</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average number of shares</td><td>200,852,293 shares</td><td>193,279,435 shares</td><td>190,852,293 shares</td></tr>
<tr><td colspan="2">Earnings per share</td><td>0.56</td><td>2.24</td><td>(0.002)</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>0.5</td><td>1</td><td>-</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Stock dividends from retained earnings</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Additional paid in capital</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated unpaid dividends</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on investment analysis</td><td colspan="2">P/E ratio</td><td>31</td><td>9</td><td>-</td></tr>
<tr><td colspan="2">Price to dividend ratio</td><td>35</td><td>20</td><td>-</td></tr>
<tr><td colspan="2">Cash dividend yield</td><td>-</td><td>-</td><td>-</td></tr>
</table>

(VIII) The Company's dividend policy and implementation

1. Dividend policy:
   Article 26 and Article 26-1 of the Company's Articles of Incorporation:
   The Company's industrial development is mature. Based on the needs of the Company's operations and the consideration of maximizing shareholders' equity, dividend distribution adopts a residual dividend policy. If the Company makes a profit for a year, no less than 0.5% shall be allocated as remuneration to employees and no more than 5% shall be allocated as remuneration to directors. However, if the Company has cumulative losses, it is necessary to offset such losses before calculation of remuneration to employees and directors.
   Where the Company makes a profit for a year, the profit shall be first used to pay taxes, offset the cumulative deficit and allocate 10% of the remaining as a legal reserve unless it has reached the same amount as the Company's paid-in capital. In addition to the payment of dividends, if there are still surplus earnings then they shall be combined with undistributed earnings of prior years for the Board of Directors will draw up a profit distribution plan and submit to the shareholders' meeting a resolution to distribute shareholder dividends. Dividends shall be distributed at an appropriate ratio between cash dividends and stock dividends. Cash dividends shall not be lower than 50%.
2. Proposed dividend distribution for presentation to this year's Shareholders' Meeting:
   It was resolved during the 13th meeting of the 21st Board of Directors to distribute cash dividends at NTD 190,852,293, or NTD 1 per share, from the earnings available for distributable in 2023. Chairman is authorized to determine the record date for cash dividends after approval from the shareholders' meeting for this earnings distribution. The distribution of cash dividends is calculated to the unit of one NT dollar (rounded off). Fractional amounts are recognized as the Company's other income. Chairman is authorized to make adjustments if the payout ratio is changed due to change in the number of shares outstanding after the transfer, conversion or cancellation of repurchased shares or other reasons.
3. Any material changes expected in the dividend policy: None.

(IX) Effect of the proposed stock dividends on the Company's operating performance and earnings per share: Not applicable.

(X) Remuneration to employees and directors

1. The percentage or scope of remuneration for employees and directors as set out in the Articles of Incorporation:
   Article 26 of the Company's Articles of Incorporation:
   If the Company makes a profit at the end of the year, no less than 0.5% shall be allocated as remuneration to employees and no more than 5% shall be allocated as remuneration to directors. However, if the Company has cumulative losses, it is necessary to offset such losses before calculation of remuneration to employees and directors.
2. The calculation basis for the estimated amount of remuneration for employees and directors in the current period, the calculation basis for the number of shares distributed, and the accounting treatment when the actual distribution amount differs from the estimated amount:
   In 2023, the pre-tax net profit was NTD 412,171,531 (estimated NTD 2,160,000 after deducting employees' remuneration), and no remuneration to directors will be distributed. 0.5% of employee remuneration is allocated in cash in accordance with the Articles of Incorporation.
   Employee remuneration: According to the Legislative Reason of Article 235-1 of the Company Act: Profitability refers to the pre-tax income before the distribution of employee remuneration. The calculation is as follows:
   Minimum employee remuneration = (NTD 412,171,531 + NTD 2,160,000) × 0.5% = NTD 2,071,658
   It is intended to be issued as 2,160,000 with the estimated number in the financial statements, so there is no difference in the accounting treatment.
3. Remuneration distribution approved by the Board of Directors:
   On March 8, 2024, it was resolved in the 7th meeting of the 5th Round Remuneration Committee and the 13th meeting of the Board of Directors of the 21st term: The 2023 employee remuneration of NTD 2,160,000 will be paid in cash, and no remuneration will be paid to directors.
4. The actual distribution of remuneration for employees and directors in the previous year (including the number of distributed shares, amount and stock price). If there is a difference in the recognition of remuneration for employees and directors, the number of differences, reasons, and handling circumstances shall be stated:
   The 2022 employee remuneration amounted to NTD 683,200 in cash, and the directors' remuneration was not distributed, which was in line with the recognition.

(XI) Shares repurchased by the Company:

The Company's 8th meeting of the 21st Board on March 7, 2023 approved the share repurchase from the Taiwan Stock Exchange.

Repurchase of the Company's shares (execution completed)

May 19, 2023

Number of repurchase	7th
Purpose of repurchase	In order to protect the Company's credit and shareholders' equity
Repurchase periods	2023/3/9–2023/4/14
Repurchase range price	NTD 13.5–NTD 27
Type and quantity of shares repurchased	10,000,000 common shares
Amount of shares repurchased	NTD 199,906,204
Ratio of repurchased shares to expected repurchased shares (%)	100%
Quantity of canceled and transferred shares	10,000,000 shares
Accumulated number of the Company's shares held by the Company	0
Ratio of the accumulated number of the Company's shares held by the Company to the total number of issued shares (%)	0%

II. Handling of corporate bonds

(I) The status of corporate bonds shall include corporate bonds that have not been repaid or in progress, and the relevant matters and the impact on shareholders' equity shall be disclosed with reference to Article 248 of the Company Act. Any privately placed corporate bonds shall be prominently identified as such: None.

(II) The preferred shares issued shall include both outstanding and under-going preferred shares, and the terms and conditions of the issuance, the impact on shareholders' equity, and matters specified in Article 157 of the Company Act shall be disclosed. Any privately placed preferred shares shall be prominently identified as such: None.

(III) GDRs that have participated in the issuance but have not been redeemed in full, shall be disclosed, and the relevant information such as the issue date, issue total amount, and the rights and obligations of the GDR holders shall be disclosed. matters. Any privately placed global depository receipts shall be prominently identified as such: None.

(IV) The following information shall be specified for the issuance of employee stock options:

1. Disclosure of unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the Annual Report, and the effect of such warrants upon shareholders' equity. Any privately placed employee subscription warrants shall be prominently identified as such: None.
2. Names of top-level Company executives holding employee share subscription warrants as of the date of publication of the Annual Report, and the names of the ten employees holding employee subscription warrants authorizing purchase of the most shares, along with the cumulative number of warrants exercised by these ten employees: None.

(V) The following matters shall be stated for the issuance of restricted employee shares:

1. For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, disclose the status up to the date of publication of the Annual Report and the effect on shareholders' equity: None.

2. Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of publication of the Annual Report: None.

(VI) For the issuance of new shares for the merger or acquisition of shares of another company, the following shall be stated:

1. If, during the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, the Company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company, the Annual Report shall specify the following matters: None.
2. Where the Board of Directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the Annual Report shall disclose the state of the plan's implementation together with the basic identifying information of the company (or companies) to be merged or acquired or whose shares are to be acquired. Where any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company is currently in progress, the Annual Report shall disclose the state of the plan's implementation and its effect upon shareholders' equity: None.

III. Implementation status of fund utilization plan:

The section on implementation of the Company's capital allocation plans shall include the following:

(I) Plans: As of the quarter prior to the date of publication of the annual report, for which the previous securities offerings or private placements have not been completed, or have been completed in the last three years and the benefits of the plan have not yet emerged: None.

(II) Implementation status: Analysis of the purpos of each plan in the preceding subparagraph, and its implementation status and comparison with the original expected benefits as of the quarter prior to the publication date of the annual report: None.

Five. Overview of Operations

I. Business content

(I) Business scope

1. Main content of the business:
   (1) Steel pipes, galvanized steel pipes, steel pipes, hot-rolled steel coils (sheets), cold-rolled steel coils (sheets), cold-rolled steel strips, packing steel strips, steel billets, shaped steel, stainless steel coils (sheets), silicon steel coils (sheets) and coated steel coils (sheets), equipment and manufacturing of the above and other iron and steel products.
   (2) Heat treatment and processing.
   (3) Manufacture of motorcycles, bicycles, engines and accessories, and the assembly and sale of motorcycles.
   (4) Commission of construction companies to build residential buildings and commercial buildings for lease or sale.
   (5) Management of animal husbandry business and manufacturing, processing and trading of agricultural and livestock products.
   (6) Agency services for the aforementioned items.
   (7) Import and export business.
   (8) Waste recycling and disposal.
   (9) C801010 Basic Chemical Industrial Manufacturing.
   (10) C802120 Industrial and Additive Manufacturing.
   (11) CA02010 Manufacture of Metal Structure and Architectural Components.
   (12) I501010 Product Designing.
   (13) I601010 Rental and Leasing.
   (14) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Current merchandise and business contributions

Main industry sector	Main products	Operating profit contribution	
		2023	2022
Steel pipes	Galvanized steel pipe, black steel pipe, API steel pipe, PE coated pipe submerged arc welding straight seam steel pipe	93%	96%
Logistics and circulating products	Cold rolled steel coil, hot rolled steel coil, galvanized steel coil	5%	3%
Others	Zinc products and film, etc.	2%	1%

3. Products developed in 2023

The Company constantly endeavors to renew steel pipe equipment by focusing on improving production efficiency, conserving energy, controlling pollution, and enhancing occupational safety, in order to achieve better product quality and work environment. 2023 Replacement of energy-saving air compressor equipment, renewal of galvanizing furnace equipment, renewal of zinc recovery equipment, continuous upgrading of pipe-making trolley equipment, renovation of crane tracks, etc.

Industry overview

1. Current status and development of the industry:

According to the production process, steel pipes are divided into welded steel pipes and seamless steel pipes. As the steel pipe manufacturers in Taiwan are actively expanding the export market of petroleum pipes, the export volume of steel pipe products will gradually increase.

The steel pipe industry is an important downstream application industry for hot-rolled and cold-rolled steel products. Black and galvanized steel pipes are mainly supplied to the construction industry, while cold-rolled steel pipes are mainly used by the furniture and bicycle industries. Hot-rolled steel pipes are used for the sports equipment and automobile industries.

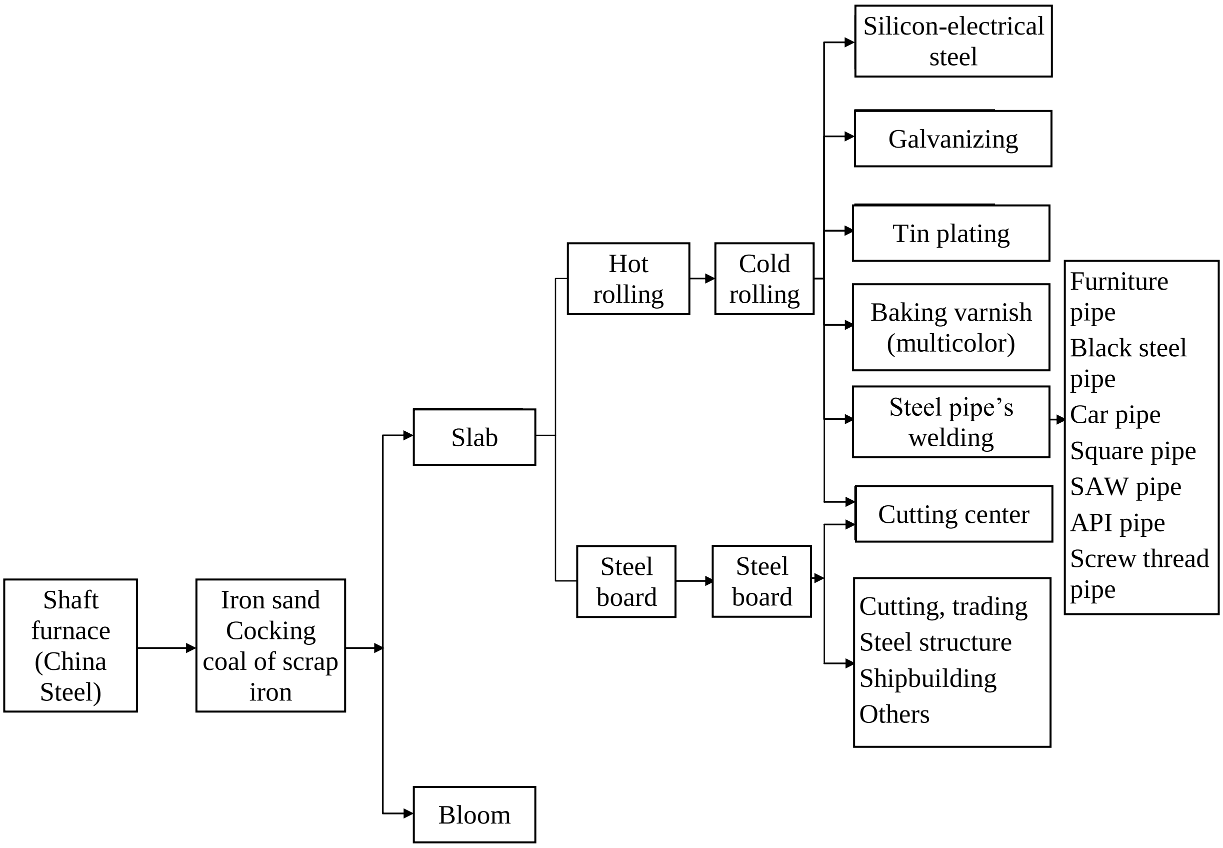
In 2023, the steel industry was affected by factors such as geopolitical instability and a high interest rate environment,

which continued to impact the demand in both domestic and export markets, affecting the export orders and restocking capacity of most downstream industries in the steel sector.

However, upstream steelmaking raw material prices remained high, supporting price increases for products.

The Company's main product for domestic sales, galvanized steel pipe, has benefited from the government's continued promotion of infrastructure, the return of Taiwanese businessmen and the return of electronics manufacturers to Taiwan, which has led to the increase in orders for construction and plant construction. Currently, the steel industry selling to the US is still subject to high tariffs under Section 232 and has to compete against tariff-free and low-priced Korean products. The competition for export orders is hence intense. Meanwhile, the US demand is generally soft. Customers are still working through inventory. Export orders depend on destocking by customers.

2. Relationships with upstream, middle-stream, and downstream industries:



Important production and supply of the Company:

(1) Cold-rolling plant: cold-rolled coils, acid-washed coils, cold-rolled hardened and tempered coils, baled strips (production temporarily suspended in June 2012)

(2) Steel pipe plant: galvanized steel pipes, black steel pipes, API steel pipes, PE coated pipe, submerged arc welded straight seam steel pipe.

Demand industries include home appliances, personal computers, machinery, automobiles, motorcycles, bicycles, and construction industries.

3. Product development trends and competition

(1) Product development trend

Steel pipe is a basic material for the construction industry and metal processing industry, and raw materials constitute the main cost of steel pipe. Therefore, the domestic steel processing industry mostly develops products with higher added value. Production costs have increased with the increase of domestic environmental protection requirements and the implementation of the One Mandatory Day Off and One Flexible Rest Day Policy. At the same time, the domestic market is opening up and competition between imported materials and peers has formed. Therefore, the demand for steel is not only changing in quantity but also in pursuit of "quality" change.

(2) Competition:

A. The relationship between China and the USA remains tense. The trade war causes the global market disorder. The export end-customers' demand becomes unstable due to the tariff and prevailing Protectionism for steel products trading. As a result, the high inventory retained by customers is squeezing the confidence in market demand.

B. Currently, the steel industry selling to the US is still subject to high tariffs under Section 232 and has to compete against tariff-free and low-priced Korean products. The competition for export orders is therefore intense. Meanwhile, the US demand is generally soft. Customers are still working through inventory. Orders depend on destocking by customers.

C. The demand in the domestic steel pipe market is higher than before due to the return of Taiwanese companies and the increase in orders for the expansion of the electronics factory.

(III) Technology and R&D overview

The Company's products have a long life cycle and require a large investment in equipment. Most of the new technologies in the products are imported from abroad, with emphasis on improving production efficiency, saving energy, preventing pollution and improving product quality.

(IV) Long-term and short-term business development plans:

1. Short term:

(1) Improve product quality and increase the production capacity of steel pipes; strictly control the production and sale time from ordering to delivery to improve customer satisfaction.

(2) Develop domestic and overseas sales channels, expand market decentralized sales channels, and increase steel trading. The sales strategy focuses on domestic sales, supplemented by foreign sales, and adjusts the product mix to meet market demand.

(3) As the trade war intensifies, the Company has to strengthen the control of raw material inventory to reduce capital demand and cost risks. Continue to enhance the added value of products to maintain the Company's product niche.

2. Long term:
   (1) Actively adjust the core industry structure and implement product differentiation, continue to improve and upgrade products and technologies, and ensure quality competitive advantages.
   (2) Strengthen cooperation with customers to stabilize sales channels, flexibly operate the mix of production and sales, and achieve balanced development of domestic and overseas sales.
   (3) Prudent development of diversified business operations, and evaluation of additional business items when opportunities are available, hoping to pursue corporate sustainability and growth.

II. Market and production and sales overview

(I) Market analysis

Global demand for end products will be weak in 2023 due to factors such as high interest rates, high inflation, and China’s lower-than-expected post-pandemic economic performance, resulting in a slowdown in manufacturing activities in various countries. Furthermore, the expansion of the US–China chip ban, the Russo-Ukrainian War, and the conflict between Israel and Hamas have all contributed to a shift in global geopolitics toward group confrontation, which has hampered economic development and social stability. The slowdown in global trade expansion has had an impact on both Taiwan’s exports and export orders, as well as corporate investment. Taiwan’s economic growth rate fell in the fourth quarter of 2022 and the first quarter of 2023, and it also fell in the second quarter. In the domestic steel industry, despite geopolitical instability and a high interest rate environment that continue to affect domestic and foreign market demand, the majority of export orders and inventory replenishment in the downstream steel industry have been affected. However, upstream steelmaking raw material quotations remained high, raising supported product quotations.

The Company’s steel pipe sales fell 37% in 2023 as the market contracted even more than in 2022. In terms of API oil pipe exports, the number of wellheads decreased rather than increased as international oil prices fell. In 2023, the Company faced tariff-free and low-cost competition. Export sales of steel pipes totaled 2,872 MT, a decrease of 82% from the same period last year. As oil prices remain stable in the second half of the year, we expect them to remain above US$80 per barrel in the future. Despite the slow domestic demand for steel pipe, our main product, galvanized steel pipe, is receiving a steady stream of orders from electronics manufacturers. Domestic steel pipe sales in 2023 totaled 24,328 MT, a 16.8% decrease from the same period last year, but the products remained profitable.

1. Supply and demand status of major domestic steel products Unit: Tons

Steel products	Item	2019	2020	2021	2022	2023
Hot rolled	Production	16,132,687	15,672,283	16,447,419	14,733,471	14,572,129
	Domestic sales	5,384,679	5,367,466	6,270,901	4,879,181	4,606,768
	Inventory	1,099,124	1,202,487	1,267,641	1,080,518	1,106,232
Cold rolled	Production	4,104,638	3,949,606	4,290,528	3,086,327	2,986,669
	Domestic sales	1,204,616	1,107,561	1,216,221	819,723	622,855
	Inventory	254,367	190,647	233,862	205,479	211,353
Welded steel pipe	Production	946,223	788,826	759,365	821,426	634,237
	Domestic sales	616,982	609,551	540,454	449,652	423,692
	Inventory	77,381	58,584	66,368	49,254	57,045

Source: Taiwan Steel & Iron Industries Association

2. Domestic welded steel pipes apparent consumption, most recent two years Unit: Tons

Item	Production volume	Import volume	Export volume	Apparent consumption	Self-sufficiency
2022	821,426	44,248	388,817	476,857	172%
2023	634,237	50,481	174,762	509,956	160%

Source: Taiwan Steel & Iron Industries Association

3. Main domestic steel product market (2023) Unit: Factory price NTD/ton; Steel pipe NTD/kg

Steel products	Q1	Q2	Q3	Q4
Hot rolled	20,800 ~ 22,250	20,380 ~ 22,900	19,800 ~ 20,900	21,200 ~ 21,450
Black steel pipe (BS)	27.7 ~ 29.9	27.7 ~ 30.9	27.1 ~ 28.3	28.4 ~ 28.7
Galvanized steel pipe (BS)	47.0 ~ 49.3	47.8 ~ 50.4	46.6 ~ 47.9	46.9 ~ 47.1

Source: Taiwan Steel & Iron Industries Association

4. Main product sales areas of the Company

Unit: NTD Thousand

Item \ Year	2022		2023	
	Subtotal	Total	Subtotal	Total
Taiwan		1,557,333		1,326,811
Hong Kong - mainland China	-		-	
Americas	657,960		132,768	
Northeast Asia	761		715	
Southeast Asia	-		-	
Other regions	-		-	
Operating income from exports		658,721		133,484
Net operating income		2,216,054		1,460,295

5. Market share and future supply and demand conditions and growth of the market, expected sales volume and its basis, and competitive niche

(1) Cold-rolled steel products

In addition to domestic cold rolled steel products used in the computer industry, strollers, bicycles, metal furniture, and other industries, demand for cold rolled steel products is driven by demand for galvanized and painted steel plates and the cold rolled materials used by Taiwanese mainland factories. For cold rolled steel products, the market is facing greater competitive pressure in the wake of mass production at China Steel's third cold rolled line (with annual production capacity 1.8 million tons), and this is bound to squeeze a portion of the Company's market space. Coupled with the poor market outlook, the Company temporarily suspended production in June 2012.

(2) Steel pipe

① The Company mainly sells steel pipe products	Sales targets
Galvanized steel	Buildings, firefighting, engineering, water conservation
Black steel pipe	Buildings, firefighting, engineering, water conservation
API steel pipe	High pressure oil pipeline, petrochemical pipeline, building, water conservation
PE coated pipe	High pressure oil pipeline, petrochemical pipeline, building, water conservation
Steel pipe pile	Piling for foundations of ports, bridges, etc.

② Various types of welded steel pipe production statistics unit: metric tons

Type	Percentage in 2023	2023 (A)	2022 (B)	(A) - (B)	Growth (%)
Oil pipeline	3.59%	21,330	86,783	(65,453)	(75.42)%
Furniture pipe	10.09%	60,008	58,149	1,859	3.2%
Square pipe	13.17%	78,300	83,093	(4,793)	(5.77)%
Mechanical pipe	1.83%	10,900	12,976	(2,076)	(16)%
Black pipe	34.49%	205,122	266,296	(61,174)	(22.97)%
Galvanized pipe	26.01%	154,685	153,890	795	0.52%
Other pipes	10.83%	64,404	64,404	0	0.00%
Total	100%	594,749	725,591	(130,842)	(18.03)%

Source: Taiwan Steel & Iron Industries Association

Major domestic manufacturers:

The Company, Mayer, Chung Hung, Shin Yang, Far East Machinery, Tension Steel, etc.

In 2023, the total sales volume to domestic manufacturers is about 423,700 tons/year.

Kao Hsing Chang: The sales volume is about 32,000 tons/year, and the market share is 6.04%.

Market share of galvanized steel pipe is about 11.7%.

The Company’s sales target for 2024 is approximately 50,463 tons (3,000 tons for distribution and logistics included), of which 47,463 tons are steel pipes.

③ The steel pipe factory has obtained the ISO 9001 quality management system certification, and has passed the domestic and international product specifications such as CNS and API. It has the largest pipe manufacturing vehicle in Taiwan and the production technology to produce API-5L 52” large pipes. Completed the development of API 5CT oil well casing and was authorized by the American Petroleum Institute.

The API oil pipeline produced by the Company is an American Petroleum Institute (API) authorized manufacturer and sold to major private enterprises such as CPC Corporation, Taiwan Power, the military, and Formosa Plastics. The galvanized steel pipe is of high quality and is designated for many major domestic projects. At the same time, the API 5CT certification was completed and it was exported to the US market. Simultaneously, it has excellent quality, timely delivery, and high customer satisfaction.

The domestic marketing benefits from domestic leading semi-conductor manufacturers’ continuous expansion of capital expenditure, reconstruction of unsafe and old buildings and urban renewal driving the investment in construction projects, global technology enterprises’ increase in investment in Taiwan, and private enterprises’ response to the government’s green power policy, the investment in green power has been increasing, especially the offshore wind farm. All of these could help boost growth of the domestic steel materials demand.

6. Favorable and unfavorable factors for development prospects

(1) Favorable factors for development prospects

① The brand has a good reputation and strict quality control. It has passed the certifications of ISO 9001, CNS, API, ISO 14001, ISO 45001 & CNS 45001.

② Complete sizes, great flexibility in ordering, material preparation, production plans, shortened delivery deadlines, and enhanced customer services.

③ The Company’s overall operation is oriented toward low-debt operation, and actively develops quality products to enhance competitiveness and to facilitate the Company’s sustainable operation.

④ There are many land assets, and some of them are located in prime locations in Kaohsiung City.

(2) Unfavorable factors for development prospects

① Product homogeneity is high and supply exceeds demand, resulting in fierce market competition.

② The order cannot be placed in a large quantity. There are many models and batch numbers, and the production cost rises.

③ The ratio of raw material costs to the overall cost is high, and the rise and fall of raw materials is rapid and difficult to control.

④ The iron and steel industry has a large investment, which is slow to recover and difficult to recruit and train professional and technical personnel.

⑤ The domestic peers have expanded their investments in petroleum steel pipes and put them into competition in the market supply. A large amount of production capacity has to be exported to the export market, which has significantly increased the sales competition in the industry.

⑥ The US–China trade war has caused disorder in the global market. Tariff barriers and steel trade protectionism are prevalent, resulting in unstable market demand.

(3) Countermeasures:

Improve product process capability and quality, and continue to differentiate products and segment the market.

Adhere to the image of good quality and stable supply of products, and strengthen cooperation with customers to stabilize sales channels.

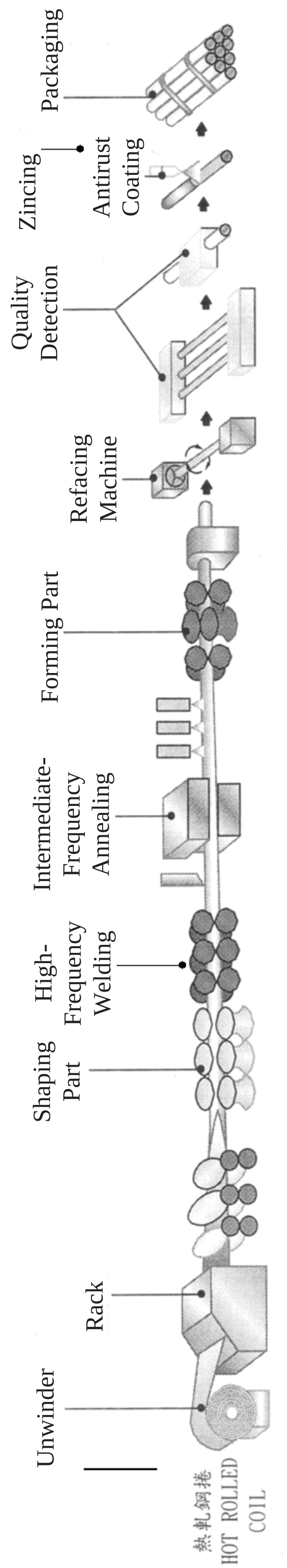
(II) Important uses of the main products and production processes:

1. Important uses of main products

Steel pipe: construction, gas pipes, transportation equipment, refrigeration pipes, high-pressure oil pipelines, petrochemical engineering pipes, fire-fighting pipes, mechanical processing, furniture processing, structural pipes, scaffold pipes, etc.

2. Production processes

Steel pipe products



(III) Supply of main raw materials

The main raw material of the Company's products is hot rolled steel coil (sheet), and the main domestic raw material suppliers are China Steel, Chung Hung, Shang Chen, and other companies. Due to the signing of supply contracts, the sources of raw materials are stable. Some of the raw materials are supplied by steel plants in China, Brazil, South Korea, etc. Because the Company's procurement is based on the long-term relationship between the price, quantity, delivery, quality, exchange rates, and long-term cooperation among manufacturers, raw material supplies are still stable and abundant.

(IV) List of major customers in the last two years

1. Information of major suppliers in the last two years:

Unit: NTD Thousand

	2022				2023				As of Q1 2024			
Item	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer
1	China Steel	912,506	69	-	China Steel	538,630	74	-	China Steel	112,703	70	-
2	Shang Chen	312,711	24	-	Shang Chen	140,687	19	-	Shang Chen	27,411	17	-
3	Hyosung	48,735	4	-	Cheng Heng	40,680	6	-	Cheng Heng	10,534	7	-
	Others	48,697	3		Others	10,316	1		Others	9,441	6	
	Net purchases	1,322,649	100		Net purchases	730,313	100		Net purchases	160,089	100	

Reason for changes: The price of raw materials fell in 2023 and the purchase volume and production volume decreased.

2. Information on main sales customers in the last two years:

Unit: NTD Thousand

	2022				2023				As of Q1 2024			
Item	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer
1	Customer A	613,502	28	-	Customer A	471,906	32	-	Customer A	107,188	30	-
2	Customer B	218,536	10	-	Customer B	232,127	16	-	Customer B	62,568	18	-
3	Customer C	175,974	8	-	Customer C	135,204	9	-	Customer C	44,134	13	-
4	Others	1,208,042	54		Others	621,058	43		Others	139,171	39	
	Net sales amount	2,216,054	100		Net sales amount	1,460,295	100		Net sales amount	353,061	100	

Reason for changes: The decrease in sales volume in 2023 is mainly due to the decrease in steel prices and the decrease in market demand.

(V) Production volume and value for the most recent two years:

Capacity output: Tons Output value: NTD thousand

Year / Production value / Major products	2023			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Steel pipes	72,000	33,644	1,109,959	72,000	49,870	1,664,281
Others	-	349	21,347	-	368	27,067
Total	72,000	33,993	1,131,306	72,000	50,238	1,691,348

(VI) Sales volume and value in the last two years:

Volume: Tons Value: NTD thousand

Year / Sales value / Major products	2023				2022			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Steel pipes	31,026	1,196,082	2,893	133,484	33,840	1,436,822	15,557	658,721
Circulating steel products	3,636	72,049	—	—	2,640	59,573	—	—
Others	364	58,680	—	—	382	60,938	—	—
Total	35,026	1,326,811	2,893	133,484	36,862	1,557,333	15,557	658,721

III. Information of employees in the latest two years and as of the publication date of the Annual Report

Year		2023	2022	As of April 30, 2024
Number of employees	Headquarters	49	49	52
	Yongan Factory	3	3	3
	Pingnan Factory	167	165	162
	Total	219	217	217
Average age		48	46	47
Average years of service		18	16	17
Education distribution ratio	Ph.D.	0	0	0
	Master's degree	2	3	4
	College and university	99	98	97
	High school	107	105	105
	Below high school	11	11	11

IV. Environmental expenditure information

(I) 1. Pollution losses in the last two years Unit: NTD

	2023	2022
Pollution status (type, degree) (Including occupational safety and health penalties by the Ministry of Labor Affairs)	Violation of Paragraph 1, Article 6 of the Occupational Safety and Health Act	None
Explanation	On July 14th, employee Chen Chia-Ming slipped and fell into the chromium acid pool while installing a splash barrier. This resulted in burns to 20% of his right leg, with varying degrees, and he was immediately and urgently transferred to the Burn Center of Kaohsiung Armed Forces General Hospital for treatment.	None
Compensation party or sanctioned unit	Occupational Safety and Health Administration, Ministry of Labor	None
The amount of compensation or sanctions	NTD 80,000 Fine	None
Other losses		None

2. In 2024 as of the date of publication of the annual report, the Company has not been fined for environmental protection and work safety pollution.

(II) Continuous management measures

1. A portion of proposed improvement measures

(1) In terms of industrial safety:

1. Implement the PDCA continuous improvement management plan, report the implementation status at the monthly industrial safety meeting, and require units with deficiencies to propose corrective and preventive measures. By doing so, we can effectively prevent occupational accidents and achieve zero safety violations, so that employees can work with peace of mind and improve production and quality to achieve a mutually beneficial outcome for labor and management.

2. Comply with occupational safety and health laws and regulations, identify hazards in the workplace, perform risk assessment and implement risk management.
3. Implement automatic inspections, strengthen employee safety observation and analysis, and education and training on safety operating standards.
4. Send relevant personnel to attend occupational safety, environmental protection, and fire safety courses and provide guidance on obtaining licenses.
5. Strengthen on-site industrial safety inspections. If there are any industrial safety deficiencies, require immediate improvement and corrective/ preventive measures.
6. Hire occupational doctors and nurses to provide employee health consultation and implement employee health promotion.
7. Set occupational safety goals, implement high-risk control, strive to eliminate hazards, reduce occupational safety and health risks, and evaluate occupational safety and health opportunities; strengthen engineering control and implement safe operation standards to ensure employee safety and health. The management cycle for taking improvement measures confirms the adequacy and effective implementation of the occupational safety and health system, and continues to improve the performance of safety and health.

(2) Environmental protection:

1. Comply with environmental protection laws, industrial waste reduction, and resource management.
2. Implement environmental management system (ISO14001) to maintain effective operation and continuous improvement.
3. Evaluate and grade the environmental considerations in the manufacturing process, propose improvement plans and set management goals for the major environmental considerations.
4. To address the challenges of climate change and global warming, the company established a Greenhouse Gas Inventory and Voluntary Reduction Implementation Committee. The committee has improved greenhouse gas inventory management methods and operational standards in order to implement energy-saving and carbon-reduction measures that are consistent with the disclosure requirements of ESG sustainable development reports.

2. Estimated environmental capital expenditure in the next three years

	2024	2025	2026
Pollution prevention equipment or expenditures to be purchased	1. Renovation of washing tower. 2. Replace the old air compressor with an energy-saving variable frequency air compressor (1 unit). 3. High energy consumption lighting fixtures are replaced by power-saving LED lighting fixtures.	1. Replacement of two cloth pipes (400 pcs). 2. Renovation of washing tower. 3. Replace the old air compressor with an energy-saving variable frequency air compressor (1 unit). 4. High energy consumption lighting fixtures are replaced by power-saving LED lighting fixtures.	1. Renovation of washing tower. 2. High energy consumption lighting fixtures are replaced by power-saving LED lighting fixtures.
Expected improvements	1. Improve the operating environment of the acid cleaning area. 2. Improve the air pollution situation of the operating environment, reduce the amount of particulate matter emissions and air pollution charges. 3. Energy conservation and carbon reduction.	1. Improve the operating environment of the acid cleaning area. 2. Improve the air pollution situation of the operating environment, reduce the amount of particulate matter emissions and air pollution charges. 3. Energy conservation and carbon reduction.	1. Improve the operating environment of the acid cleaning area. 2. Improve the air pollution situation of the operating environment, reduce the amount of particulate matter emissions and air pollution charges. 3. Energy conservation and carbon reduction.
Amount	Approximately NTD 2 million	Approximately NTD 4.5 million	Approximately NTD 1.0 million

3. Estimated impact of environmental capital expenditures
   - Can reduce costs, improve Company image and competitiveness.
   - Avoids affecting production and sales due to environmental protection or industrial safety issues.
4. Portion of countermeasures not taken: Not applicable.

V. Labor Relations

(I) The Company's employee welfare measures, continuing education, training, and retirement systems and their implementation, as well as labor–management agreements and various measures to protect the rights and interests of employees

1. Employee benefits:
   Established an employee welfare committee to handle welfare matters for all colleagues:
   Employee children scholarships
   Gift money for Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival
   Employee marriage stipend
   Funeral stipend for employees and parents
   Employee group accident insurance and hospitalization allowance
2. Status of employee education and training
   Each year, according to the company's operating policies, budget targets, and according to the needs of each department, annual internal and external personnel training plans are arranged. To enhance the professional quality of personnel. Recently, a "reserved talent pool" has been established. Each unit recommends and selects outstanding colleagues, and invites professional training institutions to visit the Company for intensive lectures. Those who pass the test will be issued professional certificates and professional salary increases. Then the "reserve talent pool" selects colleagues with leadership skills and actively trains group leaders to solve the problems of supervisory faults.
3. Retirement system
   The Company's retirement matters are handled in accordance with the provisions of the Labor Standards Act. As of December 31, 2023, a total of NTD 108,396,585 of the old system has been contributed. In addition, in accordance with the Labor Pension Act (hereinafter referred to as the "New System") that came into effect on July 1, 2005, if employees who were subject to it choose to apply for the service years after the new system or employees who join the job after the implementation of the new system, their service years will be changed to the defined contribution system. The pension payment is made by the Company with 6% of the monthly salary, which is deposited in the labor pension personal account. The pension under the new retirement system in 2023 has allocated a total of NTD 4,820,080.

4 Collective agreements
   In order to stabilize the labor-management relationship and enhance harmony thereof and labor welfare, the Company and the corporate union entered into a collective agreement, which covers 100% of employees who are members of the corporate union, on January 8, 2016. The agreement was renewed on May 1, 2019 and May 1, 2022 and is effective until April 30, 2025, three years from the date the agreement was signed.

5. Other important agreements

The Company has stipulated the work rules and regulations for its employees, and held regular labor meetings with the industrial unions to maintain harmonious relations between labor and management, exert team spirit, improve work efficiency, increase profits, share due rights and fulfill obligations.

(II) Losses due to labor disputes in the last three years

	2021	2022	2023
1. Status of labor disputes	None	None	None
2. Amount of loss that has occurred	-	-	-
3. Estimated possible future loss	-	-	-

4. The Company's countermeasures: The Company upholds the business philosophy of "righteousness, diligence, and thrift" and maintains a harmonious relationship with labor and management of the labor union. There have been no major labor disputes over the years. In the future, it will further enhance the harmony between labor and management, and continue to promote revenue and expenditure, lower costs, improve work efficiency, increase profits, and create opportunities for enterprise development.

Violation of the Labor Standards Act in 2023 as of the date of report publication in 2023

Unit: NTD

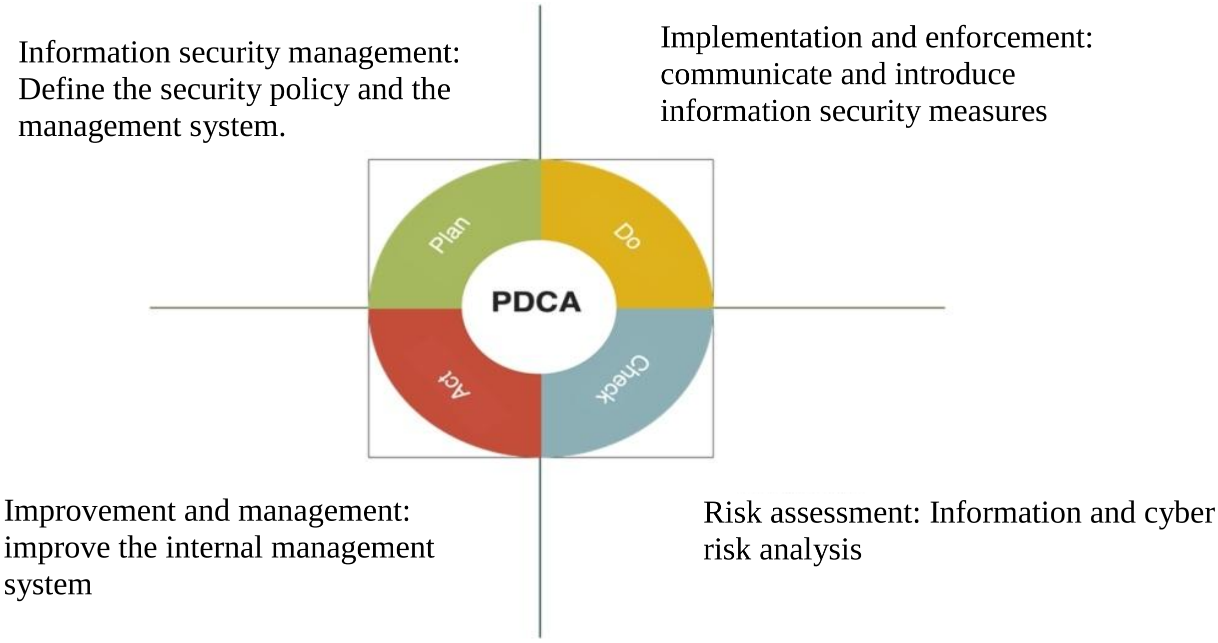
	2023	2024
Date of punishment	None	2024/3/12
Reference number of the penalty document	None	Administrative Punishment Notification (Ping-Fu-Lao-Dong-Zi-Zi No. 11310148800)
Violation of laws and regulations	None	Paragraph 2, Article 32 of the Labor Standards Act
Contents of violation	None	Employers may extend their employees' working hours, including normal working hours, by up to twelve hours per day. The total number of extended working hours per month is limited to 46. However, with the agreement of the labor union or, in the absence of a labor union, with the agreement of the labor–management conference, the total extended working hours may be increased to 54 hours per month, but not more than 138 hours every three months. In January 2024, one of the workers at the Pingnan Factory was found guilty of violating the Labor Standards Act when working 56 overtime hours in total.
Penalty details	None	NTD 50,000 Fine

VI. Information Communication Security Management

(I) Information security risk management framework

In terms of information security management, the Company has established a network and system security system, and has established the “Information Security Policy” that is reviewed once a year. In order to strengthen the Company’s information security management and ensure data, system and network security, an information security officer and information security personnel are appointed to implement computer information management and maintain the effective use of computer resources for the smooth progress of overall information operations.

The PDCA (Plan-Do-Check-Act) cycle management is adopted for the operation mode to ensure the achievement of the reliability target and continuous improvement.



(II) Information Communication Security Policy

The information communication policy covers the following areas. Relevant units and personnel shall formulate relevant management regulations or implementation plans according to their authority, and regularly evaluate the implementation results.

- Personnel management and information security training
- Computer system security management
- Network system security management
- Information system access control

- System development and maintenance safety management
- Classification and management of information assets
- Sustainable operation planning for the business
- Planning and management of emergency response plans and notification mechanisms

(III) Specific management plan

The specific plan for information security management is implemented in accordance with the Company's standards. In addition to the regular internal audits of information operation general control and information communication security inspections, the CPA firm also conducts annual inspections of information environment operations.

- Server Room Access Control Regulations
- Internet Openness Related Regulations Matters
- Database Backup Procedures
- Main System Recovery Test Drills
- E-mail Management and Usage Guidelines
- Information System Management Regulations
- Information Security Reporting Incident Handling Procedure
- Personal Information Management Policy
- System Permission Setting Management Regulations

(IV) Investment of information security resources and major events

The Company's investment in information systems mainly improves management and competitiveness. Budgets are continuously allocated for the construction and maintenance of information security related equipment (including firewall updates, intrusion detection updates, anti-virus software and virus pattern updates).

At present, users rely more and more on the information system. In recent years, the remote backup and data backup mechanism and equipment have been continuously strengthened to ensure that system services are not interrupted.

Losses due to major IT security incidents, possible impacts, and responsive measures in the most recent year and up to the publication date of the annual report: None.

VII. Important contracts

Contract nature	Parties	Contract start and end date	Main content	Restriction clause
Purchase contract	China Steel Corporation	2023.01.01–2023.12.31	Hot rolled steel products	-
Purchase contract	Sorin Corporation	2023.01.01–2023.12.31	Zinc slab	-

Six. Financial Overview

I. Concise balance sheet and consolidated profit and loss statement information for the most recent five years

(I) Condensed balance sheet Unit: NTD Thousand

Item \ Year		Financial data for the most recent five years (Note 1)					Financial information for the current year as of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		1,401,772	1,597,660	2,228,510	2,205,712	2,137,442.	2,060,587
Property, plant and equipment		1,578,543	1,539,887	1,519,830	1,514,042	1,497,983	1,496,314
Intangible assets		-	-	-	-	-	-
Other assets		2,181,147	3,524,647	3,578,540	3,540,064	3,900,773	3,896,075
Total assets		5,161,462	6,662,194	7,326,880	7,259,818	7,536,199	7,452,976
Current liabilities	Before distribution	2,463,006	2,931,970	3,399,559	3,532,687	1,862,200	1,856,941
	After distribution	2,463,006	2,931,970	3,399,559	3,633,113	註2	註2
Non-current liabilities		253,787	958,066	957,680	911,501	2,226,398	2,196,091
Total liabilities	Before distribution	2,716,793	3,890,036	4,357,239	4,444,188	4,088,598	4,053,033
	After distribution	2,716,793	3,890,036	4,357,239	4,544,614	註2	註2
Equity interest attributable to owner of the parent company		2,444,669	2,772,158	2,969,641	2,815,630	3,447,600	3,399,943
Share capital		2,008,523	2,008,523	2,008,523	2,008,523	1,908,523	1,908,523
Capital surplus		75,159	75,159	75,159	75,159	0	0
Retained earnings	Before distribution	442,196	444,762	674,974	809,216	1,210,269	1,243,283
	After distribution	442,196	444,762	674,974	708,790	註2	註2
Other equity interest		(81,209)	243,714	210,985	(77,268)	328,808	248,137
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	2,444,669	2,772,158	2,969,641	2,815,630	3,447,600	3,399,943
	After distribution	2,444,669	2,772,158	2,969,641	2,715,204	註2	註2

Note 1: The financial statements have all been certified by an accountant.

Note 2: Resolution not yet forthcoming from the Shareholders' Meeting.

(II) Statement of Comprehensive Income

Unit: NTD Thousand

Year / Item	Financial data for the most recent five years (Note 1)					Financial information for the current year as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating income	1,142,137	962,510	1,550,624	2,216,054	1,460,295	353,061
Operating margin	(4,328)	22,021	194,573	327,131	201,535	49,200
Operating profit and loss	(123,293)	(68,622)	96,962	138,474	88,645	17,843
Non-operating revenue and expenses	(813)	37,537	(34,393)	(18,915)	323,527	(18,204)
Net profit before tax	(124,106)	(31,085)	62,569	119,559	412,172	(361)
Profit from continuing operations	(124,106)	(31,085)	42,117	112,184	432,836	(361)
Profit or loss from discontinued operations	0	0	0	0	0	0
Net profit (loss) for the period	(124,106)	(32,794)	42,117	112,184	432,836	(361)
Other comprehensive income for the period (net amount after tax)	201,153	360,283	155,366	(266,195)	499,466	(47,296)
Total comprehensive income for the period	77,047	327,489	197,483	(154,011)	932,302	(47,657)
Net profit attributable to owner of the parent company	(124,106)	(32,794)	42,117	112,184	432,836	(361)
Net profit attributable to non-controlling interest	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	77,047	327,489	197,483	(154,011)	932,302	(47,657)
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings and losses per share	(0.62)	(0.16)	0.21	0.56	2.24	(0.002)

Note 1: The financial statements have all been certified by an accountant.

(III) Names and audit opinions of CPAs in the last 5 years

Year	Names of CPAs	Accountant's audit opinion	Reason for changing accountants
2019	Chen Kuo-Tsung, Hsu Chen-Lung	Unqualified opinion	Note
2020	Chen Kuo-Tsung, Hsu Chen-Lung	Unqualified opinion	
2021	Chen Kuo-Tsung, Hsu Chen-Lung	Unqualified opinion	
2022	Hsu Chen-Lung, Chen Yung-Hsiang	Unqualified opinion	
2023	Hsu Chen-Lung, Chen Yung-Hsiang	Unqualified opinion	

Note: Starting in 2022, due to the internal organizational adjustment of KPMG, the Board of Directors approved the change of CPAs Chen Kuo-Tsung and Hsu Chen-Lung; they were changed to CPAs Hsu Chen-Lung and Chen Yung-Hsiang.

II. Financial analysis for the last five years

(I) Financial analysis

Analysis item \ Year		Financial analysis for the last five years (Note 1)					As of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to asset ratio	53	58	59	61	54	54
	Long-term capital to property, plant and equipment ratio	155	180	241	246	379	374
Solvency (%)	Current ratio	57	54	66	62	115	111
	Quick ratio	35	38	44	37	75	74
	Interest coverage ratio	(174)	25	211	264	565	98
Operating ability	Accounts receivable turnover (times)	18	10	15	22	13	13
	Average cash collection days	21	35	24	17	28	27
	Inventory turnover (times)	2	2	2	3	2	2
	Payables turnover	28	30	24	28	19	21
	Average sales days	172	197	164	145	220	217
	Turnover rate of property, plant and equipment (times)	0.72	0.62	1.02	1.46	0.97	0.96
	Total asset turnover rate (times)	0.22	0.14	0.21	0.3	0.19	0.2
Profitability	Return on assets (%)	(1.69)	0	1.24	2.33	6.80	0.23
	Return on equity (%)	(5.15)	(1.25)	1.46	3.87	13.82	(0.01)
	Net profit before tax to paid-in capital ratio (%)	(6)	(2)	3	5.95	21.59	(0.02)
	Net profit rate (%)	(11)	(3)	4	7.23	19.53	(0.1)
	Earnings per share (NTD)	(0.61)	(0.16)	0.21	0.56	2.24	(0.002)
Cash flows	Cash flow adequacy ratio (%)	(2.44)	2.5	(3.19)	3.52	5.88	2.25
	Cash flow adequacy ratio (%)	(116)	(44)	(34)	(7.94)	8.67	8.67
	Cash reinvestment ratio (%)	(1)	1	(1)	1.7	0.1	0.45
Leverage	Operating leverage	(0.73)	(1.88)	3	2.48	3.24	3.79
	Financial leverage	0.73	0.62	2.39	2.12	(5215.02)	(4.12)

Please explain reasons for changes in various financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis can be waived.)

1. The reasons for the changes in the financial structure and solvency items are detailed in the "Major Changes in Financial Position" item.
2. The reasons for the changes in profitability, please refer to the analysis of changes in the percentage of change in financial performance.
3. The reason for the change in cash flow is due to the net cash inflow from operating activities from the operating profit in 2022 to 2023.
4. The reason for the change in leverage is that the bank raised interest rates, which led to operating income being unable to cover financial expenses. However, the booking of non-operating income is sufficient to cover them.

Financial analysis calculation formulas:

1. Financial structure
   (1) Liabilities to assets ratio = total liabilities / total assets.
   (2) Long-term capital to property, plant and equipment ratio = (total equity + non- current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities.
   (3) Debt service coverage ratio = pre-income tax and interest income / interest expense for the current period.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
   (2) Average collection days = 365 / account receivable turnover.
   (3) Inventory turnover rate = cost of goods sold / average inventory.
   (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
   (5) Average inventory turnover days = 365 / Inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
   (7) Total asset turnover = net sales/total assets.
4. Profitability
   (1) Return on assets = “net income + interest expense x (1 - tax rate)” / average total assets.
   (2) Return on equity = net income / average equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (profit or loss attributable to parent company shareholders - preferred stock dividend) / weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
   (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
   (2) Financial leverage = operating income / (operating income - interest expenses).

(II) Reasons for changes in the financial ratios in the last two years:

Item	**2023**	**2022**	Rate of change % increase (decrease)	Explanation
Gross profit margin	13.8%	14.76%	(6.5)	Analysis of gross profit margin changes
Inventory turnover	1.66%	2.51%	(33.86)	Analysis of changes in inventory turnover rate
Accounts receivable turnover	13.26%	21.73%	(38.98)	Analysis of changes in accounts receivable turnover rate

Analysis of gross profit margin changes:

	Net operating income	Operating costs	Operating margin	Gross profit margin (%)
2022	2,216,054	1,888,923	327,131	14.76
2023	1,460,295	1,258,760	201,535	13.8
Explanation of major changes in gross profit margin:				
Due to the decrease in export orders and production capacity in the current period.				

Analysis of changes in inventory turnover rate:

	Inventory turnover (times)	Average sales days
2022	2.51	145
2023	1.66	220
Explanation of changes in inventory turnover rate:		
Due to the decrease in sales volume in the current period compared to the previous period, resulting in slower inventory clearance.		

Analysis of changes in accounts receivable turnover rate:

	Accounts receivable turnover (times)	Average cash collection days
2022	21.73	17
2023	13.26	28
Explanation of major changes in accounts receivable turnover rate:		
Due to the decrease in net sales due to the decrease in export orders during the period.		

III. Audit Committee audit report for the most recent year

Audit Report of the Audit Committee

The Board of Directors has prepared the Company's 2023 business report, financial statements and proposal for earnings distribution. The financial statements have been audited by KPMG Taiwan and issued with an audit report.

Audit Committee has reviewed the above-mentioned business report, financial statements, and earnings appropriation proposal without identifying any non-conformity. This report is issued in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

As above

The Company's***2024***shareholders' meeting

Kao Hsing Chang Iron & Steel Corp.

Convener of Audit Committee:

March 8, 2024

Independent Auditor's Report

To the board of directors of Kao Hsing Chang Iron & Steel Corp.:

Audit opinion

We have duly audited the balance sheet of Kao Hsing Chang Iron & Steel Corp. as of December 31, 2023 and 2022, and the comprehensive income statement, statement of changes in equity and cash flow statement from January 1 to December 31, 2023 and 2022 as well as notes to the individual financial statements (including the summary of significant accounting policies).

In our opinion, the individual financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements issued by the Financial Supervisory Commission, and are fairly stated in terms of the financial position of Kao Hsing Chang Iron & Steel Corp. and its subsidiaries as of December 31, 2023 and 2022, and the financial performance and cash flows from January 1 to December31, 2023 and 2022.

Basis of Audit Opinion

We conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and the Generally Accepted Auditing Standards. Our responsibility under these standards will be further explained in the section of our responsibility in reviewing the individual financial statements. The personnel subject to the independence norms of the firm affiliated with these accountants have maintained detachment and independence from Kao Hsing Chang Iron & Steel Corp. in accordance with accountant professional ethics norms, and have performed other responsibilities of the norms. The accountant believes that sufficient and appropriate audit evidence has been obtained to serve as the basis for expressing an audit opinion.

Key audit items

Key audit items are those that, based on our professional judgment, are material to the examination of the individual financial statements of Kao Hsing Chang Iron & Steel Corp. for 2023. These items have been considered in the process of examining the individual financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on these items individually. The accountants judge that the key audit items that should be communicated in the audit report are as follows:

I. Inventory evaluation

For accounting policies related to inventory evaluation, please refer to Note 4(7) to the individual financial report on inventory; please refer to Note 5 of the individual financial report for accounting estimates and uncertainties in inventory evaluation and assumptions; please refer to Note 6(6) to the individual financial report for the disclosure of inventory evaluation.

Explanation of key audit items:

The main inventory of Kao Hsing Chang Iron & Steel Corp. is various steel pipes and hot-rolled steel coils, measured at the lower of cost and net realizable value. Due to the impact of changes in raw material prices on the global steel market, the sales demand and prices of related products may fluctuate dramatically in a competitive and changing environment. The estimated net realizable value of inventory depends on the subjective judgment of the management of Kao Hsing Chang Iron & Steel Corp. Therefore, there is a risk that the net realizable value of inventory may be lower than the cost, which is a matter of high concern for us in conducting the financial statement audit.

In terms of inventory valuation, we conducted a physical stock take at the end of the year to examine the state of inventory carried on hand, reviewed the inventory aging report, and analyzed inventory turnover rates and aging changes to determine the rationality of valuation allowances that Kao Hsing Chang Iron & Steel Corp. had provided on inventory. Given that the management of Kao Hsing Chang Iron & Steel Corp. had adopted the net realizable value approach, we also checked selling prices and analyzed the percentage of selling expenses shown on sales orders to establish rationality in the pricing and expense of sales. For slow-moving inventory items, we examined the levels of devaluation loss provided in previous periods to determine whether the management of Kao Hsing Chang Iron & Steel Corp. had made adequate valuation allowance on inventory. We also assessed the fairness of related disclosures made by Kao Hsing Chang Iron & Steel Corp.

II. Disposal of non-current assets classified as held for sale

For detailed accounting policies on non-current assets classified as held for sale, please refer to Note 4(8) to the individual financial report on non-current assets classified as held for sale; please refer to Note 6(7) to the individual financial report on the disclosure of disposal of non-current assets classified as held for sale.

Explanation of key audit items:

Due to significant changes in the market environment in recent years, the overall transaction volume of real estate in China has been greatly affected. Therefore, the evaluation of the transaction price and conditions for the disposal of real estate by Kao Hsing Chang Iron & Steel Corp. is a matter that the management should pay attention to. Additionally, due to the significant impact of the disposal price on the pre-tax net profit of the comprehensive income statement, it is a matter that we needs to pay close attention to when conducting the financial statement audit.

Corresponding audit procedures:

Regarding the transactions of disposal of non-current assets held for sale, we examined whether Kao Hsing Chang Iron & Steel Corp. had obtained appraisal reports and other documents in accordance with relevant securities management laws and regulations, internal control procedures and operating procedures, as well as processing relevant public announcements; we obtained the contracts signed by both parties to confirm the existence of the transactions; we also examined whether the recipients and payment methods of the transactions are consistent with the contractual agreements. In addition, we obtained proof of land transfers from Kao Hsing Chang Iron & Steel Corp. to confirm whether the asset transfer process has been completed. We also assessed the fairness of related disclosures made by Kao Hsing Chang Iron & Steel Corp.

Responsibility of the Management and the Governance Unit to the Individual Financial Report

The responsibility of the management is to properly prepare the individual financial report in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognized and released by the Financial Supervisory Commission, and maintain essential internal controls related to the preparation of the individual financial report to ensure that there are no significant discrepancies in the individual financial report due to fraud or error.

When preparing individual financial statements, the management's responsibilities also include evaluating Kao Hsing Chang Iron & Steel Corp.'s ability to continue operations and disclose related matters, and the adoption of the accounting foundation for continuing operations, unless management intends to liquidate Kao Hsing Chang Iron & Steel Corp. or cease operations, or there are no other practical solutions except for liquidation or suspension of business.

The governance units of Kao Hsing Chang Iron & Steel Corp. (including the Audit Committee) are responsible for supervising the financial reporting process.

Our Responsibility in Auditing the Individual Financial Report

The purpose of our audit of the individual financial report is to obtain reasonable assurance as to whether the overall individual financial report is free from material misrepresentations due to fraud or error, and to issue an audit report accordingly. Reasonable assurance means a high degree of assurance. However, an audit performed in accordance with the Generally Accepted Auditing Standards does not provide assurance that material misrepresentations in the individual financial report can be detected. Misrepresentations may be the results of fraud or error. If the individual amounts or aggregated figures that are misrepresented are reasonably expected to affect the economic decisions made by individual financial report users, they are considered to be material.

When conducting our audit in accordance with Generally Accepted Auditing Standards, we exercised our professional judgment and maintained our professional skepticism. We also performed the following tasks:

1. Identifying and assessing the risks of material misrepresentations of the individual financial report arising from fraud or error, designing and implementing appropriate responses to the risks assessed, and obtaining sufficient and appropriate evidence to serve as the basis of the audit opinion. Because fraud may involve collusion, forgery, deliberate omission, false statement or violation of internal control, the risk of not detecting a major false expression caused by fraud is higher than that caused by error.

2. Obtaining an understanding of the internal control relevant to our audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Kao Hsing Chang Iron & Steel Corp.
3. Evaluating the appropriateness of the accounting policies used by the management, and the reasonableness of the accounting estimates and related disclosures made by the management.
4. Based on the evidence obtained, making a conclusion on the appropriateness of the management’s adoption of going-concern-basis accounting, and whether there is any material uncertainty about the events or circumstances that may cast significant doubt on the ability of Kao Hsing Chang Iron & Steel Corp. to continue as a going concern. If the accountant believes that there are significant uncertainties in these events or circumstances, he must remind the users of individual financial reports in the audit report to pay attention to the relevant disclosures in the individual financial reports, or amend the audit opinions when such disclosures are inappropriate. The accountant’s conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Kao Hsing Chang Iron & Steel Corp. to no longer have the ability to continue operations.
5. Evaluating the overall presentation, structure and content of the individual financial report (including the related notes), and whether the individual financial report presents fairly the related transactions and events.
6. Obtaining sufficient and appropriate audit evidence on the financial information of the investee companies, in order to express an opinion on the individual financial report. The accountant is responsible for the guidance, supervision and execution of audit cases, and is responsible for forming audit opinions for Kao Hsing Chang Iron & Steel Corp.

The matters communicated between the accountant and the governance unit include the planned audit scope and time, and major audit findings (including significant deficiencies in internal control identified during the audit process).

The accountant also provides the governance unit with a statement that the personnel of the accounting firm’s affiliated firm subject to independence regulations have complied with the independence of the accountant’s professional ethics and communicates with the governance unit all relationships that may be considered to affect the independence of the accountant and other matters (including related protective measures).

From the matters communicated with the governance unit, we decided on the key audit items for the audit of the 2023 individual financial report of Kao Hsing Chang Iron & Steel Corp. We identified such matters in our audit report, except for those that are not permitted by law to be disclosed publicly or, in the rarest of circumstances where we decided not to communicate those matters in our audit report, because the negative effect of such communication could be reasonably expected to outweigh the public interest that would be served.

KPMG Taiwan

Auditor:

Approval reference of the securities authority	:	Jin-Guan-Cheng VI No. 0960069825 Jin-Guan-Cheng-Shen No. 1110338100

March 8, 2024

Kao Hsing Chang Iron & Steel Corp.
Balance Sheet
December 31, 2023 and 2022

Unit: NTD thousand

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 455,845	6	214,173	3
1120	Financial assets measured at fair value through other comprehensive income -- current (Note 6(2))	805,992	11	984,337	14
1151	Notes receivable (Note 6(4))	-	-	4,291	-
1152	Other notes receivable (Note 6(5))	200	-	200	-
1170	Accounts receivable, net (Note 6(4))	112,673	1	103,257	1
1200	Other accounts receivable (Notes 6(5) and 7)	20,583	-	8,611	-
1220	Current tax assets	293	-	-	-
130X	Current inventories (Note 6(6))	722,626	10	738,204	10
1460	Non-current assets classified as held for sale (Notes 6(7) and 8)	-	-	113,334	2
1476	Other current financial assets (Notes 6(3) and 8)	-	-	20,023	-
1479	Other current assets – others (Note 6(12))	19,230	-	19,282	-
	Total current assets	2,137,442	28	2,205,712	30
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(2))	1,238,617	16	955,656	13
1550	Investments accounted for using equity method (Notes 6(8) and 7)	629,037	9	512,824	7
1600	Property, plant and equipment (Notes 6(9) and 8)	1,497,983	20	1,514,042	21
1755	Right-of-use assets (Notes 6(10) and 7)	3,290	-	6,581	-
1760	Investment property, net (Notes 6(11), 7 and 8)	2,024,891	27	2,027,466	28
1920	Guarantee deposits paid (Notes 6(11), 7 and 8)	4,938	-	4,537	-
1995	Other non-current assets, others	-	-	33,000	1
	Total non-current assets	5,398,756	72	5,054,106	70
	Total assets	**$ 7,536,198**	**100**	**7,259,818**	**100**

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu **Manager: Rong-Feng Shenglu** **Accounting supervisor: Hui-Mei Chao**

Kao Hsing Chang Iron & Steel Corp.
Balance Sheet (continued)
December 31, 2023 and 2022

Unit: NTD thousand

		December 31, 2023			December 31, 2022	
	Liabilities and equity		**Amount**	**%**	**Amount**	**%**
	Current liabilities:					
2100	Current borrowings (Notes 6(14), 7 and 8)	$	1,663,317	23	3,205,071	44
2110	Short-term notes and bills payable (Notes 6(11), 7 and 8)		-	-	124,700	2
2151	Notes payable		30,333	-	40,290	1
2152	Other notes payable		11,851	-	11,433	-
2170	Accounts payable		34,395	-	25,944	-
2200	Other accounts payable		68,660	1	74,081	1
2230	Current tax liabilities		200	-	10,387	-
2300	Other current liabilities (Notes 6(15) and (22))		910	-	8,223	-
2320	Long-term liabilities, current portion (Notes 6(16) and 8)		52,534	1	32,558	-
	Total current liabilities		1,862,200	25	3,532,687	48
	Non-current liabilities:					
2540	Long-term borrowings (Notes 6(16) and 8)		2,022,466	27	667,442	9
2570	Deferred tax liabilities (Note 6(19))		196,160	3	210,632	3
2640	Non-current net defined benefit liability (Note 6(18))		2,772	-	28,427	1
2645	Refundable deposit (Note 7)		5,000	-	5,000	-
	Total non-current liabilities		2,226,398	30	911,501	13
	Total liabilities		4,088,598	55	4,444,188	61
	Equity (Note 6(20)):					
3100	Share capital		1,908,523	25	2,008,523	28
3200	Capital surplus		-	-	75,159	1
3300	Retained earnings:					
3310	Statutory reserve		183,582	2	170,158	2
3320	Special reserve		77,268	1	-	-
3350	Unappropriated retained earnings		949,419	13	639,058	9
			1,210,269	16	809,216	11
3400	Other equity interest		328,808	4	(77,268)	(1)
	Total equity		3,447,600	45	2,815,630	39
	Total liabilities and equity	**$**	**7,536,198**	**100**	**7,259,818**	**100**

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu **Manager: Rong-Feng Shenglu** **Accounting supervisor: Hui-Mei Chao**

Kao Hsing Chang Iron & Steel Corp.
Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

		2023 Amount	2023 %	2022 Amount	2022 %
4000	**Operating revenue (Notes 6(17) and (22) and 7)**	$ 1,460,295	100	2,216,054	100
5000	**Operating costs (Notes 6(6), (17) and (18), 7 and 12)**	1,258,760	86	1,888,923	85
5900	**Operating margin**	201,535	14	327,131	15
6000	**Operating expenses (Notes 6(18) and (23), 7 and 12):**				
6100	Selling expenses	35,144	2	120,872	5
6200	Management expenses	77,746	5	67,785	3
	Total operating expenses	112,890	7	188,657	8
6900	**Operating profit**	88,645	7	138,474	7
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	3,200	-	629	-
7010	Other income (Notes 6(2) and (24))	66,874	5	49,889	2
7020	Other gains and losses (Note 6(24))	(2,493)	-	6,276	-
7050	Finance costs (Note 6(24))	(88,662)	(6)	(77,989)	(4)
7060	Share of profit (loss) of associates accounted for using equity method (Note 6(8))	15,301	1	2,280	-
7229	Gains on disposal of non-current assets classified as held for sale (Note 6(7))	329,307	23	-	-
	Total non-operating income and expenses	323,527	23	(18,915)	(2)
7900	**Net profit before tax**	412,172	30	119,559	5
7950	**Less: Tax expense (income) (Note 6(19))**	(20,664)	(1)	7,375	-
	Current net income	432,836	31	112,184	5
8300	**Other comprehensive income:**				
8310	**Items not reclassified into profit and loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(18))	3,850	-	4,564	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	415,689	28	(234,168)	(10)
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (Note 6(8))	79,927	5	(36,591)	(2)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(8))	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	499,466	33	(266,195)	(12)
8300	**Other comprehensive income for the period (net after tax)**	499,466	33	(266,195)	(12)
	Total comprehensive income for the period	**$ 932,302**	**64**	**(154,011)**	**(7)**
	Earnings per share (Note 6(21))				
9750	**Basic earnings per share**	**$**	**2.24**		**0.56**
9850	**Diluted earnings per share**	**$**	**2.24**		**0.56**

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu **Manager: Rong-Feng Shenglu** **Accounting supervisor: Hui-Mei Chao**

Kao Hsing Chang Iron & Steel Corp.

Statement of Changes in Equity

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

			Retained earnings			Other equity items		
	Share capital	Capital surplus	Statutory reserve	Special reserve	Undistributed retained earnings	Gain (loss) from unrealized valuation of financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity interest
Balance on January 1, 2022	**$ 2,008,523**	**75,159**	**147,137**	**-**	**527,837**	**210,985**	**-**	**2,969,641**
Current net income	-	-	-	-	112,184	-	-	112,184
Other comprehensive income for the period	-	-	-	-	4,564	(270,759)	-	(266,195)
Total comprehensive income for the period	-	-	-	-	116,748	(270,759)	-	(154,011)
Earnings appropriation and distribution:								
Statutory surplus reserve	-	-	23,021	-	(23,021)	-	-	-
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	17,494	(17,494)	-	-
Balance on December 31, 2022	**2,008,523**	**75,159**	**170,158**	**-**	**639,058**	**(77,268)**	**-**	**2,815,630**
Current net income	-	-	-	-	432,836	-	-	432,836
Other comprehensive income for the period	-	-	-	-	3,850	495,616	-	499,466
Total comprehensive income for the period	-	-	-	-	436,686	495,616	-	932,302
Earnings appropriation and distribution:								
Statutory surplus reserve	-	-	13,424	-	(13,424)	-	-	-
Provision for special reserve	-	-	-	77,268	(77,268)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(100,426)	-	-	(100,426)
Purchase of treasury shares	-	-	-	-	-	-	(199,906)	(199,906)
Retirement of treasury shares	(100,000)	(75,159)	-	-	(24,747)	-	199,906	-
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	89,540	(89,540)	-	-
Balance on December 31, 2023	**$ 1,908,523**	**-**	**183,582**	**77,268**	**949,419**	**328,808**	**-**	**3,447,600**

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu **Manager: Rong-Feng Shenglu** **Accounting supervisor: Hui-Mei Chao**

Kao Hsing Chang Iron & Steel Corp.

Statement of Cash Flow

January 1 to December 31, 2023 and 2022

Unit: NTD thousnad

	2023	2022
Cash flow from operating activities:		
Profit before tax	$ 412,172	119,559
Adjustments:		
Income, expenses, and losses		
Depreciation	57,655	55,772
Interest expenses	88,662	73,039
Interest income	(3,200)	(629)
Dividend income	(61,726)	(44,286)
Share of profit of associates accounted for using equity method	(15,301)	(2,280)
Loss (gain) on disposal of property, plant and equipment	(193)	892
Gain on disposal of non-current assets classified as held for sale	(329,307)	-
Unrealized gains on foreign currency exchange	(323)	-
Total income, expenses, and losses	(263,733)	82,508
Changes in operating assets and liabilities:		
Net changes in assets related to business activities:		
Decrease (increase) in bills receivable	4,291	(4,291)
Increase in accounts receivable	(9,416)	(6,900)
Decrease (increase) in other receivables	841	(465)
Decrease (increase) in inventories	15,578	(18,393)
Decrease in other current assets	52	922
Total net changes in assets related to business activities	11,346	(29,127)
Net changes in liabilities related to operating activities:		
(Decrease) increase in bills payable	(9,957)	11,906
Increase (decrease) in accounts receivable	8,774	(13,814)
Increase in other accounts payable	5,054	9,566
Increase (decrease) in other current liabilities	(7,313)	925
Decrease in net defined benefit liability	(21,805)	(9,017)
Total changes in operating liabilities	(25,247)	(434)
Total net changes in assets and liabilities related to business activities	(13,901)	(29,561)
Total adjustment items	(277,634)	52,947
Cash inflow generated from operations	134,538	172,506
Interest received	3,243	582
Dividends received	63,003	43,254
Interest paid	(86,886)	(72,645)
Tax paid	(4,288)	(19,150)
Net cash flows from operating activities	109,610	124,547
Cash flow from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,439,156)	(744,317)
Disposal of financial assets at fair value through other comprehensive income	1,736,686	374,434
Investments accounted for using equity method	-	(99,000)
Increase in prepayments for investments	-	(33,000)
Proceeds from disposal of non-current assets classified as held for sale	447,574	-
Acquisition of property, plant, and equipment	(39,635)	(43,127)
Disposal of property, plant, and equipment	193	-
Decrease (increase) in guarantee deposits paid	(401)	1,294
Acquisition of investment property	(1,735)	(3,567)
Decrease (increase) in other financial assets	20,023	(20,023)
Net cash inflow (outflow) from investing activities	723,549	(567,306)
Cash flows from (used in) financing activities:		
Increase in short-term loan	1,903,160	5,206,814
Decrease in short-term loan	(2,114,914)	(5,234,084)
Increase in short-term notes and bills payable	325,000	230,000
Decrease in short-term notes and bills payable	(450,000)	(105,000)
Increase in long-term debt	50,000	-
Repayments of long-term debt	(5,000)	-
Cash dividends paid	(99,788)	-
Payments to acquire treasury shares	(199,906)	-
Decrease in notes payable from proceeds from capital reduction	(39)	(39)
Net cash inflows (outflows) from financing activities	(591,487)	97,691
Increase (decrease) in current cash and cash equivalents	241,672	(345,068)
Beginning cash and cash equivalent balance	214,173	559,241
Cash and cash equivalents at the end of the period	**$ 455,845**	**214,17**

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu **Manager: Rong-Feng Shenglu** **Accounting supervisor: Hui-Mei Chao**

Kao Hsing Chang Iron & Steel Corp.
Notes to Financial Statements
2023 and 2022

I. Company history

Kao Hsing Chang Iron & Steel Corp. (hereinafter referred to as "the Company") was approved to be established in January 1966, with its registered address at No. 318 Zhonghua First Road, Gushan District, Kaohsiung. The Company's main businesses include manufacturing, processing and trading of various steel pipes and hot-rolled steel coils, manufacturing of metal building structures and components, leasing and parking lots.

II. Financial statement approval date and procedures

This financial report was approved and released by the board of directors on March 8, 2024.

III. Application of new and amended standards and interpretations

(I) Impact of adopting new and revised standards and interpretations recognized by the Financial Supervisory Commission

The Company has applied the following newly revised International Financial Reporting Standards from January 1, 2023, and there has not been any significant impact on financial reporting.

- Amendment to International Accounting Standard 1 "Disclosure of Accounting Policies."
- Amendment to International Accounting Standard 8 "Definition of Accounting Estimates."
- Amendment to International Accounting Standard 12 "Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction."

The Company has applied the following newly revised International Financial Reporting Standards from May 23, 2023, and there has not been any significant impact on financial reporting.

- Amendment to International Accounting Standard 12 "Pillar 2 Rule Template for -International Tax Reform."

(II) Impact of not adopting internationally recognized financial reporting standards recognized by the Financial Supervisory Commission

The Company evaluates that the application of the following newly revised International Financial Reporting Standards, effective from January 1, 2024, will not have a significant impact on financial reporting.

- Amendment to International Accounting Standard 1: "Classification of Liabilities as

Current or Non-current."

- Amendment to International Accounting Standard 1: "Non-current Liabilities with Contractual Terms."
- Amendment to International Accounting Standards 7 and International Financial Reporting Standards 7: "Supplier Financing Arrangements."
- Amendment to International Financial Reporting Standard 16: "Lease Liabilities in Sale and Leaseback."

(III) New and revised standards and interpretations not yet recognized by the Financial Supervisory Commission

The Company expects that the following newly issued and revised standards that have not yet been approved will not have a material impact on financial reporting.

- Amendment to International Financial Reporting Standards 10 and International Accounting Standards 28: "Asset Sales or Investments between Investors and Their Affiliates or Joint Ventures."
- Amendment to International Financial Reporting Standard 17: "Insurance Contracts" and International Financial Reporting Standard 17.
- Amendment to International Accounting Standard 21: "Lack of Convertibility"

IV. Summary of significant accounting policies

(I) Declaration of Compliance

This financial report is prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "Preparation Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognized and released by the Financial Supervisory Commission (hereinafter referred to as "FSC recognized International Financial Reporting Standards and International Accounting Standards").

(II) Basis of preparation

1. Basis of measurement

This financial statement is prepared on the basis of historical cost, except for the key balance sheet items listed below:

(1) Financial assets at fair value through profit or loss

(2) Financial assets at fair value through other comprehensive income

(3) Net defined benefit liability(or asset) is the fair value of pension fund assets minus the present value of defined benefit obligations

2. Functional currency and presentation currency

The Company designates the currency used in the main economic environment of its location as the functional currency. This financial statement is presented using the Company's functional currency (NTD). All financial figures denominated in NTD are presented in dollars.

(III) Foreign currencies

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items outstanding at the end of each reporting period (referred to as reporting date below) are subsequently converted into the functional currency using exchange rate applicable on that day. Foreign currency-denominated non-monetary items carried at fair value are converted into the functional currency using exchange rate as of the valuation date. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Foreign currency exchange differences arising from conversions are usually recognized in profit or loss, but are recognized in other comprehensive income in the following situations:

1. Investments in equity instruments designated at fair value through other comprehensive income.
2. Financial liabilities designated as net investment hedging for foreign operating institutions within the effective hedging range.
3. Qualified cash flow hedging within the effective range of hedging.

(IV) Classification criteria for distinguishing between current and non-current assets and liabilities

Assets that match any of the following criteria are classified as current assets; assets that do not fall into the current category are classified as non-current assets:

1. It is expected to realize the asset during its normal business cycle, or intended to sell or consume it.
2. The asset is held primarily for trading purposes.
3. It is expected to realize the asset within twelve months after the reporting period.
4. The asset is cash or cash equivalent, except for those subject to other restrictions on exchanging or using the asset to settle liabilities at least twelve months after the reporting period.

Liabilities that match any of the following criteria are classified as current liabilities; liabilities that do not fall into the current category are classified as non-current liabilities:

1. It is expected to settle the liability within the normal operating cycle.

2. The liability is held primarily for trading purposes.
3. It is expected to settle the liability within twelve months after the reporting period.
4. Liabilities that do not have the right to unconditionally extend the repayment period to at least twelve months after the reporting period. Liabilities with terms that give counterparties the option to be repaid in the form of equity instruments do not affect their classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Time deposits and callable bonds that meet the definition above and are held for short-term cash commitments rather than investment or other purposes are recognized as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are recognized at the time occurred. All other financial assets and financial liabilities are recognized at initiation when the Company becomes a party to a financial instrument contract. Financial assets or liabilities that are not carried at fair value through profit and loss (excluding accounts receivable without major financial component) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable without major financial component are initially measured at transaction price.

1. Financial assets

Purchase and sale of financial asset that conforms to customary practices is accounted using trade day or settlement day accounting, and the same approach is applied consistently to financial assets of the same classification.

The Company's financial assets are classified into: financial assets carried at cost after amortization, equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit and loss at initiation. Only when the Company changes the ways financial assets are managed will it reclassify the affected financial assets according to policy, starting from the next reporting period.

(1) Financial assets at amortized cost

Financial assets that meet all of the following conditions and are not designated to be carried at fair value through profit and loss shall be carried at cost after amortization:

- Financial assets that are held for the purpose of collecting contractual cash flow.
    - Contractual terms of the financial asset give rise to cash flows on specific

dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are subsequently carried at initial cost plus/less accumulated amortization calculated using the effective interest rate method and after adjusting for loss provisions. Interest income, gain/loss on foreign currency exchange, and impairment loss are recognized through profit and loss. When decommissioned, gains or losses are recognized through profit and loss.

(2) Financial assets at fair value through other comprehensive income

Debt instruments that satisfy all of the following conditions and are not designated to be carried at fair value through profit and loss shall be carried at fair value through other comprehensive income:

- Financial assets that are held for the purpose of collecting contractual cash flow and sale.
- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

At initiation, the Company can make an irrevocable choice to account for subsequent fair value changes in equity instruments not held for trading through other comprehensive income. The above choice is determined on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income, gain/loss on currency exchange, and impairment loss calculated using the effective interest method are recognized through profit and loss; other net gains or losses are recognized through other comprehensive income. When removed from balance sheet, amounts accumulated under other comprehensive income are reclassified into profit and loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized through profit and loss (unless the dividends clearly represent a partial recovery of the investment cost). Other net gains or losses are recognized through other comprehensive income and are not reclassified into profit and loss.

Dividend income from equity investments are recognized on the day the Company becomes entitled to collect them (which is usually the ex-dividend day).

(3) Financial assets at fair value through profit or loss

Financial assets not measured at amortized cost or through other comprehensive income (such as financial assets held for trading and managed and evaluated at fair value) are measured at fair value through profit or loss, including derivative financial assets. At initial recognition, the Company can make an irrevocable decision to designate financial assets that satisfy the criteria of being carried at cost after amortization or at fair value through other comprehensive income to be carried at fair value through profit and loss, for the purpose of eliminating or reducing accounting mismatch.

These assets are subsequently measured at fair value with net gains or losses (including any dividend and interest income) recognized through profit and loss.

(4) Impairment loss of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, including cash and cash equivalents, notes and accounts receivable, other notes receivable, other receivables, refundable deposits and other financial assets.

Loss provisions for the following financial assets are made based on 12-month expected credit loss; for all other financial assets, loss provisions are made based on expected credit loss for the remaining lifetime:

- Debt securities that are deemed to be of low risk as of the reporting date; and
- Other debt instruments and bank deposits that exhibit no significant increase in credit risk (i.e. risk of default over the financial instrument's expected duration) since initial recognition.

Loss provisions for notes and accounts receivable and contract assets are measured based on expected credit loss over the remaining lifetime.

Expected credit loss for the remaining lifetime refers to the amount of credit losses that the financial instrument is likely to incur due to any possible default event in the remaining lifetime.

12-month expected credit loss refers to the amount of credit loss that a financial instrument may incur due to default event in the next 12 months (or shorter, if the financial instrument's expected remaining lifetime is less than 12 months).

The longest duration by which expected credit loss is measured shall be the maximum contract duration in which the Company is exposed to credit risk.

When assessing whether a financial instrument has significantly increased in credit risk since initial recognition, the Company uses reasonable and verifiable information (that can be obtained without excessive cost or investment) including qualitative and quantitative data in conjunction with its own past experience, credit rating, and forecasts.

A financial instrument is deemed to be of low credit risk if: the instrument exhibits low risk of default, the debtor has ample capacity to fulfill contractual cash flow obligations in the short term, and the debtor is prone to adverse economic or operational development that may (but does not necessarily) undermine its capacity to fulfill contractual cash flow obligations over the long term.

The Company considers credit risk to have increased significantly if contractual payment is overdue for more than 30 days.

The Company considers financial asset to have defaulted if contractual payment is overdue for more than 90 days, or if the borrower is unlikely to fulfill credit obligation and make pay full payment to the Company.

Expected credit loss is estimated by weighing credit losses for the remaining lifetime of a financial instrument against probability of occurrence. Credit losses are measured as the shortfall of cash collected, which is the difference between the amount of contractual cash flow collectible and the amount of cash flow the Company expects to collect. Expected credit losses are discounted at effective interest rate applicable to the financial asset.

The Company assesses financial assets carried at cost after amortization for credit impairment on every reporting date. A financial asset is deemed to have credit-impaired if estimated future cash flow exhibits one or several adverse events. Evidence of credit impairment includes any observable data that can be used to establish the following with respect to a financial asset:

- The borrower or issuer encounters significant financial distress;
- Event of default, such as delinquency or more than 90-day overdue;
- The Company grants compromise to the borrower for reasons relating to financial distress or contractual obligation that the Company would not have done so otherwise;
- The borrower is very likely to file for bankruptcy or undergo financial restructuring; or
- Occurrence of financial distress that may cause the financial asset to be removed from active market.

Loss provisions on financial assets carried at cost after amortization are deducted from book value. However, loss provisions on debt investments held at fair value through other comprehensive income are adjusted through profit and loss and recognized through other comprehensive income (without reducing asset book value).

When the Company has reason to believe that it may not recover part or all of a financial asset, the total book value of financial asset is reduced directly to reflect the expectation. If the counterparty is a corporate entity, the Company would analyze the timing and amount of charge-off based on rational expectations about recoverability. The Company expects no major reversal of amounts that it has charged off. However, the Company may still make claims on charged-off financial assets according to its recovery procedures.

(5) Derecognition of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns of ownership assumed by another party, or in situations where the Company neither transfers nor retains virtually all risks and returns of ownership or control over such financial asset.

The Company will continue recognizing financial assets it has signed transfer agreement for on the balance sheet if it retains virtually all risks and returns associated with the ownership of the transferred asset.

2. Financial liabilities and equity instruments

(1) Classification of liabilities and equity

Debt and equity instruments issued by the Company are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

(2) Equity transactions

Equity instrument refers to any contract that represents the Company's entitlement to assets net of liabilities. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

(3) Treasury stock

Buyback of equity instruments previously issued by the Company is accounted as a contra-equity transaction at the amount of consideration paid (including directly attributable costs). Shares repurchased by the Company are classified as treasury stock. Proceeds received from subsequent sale or re-issuance of treasury stock are recognized as additional equity; surplus or deficit arising from such transactions is recognized as capital reserve or retained earnings (if there is insufficient capital reserve to offset).

(4) Financial liabilities

Financial liabilities are classified into those that are carried at cost after amortization and those that are carried at fair value through profit and loss. Financial liabilities are carried at fair value through profit and loss if they are held for trading, characterized as derivative instrument, or designated to be so at initial recognition. Financial liabilities at fair value through profit and loss are carried at fair value with net gains and losses, including any interest expense, recognized through profit and loss.

Financial liabilities are subsequently carried at cost after amortization using the effective interest method. Interest expenses and gains/losses on currency exchange are recognized through profit and loss. Any gains or losses that are derecognized are also recognized in profit or loss.

(5) Derecognition of financial liabilities

Financial liabilities are removed from balance sheet upon fulfillment, cancellation, or expiry of contractual obligation.

When removing financial liabilities from balance sheet, any differences between the book value and the amount paid or payable (including any non-cash assets transferred and any liabilities assumed as part of the arrangement) are recognized through profit and loss.

(6) Offset between financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported on the balance sheet in net amount only when the Company is legally entitled to do so, and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

(VII) Inventories

Inventory is stated at the lower of cost or net realizable value. Cost includes all costs incurred to acquire, produce, process, and bring inventory to its usable state and location, and is calculated using the weighted average method. Cost of finished products and work-in-progress includes manufacturing overheads, which are allocated proportionally based on normal production capacity.

Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances.

(VIII) Non-current assets classified as held for sale

Non-current assets or the disposal group composed of assets and liabilities are classified as held for sale when it is highly likely that their book amount will be recovered through sale rather than continuous use. The components of the asset or disposal group shall be remeasured in accordance with the accounting policies of the Company before being classified as held for sale. After being classified as held for sale, they are measured based on the lower of their book amounts or fair values minus the cost of sale. The impairment loss of any disposal group shall be first allocated to goodwill, and then proportionally allocated to the remaining assets and liabilities. However, the loss shall not be allocated to assets outside the scope of asset impairment under International Accounting Standard 36, and the aforementioned items shall continue to be measured in accordance with the accounting policies of the Company. The impairment loss recognized as held for sale in the original classification, as well as the gains and losses arising from subsequent remeasurements, are recognized as profit or loss, but the gains from appreciation shall not exceed the cumulative impairment loss recognized.

When intangible assets, property, plant and equipment are classified as held for sale, depreciation or amortization is no longer recognized. In addition, the equity method is discontinued when affiliated companies recognized using the equity method are classified as held for sale.

(IX) Investment in affiliated companies

Associated company is an entity in which the Company has significant influence over financial and operating decisions, but no single or joint control.

The Company accounts for associated companies using the equity method. Under the equity method, investments are accounted at cost at initiation and the investment cost includes transaction cost. The book value of associated company includes goodwill recognized at initiation less any cumulative impairment losses.

The financial statements include profit and loss and other comprehensive income from associated companies, recognized based on percentage of equity ownership and adjusted for consistency of accounting policy, from the day the Company gains significant influence until the day it no longer exercises significant influence. If an associated company undergoes a change of equity that is not attributed to profit, loss, or other comprehensive income and has no impact on the Company's shareholding percentage, the Company will account for changes in ownership interest and its share of equity change in the associated company based on shareholding percentage, and recognize the change as "capital reserve."

Unrealized gains and losses arising from transactions between the Company and associated companies are recognized in corporate financial statements only for the percentage of ownership that is controlled by non-related investors The Company will stop recognizing losses on associated companies when its share of the loss equals or exceeds the value of equity held. The Company will recognize extra losses and liabilities only for legal obligations and deemed obligations that arise in relation to ownership of investees, or payments made on behalf of investees.

(X) Investment property

Investment properties refer to real estate properties that are held for rental income or capital gain, or both, as opposed to normal business activities such as sale, production, supply of products, rendering of services, or administration. Investment properties are initially accounted at cost, and subsequently carried at cost less accumulated depreciation and cumulative impairment. These assets are subject to the same depreciation method and parameters such as useful year and residual value as does property, plant, and equipment.

Gain or loss on disposal of investment property (calculated as the difference between net disposal proceeds and book value of the asset) is recognized through profit and loss.

Rental income from investment properties are recognized as other income using the straight-line method over the lease tenor. Any lease incentives offered are recognized as part of rental income over the lease tenor.

(XI) Property, plant and equipment

1. Recognition and measurement

Property, plant, and equipment are carried at cost (including capitalized borrowing costs) less accumulated depreciation and any cumulative impairment.

Major components of property, plant, and equipment that have different useful lives are accounted as separate categories (of major components).

Gain or loss on disposal of property, plant, and equipment is recognized through profit and loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of assets minus residual value, and recognized in profit or loss using the straight-line method over the estimated useful life of each component.

No depreciation is provided on land.

The following useful life estimates are used for the current and comparative periods:

(1)Buildings and structures	2–60 years
(2) Machinery and equipment	2–25 years
(3) Other equipment	2–25 years

The Company reviews its depreciation method, useful life, and residual value estimates on each reporting date. Changes are made as deemed necessary and appropriate.

(XII) Leases

The Company evaluates whether a contract meets the criteria of (or contains arrangements characterized as) lease on the day of establishment. A contract is considered as lease or deemed to contain lease elements if it involves a transfer of control over identified assets for a period of time in exchange for consideration.

1. The Company as lessee

   The Company recognizes right-of-use assets and lease liabilities on the lease start date. Right-of-use assets are measured at cost at initiation; this cost includes the initial amount of lease liability, adjusted for any lease payments paid on or before the lease start date, plus any initial direct costs incurred and any estimated costs to dismantle/remove the asset and restore the location or the asset to its original state, less any lease incentives received.

   Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life of right-of-use asset or until expiry of the lease tenor, whichever the earlier. Furthermore, the Company regularly assesses right-of-use assets for impairment and accounts for impairment losses as they occur. Right-of-use assets are also adjusted in circumstances where lease liabilities are subject to remeasurement.

   Lease liabilities are initially measured as the present value of unpaid lease payments as at the lease start date. Interest rate implicit in a lease is used as the discount rate if it can be easily determined; if the rate cannot be easily determined, the Company's incremental borrowing rate will be used as the discount rate instead. In general, the Company uses incremental borrowing rate as the discount rate.

   The types of lease payments included in the calculation of lease liabilities include:

   (1) Fixed payments, including substantive fixed payments.
   (2) For lease payments that depend on changes in a certain index or rate, the index or rate from the lease start date is used as the initial measurement.
   (3) Expected residual value guarantee amount to be paid.
   (4) The exercise price or penalty to be paid when reasonably determining the exercise of the purchase option or lease termination option.

   Lease liabilities subsequently accrue interest using the effective interest approach, and are remeasured in the following circumstances:

   (1) Changes in the index or rate used to determine lease payments that result in changes in future lease payments.
   (2) Changes in the expected residual value guarantee amount to be paid.
   (3) Changes in the evaluation of the option to purchase the underlying asset.

(4) Changes in the evaluation of the lease term due to changes in the estimation of whether to exercise the option of extension or termination.

(5) Modifications to the subject matter, scope or other terms of the lease.

When lease liability is remeasured due to: a change in the index or rate used to determine lease payment, a change in guaranteed residual value, or a purchase, extension, or termination of embedded options, a corresponding adjustment shall also be made to the book value of right-of-use asset at the same time. When book value of the right-of-use asset has been reduced to zero, further remeasurements shall be recognized through profit and loss instead.

If there is any contract amendment that reduces the scope of lease, the book value of right-of-use asset is reduced accordingly to reflect partial or total termination of lease arrangement. Any difference between right-of-use asset and remeasured lease liability is recognized through profit and loss.

Right-of-use assets that do not meet the definition of investment property and lease liabilities are presented on the balance sheet as single-line items.

2. The Company as lessor

Lease arrangements that the Company is a lessor of are investigated to determine whether virtually all risks and returns associated with ownership of the asset are transferred on the day of lease establishment. If so, the contract would be classified as a financial lease; if not, the asset would be classified as an operating lease. When assessing leases, the Company takes into consideration whether the lease tenor covers a major portion of the asset's useful life, among other indicators.

For lease arrangements where the Company is the intermediate lessor of a sublease, the Company would account for the main lease and the sublease separately, and classify the sublease based on the right-of-use asset given rise by the main lease. If the master lease is short-term in nature and exempted from lease recognition, the sub-lease shall be classified as operating lease.

If the agreement contains lease and non-lease components, the Company uses IFRS 15 to allocate the consideration in the contract.

(XIII) Impairment loss of non-financial assets

The Company evaluates non-financial assets (excluding inventory and deferred income tax assets) for signs of impairment in the book value on each reporting date. Assets that exhibit any of the signs will have recoverable amount estimated.

For the purpose of impairment testing, assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets are determined as a smallest identified asset group.

Recoverable amount is determined as fair value less disposal cost or the utilization value, whichever the higher. Utilization value is assessed by discounting projected cash flows to the present value using the pre-tax discount rate. This discount rate reflects the time value that the market has currently priced for the given currency, and risks that are specific to the given asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit falls below its book value, the difference is recognized as impairment loss.

Impairment losses are immediately recognized through current profit and loss against a reduction to the book value of goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce book values of other assets within the unit on a pro-rated basis (i.e. proportionally based on book value weight of each asset).

(XIV) Revenue recognition

1. Revenue from customer contracts

Income is measured as the amount of consideration the Company expects to receive for the delivery of merchandise or service. The Company recognizes income when control of merchandise or service has been transferred to customers and the contractual obligations fulfilled. Detailed explanation is as follows:

(1) Sales of goods

The Company’s manufacturing and sales of various steel pipes and hot-rolled steel coils are recognized as revenue when the control over the products is transferred. Product control is deemed to have transferred upon delivery, at a time when customer is able to exercise full discretion over the use of sales channel and selling price and no unfulfilled obligations exist that may otherwise affect customer's acceptance of the product. Delivery is deemed to have taken place when products are shipped to the designated location where all risks of obsolescence and loss are assumed by the customer, and that the customer accepts the products according to sales contract, thereby voiding the acceptance clause, or under any other circumstances where the Company has objective evidence to prove having satisfied all inspection criteria.

The Company recognizes accounts receivable at the time merchandise is delivered, as the Company has unconditional rights to collect consideration at this point.

(2) Financial composition

The Company expects no more than one year between the time merchandise is transferred to customers and the time payment is received for such merchandise for all its customers. As a result, no time value adjustment is made to the transaction price.

2. Cost of customer contracts

(1) Incremental cost of acquiring contracts

Additional costs incurred to establish contract with customers are recognized as assets if the Company expects to recover them on a later date. Additional costs of contract establishment refer to costs that the Company incurs specifically to establish contract with a customer, which would not have incurred otherwise if contract is not established. Contract acquisition costs that incur regardless of whether contract is awarded are expensed at the time incurred, except in cases where the Company is able to recover such cost from customer regardless of whether contract is awarded.

The Company adopts the compromised approach outlined in the standards, and expenses additional cost of contract acquisition at the time incurred if such cost is to be recognized as asset and amortized over a period of less than one year.

(2) Cost of performing contracts

Costs incurred for fulfilling contracts with customers that do not fall within the scope of alternative standards (i.e. IAS - "Inventories," IAS 16 - "Property, Plant and Equipment" or IAS 38 - "Intangible Assets") are recognized as assets only if the cost is directly related to the contract (or identifiable anticipated contract) in question, has the ability to generate or enhance resources that can be used to satisfy (or continually satisfy) contractual obligations in the future, and is expected to be recoverable.

General and administrative costs, any raw materials used for contract fulfillment but are not reflected in contract price, cost of labor or other resources, costs associated with fulfillment (or partial fulfillment) of contractual obligation, and costs that cannot be distinguished between unfulfilled and fulfilled (or partially fulfilled) contractual obligation are expensed at the time incurred.

(XV) Employee benefits

1. Defined contribution plans

Contributions to the defined contribution plan are expensed over the duration of employees' service.

2. Defined benefit plans

The Company calculates net obligation of defined benefit plan by discounting future benefit payouts that employees have earned in current or previous periods of employment to the present value, and deducting the fair value of any pension fund asset.

Defined benefit obligations are estimated by certified actuaries on a yearly basis using the Projected Unit Credit Method. If the calculated result is favorable to the Company, the amount of assets recognized shall not exceed the present value of future economic benefits, whether they are realized through refund of plan contributions or decrease of future contributions. Present value of economic benefits is calculated after taking into consideration all minimum contribution requirements.

Remeasurement of net defined benefit liabilities, including actuarial gains/losses, return on plan assets (excluding interest), and changes in the effect of the asset ceiling (excluding interest), are immediately recognized through other comprehensive income and accumulated in retained earnings. The Company determines net interest expenses (income) on net defined benefit liabilities (assets) using the balance of net defined benefit liabilities (assets) and discount rate as at the beginning of the reporting period. The net interest expense and other expenses of defined benefit plans are recognized in profit or loss.

When the plan is amended or curtailed, any change in benefit that arises in relation to service cost in previous periods or curtailment gains/losses is immediately recognized through profit and loss. The Company will recognize gain or loss on settlement of defined benefit plan, if any.

3. Short-term employee benefits

Short-term employee benefit obligations are expensed at the time service is rendered. These amounts are recognized as liability when the Company becomes legally obligated or is deemed obligated to pay employees for past services rendered, and that such obligations can be estimated reliably.

(XVI) Income tax

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized through profit and loss, except for amounts that arise in relation to business combination and items that are recognized directly under equity or other comprehensive income.

Current income tax includes all income taxes refundable/payable for the current year, which is calculated based on current year's taxable income (or loss), plus any adjustment to income tax payable/refundable in previous years. The amount is the best estimate of the expected payment or receipt based on the statutory tax rate or substantive legislative tax rate on the reporting date.

Deferred income tax is measured and recognized based on the temporary difference between the book amount of assets and liabilities on the reporting date and their tax basis. No deferred income tax is recognized on temporary differences that arise under the following circumstances:

1. Assets or liabilities initially recognized in transactions not for business merger, and at the time of the transaction (i) do not affect accounting profits and taxable income (losses), and (ii) do not generate any corresponding taxable and deductible temporary differences.
2. Temporary differences arising from investments in subsidiaries, associates and joint venture equity that the Company can control at the time of reversal and are likely not to be reversed in the foreseeable future.
3. Temporary taxable differences arising from the initial recognition of goodwill.

Deferred income tax is calculated using tax rate that the Company expects to be effective at the time the temporary difference is reversed. In this financial report, the statutory tax rate or effective tax rate as at the reporting date was used for calculation.

Deferred income tax assets and deferred income tax liabilities are offset against each other only when the following conditions are met:

1. There is the legal enforcement power to offset current income tax assets and current income tax liabilities against each other.
2. Deferred income tax assets and liabilities are related to one of the following taxpayers who are subject to income tax under the same tax authority.
   (1) The same tax paying entity.
   (2) Different tax paying entities, but each entity intends to settle current income tax liabilities and assets on a net basis or simultaneously realize assets and settle liabilities in each future period when significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

Unused tax losses and tax credits can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against. Deferred tax assets are evaluated on each reporting date. Tax benefits that are not likely to be realized will be reduced down to the realizable amount, and the Company may reverse the amount it had reduced when it becomes likely to generate sufficient taxable income.

(XVII) Earnings per share

Earnings attributable to the Company's common shareholders are presented in basic and diluted earnings per share. Basic earnings per share is calculated by dividing the amount of profits attributable to the Company's common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after adjusting the amount of profits attributable to the Company's common shareholders and weighted average number of common shares for the dilutive effect of potential common shares. Potential common shares with dilutive effect are intended as share-based payment for employee remuneration.

(XVIII) Department information

An operating segment is a section of the Company that generates income and incurs expenses as part of its activities (including income and expenses from transacting with other sections of the Company). Operating results of all segments are reviewed regularly by the Company's main decision maker for resource allocation and performance evaluation. All operating segments are individually capable of producing financial information.

V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When preparing this financial report, the management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from estimates.

The management constantly reviews its estimates and assumptions. Impacts from changes in accounting estimate are recognized in the year the changes take place and in future years when impacts materialize.

Uncertainty of the following assumptions and estimates have material risk of causing a significant adjustment to the carrying amount of assets and liabilities in the following fiscal year, and reflect the impact of the COVID-19 pandemic. The relevant information is as follows:

Inventory valuation

Due to the fact that inventory is measured at the lower of cost and net realizable value, the Company would assess inventory on the reporting date for any decrease in sales value due to normal wear, obsolescence, or absence of market demand, and reduce inventory cost to net realizable value accordingly. This inventory evaluation is mainly based on the estimated demand for products in a specific future period, so significant changes may occur due to sales demand and prices. Please refer to Note 6(6) for detailed information on inventory evaluation and recognition.

VI. Notes to major accounts

(I) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Reserve cash	$ 221,015	404,692
Demand deposit	335,059,330	187,209,078
Check deposit	20,564,563	26,559,388
Cash equivalents – callable bonds	100,000,000	-
Cash and cash equivalents presented in the cash flow statement	$ 455,844,908	214,173,158

Please refer to Note 6(25) for detailed analysis of the exchange rate risk and sensitivity of our financial assets, as well as disclosure of credit risk.

(II) Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Equity instruments at fair value through other comprehensive income:		
Stocks of domestic and foreign listed (OTC) companies		
HIWIN	$ 23,500,000	18,980,000
Sino-American Silicon Products	-	13,950,000
China Steel Chemical	59,250,000	52,750,000
ASE Technology Holding	-	75,120,000
Cleanaway	86,400,000	54,000,000
Delta Electronics	47,025,000	28,650,000
Taiwan Semiconductor Manufacturing	5,930,000	156,975,000
Genius Electronic Optical	46,255,000	16,775,000
ChainQui Construction Development	1,567,050	1,367,100
Asia Pacific Telecom	-	36,600,000
Asia Optical	28,080,000	18,150,000
Universal Microwave Technology	-	16,140,000
VisEra Technologies	22,120,000	19,350,000
Eternal Materials	14,550,000	15,625,000
Gudeng Precision Industrial	-	26,500,000
Yageo	41,790,000	162,360,000
Kaimei	116,325,000	48,150,000
China Airlines	-	9,500,000
Walsin Technology	65,705,000	9,440,000
Episil Technologies	36,050,000	16,920,000
CHPT	11,280,000	51,205,000
Sunspring Metal	7,575,000	6,780,000
Zhen Ding Technology Holding-KY	-	4,200,000
Hon Hai Precision Industry	31,350,000	39,960,000
Foxconn Precision	21,240,000	20,760,000
Novatek Microelectronics	-	50,480,000
Win Semiconductors	23,850,000	13,650,000
Far EasTone Telecommunications	47,880,000	-
AOpen Onc.	15,950,000	-
Quanta Computer	4,490,000	-
Giga-Byte Technology	39,900,000	-
Airoha Technology	5,770,000	-
Chuntai Resource Technology	2,160,000	-
Subtotal	805,992,050	984,337,100

Non-listed domestic and foreign companies:		
CSGT Metals	57,119,417	56,496,230
Universal Venture Capital Investment	12,740,000	10,990,000
KHH Arena Corporation	77,096,250	61,091,250
ENRESTEC	272,785,904	263,015,408
How Weih Holding	-	560,563,395
Guangdong Haowei Electronics	679,254,284	-
Apex Logistic	4,084,500	3,500,000
Upcycle Inc.	135,536,720	-
Subtotal	1,238,617,075	955,656,283
Total	**$ 2,044,609,125**	**1,939,993,383**

	112.12.31	111.12.31
Current	$ 805,992,050	984,337,100
Non-current	1,238,617,075	955,656,283
	$ 2,044,609,125	**1,939,993,383**

The Company originally held equity in Haowei Holdings (Cayman) Co., Ltd. Due to the investment structure adjustment of the group to which the company belongs, the Company complied with the investment structure adjustment in 2023 and directly held the equity in Guangdong Haowei Electronics Co., Ltd.

This category of equity instruments are held as strategic long-term investments and not for trading, and therefore are designated to be measured at fair value through other comprehensive income.

Due to the designation above as equity instrument investments measured at fair value through other comprehensive income, the Company recognized a dividend income of NTD 61,725,709 and NTD 44,286,169 in 2023 and 2022, respectively.

The Company sold equity instrument investments designated to be measured at fair value through other comprehensive income in 2023 and 2022, respectively due to investment strategy considerations. The fair values at the time of disposal were NTD 1,750,821,230 and NTD 352,877,571, and the cumulative disposal benefits were NTD 68,559,035 and NTD 18,135,708. Therefore, the aforementioned cumulative disposal benefits have been transferred from other equity to retained earnings.

Please refer to Note 6(25) for market risk information.

None of the above financial assets was pledged as collateral.

(III) Other financial assets

	December 31, 2023	**December 31, 2022**
Restricted bank deposits	**$ -**	**20,022,848**

Please refer to Note 6(25) for credit risk information.

Please refer to Note 8 for the details of the aforementioned financial assets used as collateral for short-term loans and financing limits.

(IV) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable due to business operations	$ -	4,291,169
Accounts receivable measured at amortized cost	112,673,131	103,257,372
Less: loss provisions	-	-
	$ 112,673,131	107,548,541

The Company adopts a simplified approach to estimate expected credit losses for all notes receivable and accounts receivable, i.e. measurement using expected credit losses during the term of existence. For this measurement purpose, these notes receivable and accounts receivable are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts according to contract terms, and have been included in forward-looking information, including overall economic and related industry information. The expected credit loss analysis of the Company's accounts receivable is as follows:

	December 31, 2023		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Provision for expected credit loss over the remaining duration
Not overdue	$ 112,673,131	-	-
Overdue	-	-	-
	$ 112,673,131		-

	December 31, 2022		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Provision for expected credit loss over the remaining duration
Not overdue	$ 107,548,541	-	-
Overdue	-	-	-
	$ 107,548,541		-

The table of changes in the loss allowance on the Company's accounts receivable is as follows:

	2023	2022
Opening balance	$ -	-
Closing balance	$ -	-

The Company does not hold any collateral for such balance.

(V) Other receivables and bills

1. Other accounts receivable

	December 31, 2023	December 31, 2022
Other receivable – proceeds from disposal of stocks	$ 18,901,133	4,766,316
Other receivables – purchase allowances	188,107	252,134
Other receivables – other	1,934,215	2,755,219
Other receivables – dividend income	30,000	1,307,500
Guarantee deposits paid	4,938,207	4,536,500
Less: loss provisions	(470,460)	(470,460)
	$ 25,521,202	13,147,209

	December 31, 2023	December 31, 2022
Presented as net other receivables	$ 20,582,995	8,610,709
Presented as guarantee deposits paid	4,938,207	4,536,500
	$ 25,521,202	13,147,209

Others mainly comprise proceeds from the sale of scraps.

2. Other notes receivable

	December 31, 2023	December 31, 2022
Other notes receivable – rental	$ 200,000	200,000
Less: loss provisions	-	-
	$ 200,000	200,000

Please refer to Note 6(25) for other credit risk information.

(VI) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 386,791,583	396,910,877
Work-in-progress	90,670,552	104,184,469
Finished goods	243,896,147	235,410,049
Inventory in transit	1,182,744	1,586,388
Scraps	85,425	112,492
	$ 722,626,451	738,204,275

Detailed breakdown of sales cost:

	2023	2022
Reclassified into sales costs and expenses	$ 1,222,985,601	1,860,629,097
Inventory devaluation loss	9,299,624	10,488,997
Unallocated manufacturing overheads	32,933,221	34,194,019
Leftover sales revenue	(18,083,015)	(28,680,589)
Others	297,694	(74,744)
Lease cost	11,326,694	12,366,414
	$ 1,258,759,819	**1,888,923,194**

None of the Company's inventory was pledged as collateral.

(VII) Non-current assets classified as held for sale

On November 11, 2022, the Company sold its investment property at No. 2, Xinfeng Section, Sanmin District, Kaohsiung by board resolution. On December 26, 2022, the Company signed a sales contract with the counterparty for a total transaction proceed of NTD 452,373,000. The amount transferred out of investment property by the Company is NTD 113,333,469, measured at the lower of the book value or fair value minus cost to sell, and there was no impairment loss. It was recognized under non-current assets held for sale on December 31, 2022. The Company completed the land transfer with the counterparty in April 2023, and the disposal interest NTD 329,307,124 was recognized under non-operating income and expenses. As of December 31, 2023, all relevant transaction proceeds have been received.

Please refer to Note 8 for the details of the Company's non-current assets to be sold which are provided as collateral.

(VIII) Investments accounted for using equity method

The Company holds 38.32% of the voting shares of KHC Steel International Corp. Although the remaining 61.68% of the shares are not concentrated among specific shareholders, the Company is still unable to obtain more than half of the board seats of KHC Steel International Corp. and cannot obtain more than half of the voting rights at the shareholders' meeting. Therefore, it is determined that the Company only has significant influence over KHC Steel International Corp.

The Company holds 45.79% of the voting shares of Hsieh Chang Hsing Trading Co., Ltd. Although the remaining 54.21% of the shares are not concentrated among specific shareholders, the Company is still unable to obtain more than half of the board seats of Hsieh Chang Hsing Trading Co., Ltd. and cannot obtain more than half of the voting rights at the shareholders' meeting. Therefore, it is determined that the Company only has significant influence over KHC Steel International Corp.

The Company holds 20% of the voting shares of Sunward Refractories Co., Ltd. The remaining 80% of the shares are concentrated at one specific shareholder, the Company is unable to obtain more than half of the board seats of Sunward Refractories Co., Ltd. and cannot obtain more than half of the voting rights at the shareholders' meeting. Therefore, it is determined that the Company only has significant influence over Sunward Refractories Co., Ltd.

The Company holds 45% of the voting shares of Smartway Ark Alliance Co., Ltd. The remaining 55% of the shares are concentrated at one specific shareholder, the Company is unable to obtain more than half of the board seats of Smartway Ark Alliance Co., Ltd. and cannot obtain more than half of the voting rights at the shareholders' meeting. Therefore, it is determined that the Company only has significant influence over Smartway Ark Alliance Co., Ltd.

Associated companies accounted using the equity method as at the reporting date:

	December 31, 2023	December 31, 2022
KHC Steel International Corp.	$ 165,770,897	128,274,407
Hsieh Chang Hsing Trading Co., Ltd.	284,106,872	212,975,236
Sunward Refractories Co., Ltd.	80,926,347	72,544,231
Smartway Ark Alliance Co., Ltd.	98,232,542	99,030,271
	$ 629,036,658	**512,824,145**

1. Affiliates

The Company's share of gains (losses) from associated companies is summarized below:

	2023	2022
KHC Steel International Corp.	$ 1,489,346	(1,131,323)
Hsieh Chang Hsing Trading Co., Ltd.	6,227,454	(57,968)
Sunward Refractories Co., Ltd.	8,382,116	3,439,089
Smartway Ark Alliance Co., Ltd.	(797,729)	30,271
	$ 15,301,187	**2,280,069**

The Company's share of other comprehensive income from associated companies is summarized below:

	2023	2022
KHC Steel International Corp.	$ 15,024,009	(11,581,721)
Hsieh Chang Hsing Trading Co., Ltd.	64,904,182	(25,008,951)
Sunward Refractories Co., Ltd.	-	-
Smartway Ark Alliance Co., Ltd.	-	-
	$ 79,928,191	(36,590,672)

Financial information of associated companies is summarized below; the following information has not been adjusted for the Company's ownership percentage:

(1) Summary financial information of KHC Steel International Corp.

	December 31, 2023	December 31, 2022
Current assets	$ 88,522,808	18,288,474
Non-current assets	357,158,588	352,052,838
	$ 445,681,396	370,341,312
Current liabilities	$ 12,903,788	35,414,667
Non-current liabilities	181,323	181,323
	$ 13,085,111	35,595,990

	2023	2022
Revenue	$ -	-
Profit (loss)	$ 3,886,602	(2,952,304)
Other comprehensive income	39,206,705	(30,223,699)
Total comprehensive income	$ 43,093,307	(33,176,003)

	2023	2022
Share of net assets attributable to the Company as of the beginning of the period	$ 128,274,407	141,629,586
Comprehensive income attributable to the Company in the period	16,513,355	(12,713,044)
Share of equity instruments disposed of by affiliates recognized in the period	20,983,135	(642,135)
Share of net assets attributable to the Company as of the end of the period	$ 165,770,897	128,274,407

(2) Summary financial information of Hsieh Chang Hsing Trading Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	$ 14,507,733	907,702
Non-current assets	605,984,420	464,241,283
	$ 620,492,153	465,148,985
Current liabilities	$ 36,000	36,000
Non-current liabilities	-	-
	$ 36,000	36,000

	2023	2022
Revenue	$ -	-
Profit (loss)	$ 13,600,031	(126,596)
Other comprehensive income	141,743,137	(54,616,621)
Total comprehensive income	$ 155,343,168	(54,743,217)

	2023	2022
Share of net assets attributable to the Company as of the beginning of the period	$ 212,975,236	238,042,155
Comprehensive income attributable to the Company in the period	71,131,636	(25,066,919)
Share of net assets attributable to the Company as of the end of the period	$ 284,106,872	212,975,236

(3) Summary financial information of Sunward Refractories Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	$ 349,394,151	264,259,355
Non-current assets	167,183,076	176,599,483
	$ 516,577,227	440,858,838
Current liabilities	$ 132,002,348	86,692,148
Non-current liabilities	171,501,084	183,003,476
	$ 303,503,432	269,695,624

	2023	2022
Revenue	$ 552,275,402	444,622,246
Current net income	$ 41,910,581	17,195,444
Other comprehensive income	-	-
Total comprehensive income	$ 41,910,581	17,195,444

	2023	2022
Share of net assets attributable to the Company as of the beginning of the period	$ 34,232,643	30,793,554
Comprehensive income attributable to the Company in the period	8,382,116	3,439,089
Share of net assets attributable to the Company as of the end of the period	42,614,759	34,232,643
Add: Goodwill	38,311,588	38,311,588
Book value of net assets attributable to the Company as of the end of the period	$ 80,926,347	72,544,231

(4) Summary financial information of Smartway Ark Alliance Co., Ltd.

	December 31, 2023	December 31, 2022
Current assets	$ 187,012,105	180,250,745
Non-current assets	40,445,867	40,041,021
	$ 227,457,972	220,291,766
Current liabilities	$ 9,163,434	186,662
Non-current liabilities	-	37,836
	$ 9,163,434	224,498

	2023	2022
Revenue	$ -	-
Profit (loss)	$ (1,772,730)	67,268
Other comprehensive income	-	-
Total comprehensive income	$ (1,772,730)	67,268

	2023	2022
Share of net assets attributable to the Company as of the beginning of the period	$ 99,030,271	-
Comprehensive income attributable to the Company in the period	(797,729)	30,271
Increase in capital for affiliates in the period	-	99,000,000
Share of net assets attributable to the Company as of the end of the period	$ 98,232,542	99,030,271

2. Guarantee

None of the Company's equity-accounted investments was pledged as collateral.

(IX) Property, plant and equipment

Changes in cost, accumulated depreciation, and impairment of the Company's property, plant, and equipment are explained below:

	Land	Buildings	Machinery	Other	Total
Cost or deemed cost:					
Balance on January 1, 2023	$ 1,106,417,035	1,447,268,902	2,268,211,701	259,870,686	5,081,768,324
Addition	-	470,047	23,676,241	9,849,172	33,995,460
Disposal	-	-	(1,464,000)	(817,000)	(2,281,000)
Reclassification	-	2,200,000	3,052,344	(5,252,344)	-
Balance on December 31, 2023	$ 1,106,417,035	1,449,938,949	2,293,476,286	263,650,514	5,113,482,784
Balance on January 1, 2022	$ 1,106,417,035	1,447,268,902	2,231,937,037	253,934,192	5,039,557,166
Addition	-	-	22,939,113	20,878,045	43,817,158
Disposal	-	-	(1,606,000)	-	(1,606,000)
Reclassification	-	-	14,941,551	(14,941,551)	-
Balance on December 31, 2022	$ 1,106,417,035	1,447,268,902	2,268,211,701	259,870,686	5,081,768,324
Accumulated depreciation and impairment:					
Balance on January 1, 2023	$ -	1,159,264,368	2,166,654,395	241,807,300	3,567,726,063
Depreciation	-	17,900,085	26,793,973	5,360,189	50,054,247
Disposal	-	-	(1,464,000)	(817,000)	(2,281,000)
Balance on December 31, 2023	$ -	1,177,164,453	2,191,984,368	246,350,489	3,615,499,310
Balance on January 1, 2022	$ -	1,141,415,402	2,140,329,004	237,982,817	3,519,727,223
Depreciation	-	17,848,966	27,039,167	3,824,483	48,712,616
Disposal	-	-	(713,776)	-	(713,776)
Balance on December 31, 2022	$ -	1,159,264,368	2,166,654,395	241,807,300	3,567,726,063
Book value:					
December 31, 2023	$ 1,106,417,035	272,774,496	101,491,918	17,300,025	1,497,983,474
January 1, 2022	$ 1,106,417,035	305,853,500	91,608,033	15,951,375	1,519,829,943
December 31, 2022	$ 1,106,417,035	288,004,534	101,557,306	18,063,386	1,514,042,261

Please refer to Note 8 for the details of the Company's property, plant and equipment which are provided as collateral.

(X) Right-of-use assets

For the Company's right-of-use assets recognized by leased houses and buildings and their costs, depreciation and deduction or reversal of impairment losses, details of any changes thereof are listed as follows:

	Buildings
Cost of right-of-use asset:	
Balance on January 1, 2023 (that is, the balance on December 31)	**$ 19,741,680**
Balance on January 1, 2022 (that is, the balance on December 31)	**$ 19,741,680**
Accumulated depreciation and impairment losses:	
Balance on January 1, 2023	$ 13,161,120
Provision for depreciation	3,290,280
Balance on December 31, 2023	**$ 16,451,400**
Balance on January 1, 2022	$ 9,870,840
Provision for depreciation	3,290,280
Balance on December 31, 2022	**$ 13,161,120**
Book value:	
December 31, 2023	**$ 3,290,280**
January 1, 2022	**$ 9,870,840**
December 31, 2022	**$ 6,580,560**

(XI) Investment property

Changes in the Company's investment properties are detailed below:

	Land and improvement	Buildings	Total
Cost or deemed cost:			
Balance on January 1, 2023	$ 2,009,584,634	28,571,515	2,038,156,149
Addition	-	1,734,953	1,734,953
Balance on December 31, 2023	$ 2,009,584,634	30,306,468	2,039,891,102
Balance on January 1, 2022	$ 2,122,918,103	25,004,535	2,147,922,638
Addition	-	3,566,980	3,566,980
Transfer to non-current assets classified as held for sale	(113,333,469)	-	(113,333,469)
Balance on December 31, 2022	$ 2,009,584,634	28,571,515	2,038,156,149
Accumulated depreciation and impairment losses:			
Balance on January 1, 2023	$ -	10,690,056	10,690,056
Depreciation	-	4,310,191	4,310,191
Balance on December 31, 2023	$ -	15,000,247	15,000,247
Balance on January 1, 2022	$ -	6,920,779	6,920,779
Depreciation	-	3,769,277	3,769,277
Balance on December 31, 2022	$ -	10,690,056	10,690,056
Book value:			
December 31, 2023	$ 2,009,584,634	15,306,221	2,024,890,855
January 1, 2022	$ 2,122,918,103	18,083,756	2,141,001,859
December 31, 2022	$ 2,009,584,634	17,881,459	2,027,466,093
Fair value:			
December 31, 2023			$ 6,447,948,791
January 1, 2022			$ 5,628,807,971
December 31, 2022			$ 5,017,475,405

In order to activate assets and replenish operating funds, the Company transferred some land and improvements to non-current assets held for sale in December 2022. Please refer to Note 6(7) for relevant information.

Investment property includes the provision of land for rental as a parking lot without receiving any contingent rent. Please refer to Note 6(17) for relevant information (including rental income and direct operating expenses incurred).

The investment property of the Company as of December 31, 2023 and 2022 is measured at fair value based on repeatability, and its fair value is evaluated by the Company using the information of comparable property transactions in similar locations. The input value used in the fair value evaluation technology belongs to Level III.

Please refer to Note 8 for the details of the Company's investment property provided as collateral.

(XII) Other current assets

Details of the Company's other current assets are explained below:

	December 31, 2023	December 31, 2022
Prepaid insurance premiums	$ 131,918	161,897
Supplies inventory count	17,129,705	15,290,532
Prepaid purchases	7,389	9,742
Others	1,960,920	3,819,675
	$ 19,229,932	19,281,846

(XIII) Short-term notes and bills payable

	December 31, 2023	December 31, 2022
Commercial paper payable	$ -	125,000,000
Less: Discounts on short-term bills payable	-	(300,028)
Total	$ -	124,699,972

The issuance period of short-term bills is within 60 days, and the interest rate range as of December 31, 2022 is between 2.1480% and 2.2537%. Regarding the unused amount of short-term bills payable already consolidated in short-term borrowings for presentation, please refer to Note 6(14) for details.

Please refer to Note 6(25) for the disclosure of the interest rate risk and sensitivity analysis of the Company's financial liabilities.

Please refer to Note 8 for details on the Company's setting of mortgage on assets as guarantee for short-term notes and bills payable.

(XIV)Short-term borrowings

Details regarding the Company's short-term loan are as follows:

	December 31, 2023	December 31, 2022
Loans under L/C	$ 263,316,932	395,071,179
Secured bank loan	1,400,000,000	2,810,000,000
Total	$ 1,663,316,932	3,205,071,179
Unused limit	$ 1,266,683,068	999,928,821
Interest rate range	2.076%~2.25%	1.95%~2.51%

For details on bank loans secured by the Company's assets, please see Note VIII.

(XV) Other current liabilities

Details of the Company's other current liabilities are explained below:

	December 31, 2023	December 31, 2022
Advance receipts – advance rent receipts	$ 190,475	190,475
Advance sales receipts – contract liabilities	581,645	7,894,803
Others	137,597	138,487
	$ 909,717	8,223,765

(XVI) Long-term borrowings

Details, conditions, and terms of long-term loans of the Company are as follows:

	December 31, 2023	December 31, 2022
Secured bank loan	$ 2,075,000,000	700,000,000
Less: Portion due within one year	(52,534,246)	(32,558,140)
Total	$ 2,022,465,754	667,441,860
Unused limit	$ 1,775,000,000	1,750,000,000
Interest rate range	2.5%~2.55%	2.43%
Maturity date	Sep 29, 2025–Oct 23, 2030	Oct 23, 2030

For details on bank loans secured by the Company's assets, please see Note VIII.

As of December 31, 2022, there was NTD 1,330,000,000 in short-term bank loans for which the Company applied in June 2023 to the banks to extend the credit terms for two more years from the maturity dates, so it was reclassified as a long-term borrowing. During the credit periods, only the interest and no principal needs to be paid.

(XVII) Operating lease

1. The Company as lessee

   The Company rents office space from related parties in the form of operating lease; please refer to Note VII for details.

2. The Company as lessor

   For the Company’s lease of its investment property and some machinery and equipment, as almost all risks and rewards associated with the ownership of the underlying assets have not been transferred, these lease contracts are classified as operating leases. Please refer to Note 6(11) for details on investment property.

   The rental income generated from investment property in 2023 and 2022 was NTD 36,481,907 and NTD 33,996,955, respectively, reported under operating income. The maintenance and upkeep expenses incurred from investment property were

NTD 11,326,694 and NTD 12,366,414, respectively, reported under operating costs.

(XVIII) Employee benefits

1. Defined benefit plans

Reconciliation between present value of defined benefit obligations and fair value of plan assets:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 111,168,532	122,519,242
Fair value of plan assets	(108,396,585)	(94,092,359)
Net defined benefit liabilities	**$ 2,771,947**	**28,426,883**

Contributions for defined benefit plan are made to a dedicated pension fund account opened with Bank of Taiwan. For retirees who opted for the pension scheme mentioned in the Labor Standards Act, the amount of pension benefit is calculated based on average salary for the six months preceding their retirement and the number of basis points accumulated over the duration of their service.

(1) Plan asset composition

Pension fund contributions that the Company has made in accordance with the Labor Standards Act are collectively managed by the Bureau of Labor Funds (BLF), Ministry of Labor. Pursuant to "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks.

As of the reporting date, the balance of the Company’s labor pension reserve account at Bank of Taiwan is NTD 108,396,585. Please visit the BLF website for more details such as fund yield and allocation of fund assets.

(2) Changes in the present value of defined benefit obligations

The changes in the present value of the Company's defined benefit obligations for 2023 and 2022 are as follows:

	2023	2022
Defined benefit obligations on January 1	$ 122,519,242	125,585,966
Service cost and interest in the current period	2,636,799	1,606,908
Remeasurement of net defined benefit liabilities (assets)		
- Actuarial gains/losses due to adjustment by experience	(4,018,053)	10,582,788
- Actuarial gains/losses due to change of financial assumption	968,308	(8,176,348)
Amount of direct payment	(10,937,764)	(7,080,072)
Defined benefit obligations on December 31	**$ 111,168,532**	**122,519,242**

(3) Changes in the fair value of plan assets

The changes in the fair value of the Company's defined benefit plan assets for 2023 and 2022 are as follows:

	2023	2022
Fair value of plan assets on January 1	$ 94,092,359	83,577,790
Remeasurement of net defined benefit liabilities (assets)		
- Return on plan assets (excluding current period interest)	799,831	6,971,028
Amount contributed to the plan	23,081,086	10,117,545
Expected return on plan assets	1,361,073	506,068
Benefits paid from plan	(10,937,764)	(7,080,072)
Fair value of plan assets on December 31	**$ 108,396,585**	**94,092,359**

(4) Expenses recognized as profit or loss

The details of the expenses recognized in 2023 and 2022 are as follows:

	2023	2022
Current period service costs	$ 852,866	839,710
Net interest on net defined benefit liabilities	422,860	261,130
	$ 1,275,726	1,100,840
Operating costs	$ 1,097,063	937,721
Management expenses	178,663	163,119
	$ 1,275,726	1,100,840

(5) Remeasurement of net defined benefit liabilities recognized as other comprehensive income

Cumulative remeasurement of net defined benefit obligations recognized in other comprehensive income:

	2023	2022
Cumulative balance on January 1	$ (33,676,134)	(38,240,722)
Amount recognized in the current period	3,849,576	4,564,588
Cumulative balance on December 31	$ (29,826,558)	(33,676,134)

(6) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of defined benefit obligations on the reporting date are as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.375%	1.500%
Future salary increase	1.000%	1.000%

The contribution amount the Company expects to pay to the defined benefit plan within one year after the reporting date in 2023 is NTD 389,148.

The weighted average duration of the defined benefit plan is 9.42years.

(7) Sensitivity analysis

The impact of changes in the major actuarial assumptions adopted as of December 31, 2023 and 2022 on determining the present value of benefit obligations is as follows:

	Effect of (gains) losses to defined benefit obligations	
	Increase	**Decrease**
December 31, 2023		
Discount rate (change of 0.25%)	$ (1,922,875)	1,978,766
Future salary increment (change of 0.25%)	1,902,744	(1,858,155)
December 31, 2022		
Discount rate (change of 0.25%)	(2,183,100)	2,248,943
Future salary increment (change of 0.25%)	2,167,872	(2,114,774)

The above sensitivity analysis assumes changes to one variable at a time while keeping all other variables constant. In reality, however, multiple assumptions may change at the same time and are related to each other. The sensitivity analysis was conducted using the same method as how net pension liabilities are presented in the balance sheet.

Methodology and assumption for current period's sensitivity analysis are consistent with those of the previous period.

2. Defined contribution plans

The Company’s defined contribution benefit plan is based on the provisions of the Labor Pension Act, with a contribution rate of 6% of the monthly wages of workers, and the fund is transferred to the individual account of labor pension at the Bureau of Labor Insurance. Under this plan, the Company is free from statutory or inferred pension obligations once it has contributed this amount to the Bureau of Labor Insurance.

The pension expenses of the Company for 2023 and 2022 under the defined contribution pension measures are NTD 4,820,080 and NTD 4,831,625 respectively, which have been allocated to the Bureau of Labor Insurance.

3. Short-term employee benefits

Below are details of employee benefit liabilities:

	December 31, 2023	**December 31, 2022**
Paid leave of absence (presented as other payables)	$ 7,234,808	7,490,200

(XIX) Income tax

1. Income tax expense

Below are details of the Company's income tax expenses:

	2023	2022
Current income tax expense – generated in the period	$ 2,268,418	8,515,815
Current income tax expense (income) – current income tax after adjustment for the previous period	(8,460,384)	(1,140,269)
Deferred income tax expense (income)	(14,472,357)	-
Income tax expense (income)	$ (20,664,323)	7,375,546

The Company did not recognize any income tax expense under equity and other comprehensive income in 2023 and 2022.

The relationship between the Company's income tax expense and pre-tax net profit for 2023 and 2022 is adjusted as follows:

	2023	2022
Net profit before tax	$ 412,171,531	119,559,122
Income tax calculated by applying local tax rate of the country where the Company is located	$ 82,434,306	23,911,824
Overestimation of land value-added tax	(14,472,357)	-
Non-deductible expenses	3,177,143	1,160,941
Exempt income	(74,976,786)	(7,191,294)
Effect of gains on investment accounted for using equity method	(3,060,237)	(456,013)
Recognition of tax losses not recognized in the previous period	(673,912)	(7,665,679)
Changes in temporary difference not recognized as deferred income tax asset	(4,832,096)	(9,759,779)
Previous overestimation	(8,460,384)	(1,140,269)
Levy on undistributed retained earnings	-	7,988,349
Basic income tax amount	200,000	527,466
Income tax expense	$ (20,664,323)	7,375,546

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

The following items were not recognized as deferred income tax asset:

	December 31, 2023	December 31, 2022
Deductible temporary differences	$ 351,312,640	375,473,120
Tax losses	2,455,692,484	3,085,175,927
	$ 2,807,005,124	3,460,649,047

Tax losses, as defined in the Income Tax Act, are losses certified by the tax authority in the last 10 years that can be taken to reduce current year's taxable income. On December 31, 2023, the Company estimated taxable income generated from the future year's profits and evaluated that loss deductions and deductible temporary differences are not likely to be used as taxable income deductions, and therefore did not recognize deferred tax assets. If there is an increase in taxable income resulting from revenue gains in the future, it will be recognized as a deferred tax asset.

On December 31, 2023, the deduction periods of tax losses from the deferred tax assets not recognized by the Company are as follows:

Year of loss	Losses not yet deducted	Final year available for deduction
2014	$ 408,627,324	2024
2015	413,721,031	2025
2016	417,474,366	2026
2017	318,954,784	2027
2018	529,810,099	2028
2019	214,044,806	2029
2020	153,060,074	2030
Total	$ 2,455,692,484	

(2) Recognized deferred income tax liabilities

The changes in deferred income tax liabilities for 2023 and 2022 are as follows:

	Land value increment tax
Deferred income tax liabilities:	
Balance on January 1, 2023	$ 210,632,330
Debit (credit) to profit and loss	(14,472,357)
Balance on December 31, 2023	**$ 196,159,973**
Balance on January 1, 2022	$ 210,632,330
Debit (credit) to profit and loss	-
Balance on December 31, 2022	**$ 210,632,330**

3. Income tax approval status

The settlement and declaration of the Company’s profit-seeking enterprise income tax was approved by the tax collection authority up to 2021.

(XX) Capital and other equity

As of December 31, 2023 and 2022, the total authorized share capital of the Company was NTD 5,800,000,000, with a face value of NTD 10 per share, divided into 580,000,000 shares. The number of issued shares is 190,852,293 and 200,852,293, respectively, and all outstanding shares have been paid for.

The details of the Company’s adjustment table for the number of outstanding shares in 2023 and 2022 are as follows:

	Ordinary shares	
(expressed in share)	**112年度**	**111年度**
Opening balance	200,852,293	200,852,293
Retirement of treasury shares	(10,000,000)	-
Closing balance	**190,852,293**	**200,852,293**

1. Ordinary share capital

On May 9, 2023, the Company passed a board resolution to cancel its 10,000,000 treasury shares and reduce its capital totaling NTD 199,906,204. The relevant legal registration procedures have been completed.

2. Capital surplus

The following is a breakdown of the Company's capital reserve:

	December 31, 2023	December 31, 2022
Treasury stock	**$ -**	**75,159,101**

According to The Company Act, balances of realized capital reserve can be distributed in shares or cash back to shareholders at the current shareholding percentage after reimbursing cumulative losses. The term "realized capital reserve" mentioned above includes shares issued at premium and gains from gifts. Pursuant to Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves converted into share capital is capped at 10% of paid-up capital per year.

3. Retained earnings

According to the Company's articles of incorporation, if the Company makes a profit for a year, the profit shall be first used to pay taxes and offset the cumulative deficit, and then allocate 10% of the remaining balance as the legal reserve unless it has reached the same amount as the Company's paid-in capital. The residual balance can then be paid out in cash dividends, and any earnings remaining may be added to undistributed earnings carried from previous years and distributed as stock dividends, subject to board of directors' proposal and shareholders' resolution in a shareholder meeting. Dividends shall be distributed at an appropriate ratio between cash dividends and stock dividends. Cash dividends shall not be lower than 50%.

(1) Legal reserve

The Company Act stipulates that, subject to resolution of a shareholder meeting, companies with no cumulative losses may distribute statutory reserve in cash or in shares; however, only the amount of statutory reserve that exceeds paid-up capital by more than 25% can be distributed.

(2) Special reserve

According to the regulations of the Financial Supervisory Commission, the difference between the net deduction of other shareholders' equity recognized in the current year and the special reserve balance set aside in the previous period shall be set aside as a special reserve from the current period's profit and loss and the undistributed earnings in the previous period. For the cumulative deduction amount of other shareholders' equity in the previous period, the special reserve allocated from the undistributed earnings in the previous period shall not be allocated. If contra equity items are reversed on a later date, the Company may also reverse a matching amount from its special reserves and distribute it to shareholders. On December 31, 2023, the balance of this special reserve was NTD 77,268,026.

(3) Distribution of earnings

On June 20, 2023, the Company passed the earnings distribution plan for 2022 through a resolution of the shareholders' meeting. The amounts of dividends distributed to owners are as follows:

	2022	
	Distribution rate (NTD) (note)	**Amount**
Dividends distributed to owners of ordinary shares:		
Cash	$ 0.52619827	**100,426,147**

(Note) The shareholders' meeting resolved to pay a dividend of NTD 0.5 per share, which was adjusted to NTD 0.52619827 in conjunction with the cancellation of treasury shares which affected the number of outstanding shares.

In addition, on June 23, 2022, the Company passed the earnings distribution plan for 2021 through a resolution of the shareholders' meeting, and no dividends were distributed.

On March 8, 2024, the Company's board of directors drafted the earnings distribution plan for 2023, and the amounts of dividends to be distributed to owners are as follows:

	2023	
	Distribution rate (NTD)	**Amount**
Dividends distributed to owners of ordinary shares:		
Cash	$ 1.00	**190,852,293**

4. Treasury stock

In accordance with Article 28-2 of the Securities and Exchange Act, the Company passed a board resolution on May 9, 2023 to buy back 10,000,000 treasury shares to maintain the Company's credit and shareholder rights, and all of them were canceled on May 17, 2023.

The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act, and shall not enjoy shareholder rights before they are transferred.

5. Other equity (net after tax)

	Investments at fair value through other comprehensive income
Balance on January 1, 2023	$ (77,268,026)
(II) Unrealized gains on financial assets at fair value through other comprehensive income	
The Company	415,690,341
Associated companies	79,928,191
Disposal of equity instruments at fair value through other comprehensive income:	
The Company	(68,559,035)
Associated companies	(20,983,135)
Balance on December 31, 2023	**$ 328,808,336**

	Investments at fair value through other comprehensiv e income
Balance on January 1, 2022	$ 210,984,643
Unrealized gains (losses) on financial assets at fair value through other comprehensive income:	
The Company	(234,168,424)
Associated companies	(36,590,672)
Disposal of equity instruments at fair value through other comprehensive income:	(18,135,708)
The Company	
Associated companies	642,135
Balance on December 31, 2022	**$ (77,268,026)**

(XXI) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for 2023 and 2022 is as follows:

	2023	2022
1. Basic earnings per share		
Net profit attributable to holders of the Company's ordinary shares	$ 432,835,854	112,183,576
Weighted average number of outstanding ordinary shares (unit: share)	193,279,435	200,852,293
	$ 2.24	0.56
2. Diluted earnings per share		
Net profit attributable to holders of the Company's ordinary shares	$ 432,835,854	112,183,576
Weighted average number of outstanding ordinary shares (unit: share)	193,279,435	200,852,293
Effect of employee stock remuneration	99,275	38,275
Weighted average number of outstanding ordinary shares (unit: share)	193,378,710	200,890,568
	$ 2.24	0.56

(XXII) Revenue from customer contracts

	2023	2022
Sale of merchandise	$ 1,423,813,049	2,182,057,703
Rent income from investment property	36,481,907	33,996,955
	$ 1,460,294,956	2,216,054,658

1. Revenue details

	2023		
	Steel Pipe Department	Others	Total
Main regions and markets:			
Taiwan	$ 1,218,277,866	108,533,482	1,326,811,348
North America	132,768,394	-	132,768,394
Northeast Asia	715,214	-	715,214
Total	**$ 1,351,761,474**	**108,533,482**	**1,460,294,956**
Key products/services:			
Steel pipes	$ 1,351,761,474	-	1,351,761,474
Steel coils	-	72,049,005	72,049,005
Others	-	2,570	2,570
Rental income	-	36,481,907	36,481,907
Total	**$ 1,351,761,474**	**108,533,482**	**1,460,294,956**

	2022		
	Steel Pipe Department	Others	Total
Main regions and markets:			
Taiwan	$ 1,463,757,977	93,575,250	1,557,333,227
North America	657,960,034	-	657,960,034
Northeast Asia	761,397	-	761,397
Total	**$ 2,122,479,408**	**93,575,250**	**2,216,054,658**
Key products/services:			
Steel pipes	$ 2,122,406,313	-	2,122,406,313
Steel coils	-	56,243,979	56,243,979
Others	73,095	3,334,316	3,407,411
Rental income	-	33,996,955	33,996,955
Total	**$ 2,122,479,408**	**93,575,250**	**2,216,054,658**

2. Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	$ 112,673,131	107,548,541	96,356,522
Less: loss provisions	-	-	-
Total	$ 112,673,131	107,548,541	96,356,522
Contract liabilities – advance sales receipts	$ 581,645	7,894,803	6,982,486

Please refer to Note 6(4) for the disclosure of accounts receivable and their impairment.

The beginning balance of contractual liabilities on January 1, 2023 and 2022 was recognized as income in 2023 and 2022, with amounts of NTD 7,412,930 and NTD 6,956,164, respectively.

Changes in contract liability were mainly attributed to differences between the timing at which the Company is deemed to have fulfilled its obligations by delivering merchandise or service to customers and the timing at which payment is collected from customers.

(XXIII) Remuneration of employees and directors

According to the articles of association of the Company, if there is a profit in the year, no less than 0.5% shall be allocated as employees' remuneration and no more than 5%shall be allocated as directors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

The estimated amounts of employees' remuneration for 2023 and 2022 are NTD 2,160,000 and NTD 683,200, respectively. The estimated amounts of directors' remuneration are both NTD 0. The estimates are based on the pre-tax net profit of the Company for that period minus the amount before deducting employees' and directors' remuneration, multiplied by the distribution of employees' and directors' remuneration as stipulated in the Company's articles of incorporation, and recognized as operating expenses for that period.

For information on employees' and directors' remuneration for 2023 and 2022, please visit the Market Observation Post System. The aforementioned amounts of employees' and directors' remuneration by board resolution do not differ from the estimated amounts in the financial reports of the Company for 2023 and 2022.

(XXIV) Non-operating income and expenses

1. Interest income

The details of the Company's interest income in 2023 and 2022 are as follows:

	2023	2022
Interest from bank deposits	$ 2,848,977	597,763
Guarantee deposit interest calculation	350,526	31,200
	$ 3,199,503	628,963

2. Other income

	2023	2022
Rental income	$ 229,133	228,868
Dividend income	61,725,709	44,286,169
Scrapped tire disposal income	727,794	1,806,234
Other income - others	4,191,720	3,567,272
	$ 66,874,356	49,888,543

3. Other gains and losses

The details of the Company's other gains and losses in 2023 and 2022 are as follows:

	2023	2022
Foreign exchange gains	$ 11,504	7,769,283
Loss (gain) on disposal of property, plant and equipment	192,667	(892,224)
Tax and others	(2,697,812)	(600,782)
	$ (2,493,641)	6,276,277

4. Finance costs

The details of the Company's finance costs in 2023 and 2022 are as follows:

	2023	2022
Interest expense - interest on bank borrowings	$ (88,661,943)	(73,038,759)
Financing credit setting fees, etc.	-	(4,950,080)
	$ (88,661,943)	(77,988,839)

(XXV) Financial instruments

1. Credit risk

(1) Credit risk exposure

For financial assets, the book value represents the maximum credit risk exposure.

(2) Concentration of credit risk

There was no significant concentration of sales to any single customer and the Company sells its products to diversified locations. As a result, there was no significant concentration of credit risk in accounts and notes receivable. The Company also monitors customers' financial position on a regular basis as a means to reduce credit risk.

(3) Credit risk of accounts receivable

Please refer to Note 6(4) for credit risk exposure information on notes receivable and accounts receivable. Other financial assets measured at amortized cost include restricted bank deposits, other notes receivable, other receivables, and refundable deposits.

The following table presents the loss allowance of financial assets measured at amortized cost, based on the expected credit loss over a period of twelve months or the expected credit loss over the duration, and whether there is any credit impairment situation:

	December 31, 2023			
	At cost after amortization			
	12 month expected loss	**Expected losses over duration - not impaired**	**Expected losses over duration - impaired**	**Total**
Other notes and accounts receivable	$ -	20,782,995	470,460	21,253,455
Guarantee deposits paid	4,938,207	-	-	4,938,207
Loss provisions	-	-	(470,460)	(470,460)
Cost after amortization	**$ 4,938,207**	**20,782,995**	**-**	**25,721,202**
Book value	**$ 4,938,207**	**20,782,995**	**-**	**25,721,202**

	December 31, 2022			
	At cost after amortization			
	12 month expected loss	Expected losses over duration - not impaired	Expected losses over duration - impaired	Total
Restricted bank deposits	$ -	20,022,848		20,022,848
Other notes and accounts receivable	-	8,810,709	470,460	9,281,169
Guarantee deposits paid	4,536,500	-	-	4,536,500
Loss provisions	-	-	(470,460)	(470,460)
Cost after amortization	$ 4,536,500	28,833,557	-	33,370,057
Book value	$ 4,536,500	28,833,557	-	33,370,057

Changes in loss provision on financial assets carried at cost after amortization are explained below:

	2023			
	12 month expected credit loss	Credit loss over duration - not credit-impaired	Credit loss over duration - credit-impaired	Total
Opening balance	$ -	-	470,460	470,460
Closing balance	$ -	-	470,460	470,460

	2022			
	12 month expected credit loss	Credit loss over duration - not credit-impaired	Credit loss over duration - credit-impaired	Total
Opening balance	$ -	-	470,460	470,460
Closing balance	$ -	-	470,460	470,460

2. Liquidity risk

The following shows the expiry dates of financial liabilities, including estimated interest but excluding the effect of net agreements.

	Book value	Contractual cash flow	Within 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
December 31, 2023							
Non-derivative instruments							
Short-term loans (floating rate)	$ 1,663,316,932	(1,679,280,842)	(766,298,650)	(912,982,192)	-	-	-
Notes payable (non-interest bearing)	30,333,490	(30,333,490)	(30,333,490)	-	-	-	-
Other notes payable (non-interest bearing)	11,850,879	(11,850,879)	(11,850,879)	-	-	-	-
Accounts payable (non-interest bearing)	34,394,780	(34,394,780)	(34,394,780)	-	-	-	-
Other payables (non-interest bearing)	68,659,944	(68,659,944)	(60,169,944)	(8,490,000)	-	-	-
Guarantee deposits paid (non-interest bearing)	5,000,000	(5,000,000)	-	-	(5,000,000)	-	-
Long-term loan (floating rate)	2,075,000,000	(2,201,556,177)	(27,726,563)	(43,550,111)	(1,564,591,539)	(358,846,946)	(206,841,018)
	$ 3,888,556,025	(4,031,076,112)	(930,774,306)	(965,022,303)	(1,569,591,539)	(358,846,946)	(206,841,018)
December 31, 2022							
Non-derivative instruments							
Short-term notes and bills payable	$ 124,699,972	(125,000,000)	(125,000,000)	-	-	-	-
Short-term loans (floating rate)	3,205,071,179	(3,248,325,663)	(1,010,476,074)	(2,237,849,589)	-	-	-
Notes payable (non-interest bearing)	40,289,760	(40,289,760)	(40,289,760)	-	-	-	-
Other notes payable (non-interest bearing)	11,432,681	(11,432,681)	(11,432,681)	-	-	-	-
Accounts payable (non-interest bearing)	25,944,160	(25,944,160)	(25,944,160)	-	-	-	-
Other payables (non-interest bearing)	74,080,712	(74,080,712)	(74,040,712)	(40,000)	-	-	-
Guarantee deposits paid (non-interest bearing)	5,000,000	(5,000,000)	-	-	-	(5,000,000)	-
Long-term loan (floating rate)	700,000,000	(772,841,261)	(8,487,500)	(40,946,948)	(112,774,275)	(324,111,196)	(286,521,342)
	$ 4,186,518,464	(4,302,914,237)	(1,295,670,887)	(2,278,836,537)	(112,774,275)	(329,111,196)	(286,521,342)

The Company does not anticipate that the cash flow timing in the maturity analysis will be significantly earlier, or that the actual amounts will differ significantly

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company had the following financial assets and liabilities that were exposed to significant foreign currency/exchange rate risk:

	December 31, 2023			December 31, 2022		
	Foreign currency (NTD)	Exchange rate	NTD	Foreign currency (NTD)	Exchange rate	NTD
Financial assets						
Monetary item						
USD	$ 265,903.48	30.705	8,164,566	2,225,702.92	30.71	68,351,337
Financial liabilities						
Monetary item						
USD	406,288.41	30.705	12,475,086	-	-	-

(2) Sensitivity analysis

The exchange rate risk of the Company's monetary items mainly comes from cash and cash equivalents, accounts receivable, borrowings, and accounts payable denominated in foreign currencies, which generate foreign currency exchange gains and losses during translation. On December 31, 2023 and 2022, when the New Taiwan dollar depreciates or appreciates by 4% relative to the US dollar, while all other factors remain unchanged, the net profit after tax for 2023 will decrease or increase by NTD 137,937, and the net profit after tax for 2022 will increase or decrease by NTD 2,187,242. The same base is used for the analysis of both periods.

Because the functional currency of the Company is New Taiwan dollar, the foreign currency exchange gains and losses (including realized and unrealized) for 2023 and 2022 wereNTD 11,504 and NTD 7,769,283, respectively.

4. Interest rate analysis

Interest rate risk exposure concerning the Company's financial liabilities has been explained as part of liquidity risk in this footnote.

The following sensitivity analysis has been prepared based on interest rate risk exposures of non-derivatives as at the reporting date. For liabilities that bear floating interests, the analysis is conducted by assuming that the amount of liabilities outstanding as at the reporting date remained outstanding throughout the entire year. The rate of change used by the Company to report interest rates to the key management is a 50 basis point increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If the interest rate increases or decreases by 50 basis points while all other variables remain unchanged, the net profit after tax for 2023 will decrease or increase by NTD 14,953,268, and the net profit after tax for 2022 will decrease or increase by NTD 15,620,285, mainly due to the Company's variable interest rate borrowings.

5. Other price risks

The effect of changes in stock prices of domestic listed (OTC) companies (analyzed using the same basis while assuming that other factors of change remain unchanged) on comprehensive income and loss items is as follows:

	2023		2022	
Price of security on reporting date	**Other comprehensive income after tax**	**After-tax profit/loss**	**Other comprehensive income after tax**	**After-tax profit/loss**
10% increase	$ 80,599,205	-	98,433,710	-
10% decrease	$ (80,599,205)	-	(98,433,710)	-

6. Fair value information

(1) Types and fair value of financial instruments

Financial liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. Book value and fair value of financial assets and liabilities are shown below (categorized by level of fair value input; however, the Company is not required to disclose fair value for financial instruments that are not subject to fair value assessment and where the book value resembles the fair value):

	December 31, 2023				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stocks	$ 805,992,050	805,992,050	-	-	805,992,050
Domestic non-listed (non-OTC) stocks	1,238,617,075	-	-	1,238,617,075	1,238,617,075
	$ 2,044,609,125				
Financial assets carried at cost after amortization					
Cash and cash equivalents	$ 455,844,908	-	-	-	-
Notes and accounts receivable	112,673,131	-	-	-	-
Other notes and accounts receivable	20,782,995	-	-	-	-
Guarantee deposits paid	4,938,207	-	-	-	-
	$ 594,239,241				
Financial liabilities carried at cost after amortization					
Bank loan	$ 3,738,316,932	-	-	-	-
Notes and accounts payable	64,728,270	-	-	-	-
Other notes and accounts payable	80,510,823	-	-	-	-
Guarantee deposits received	5,000,000	-	-	-	-
	$ 3,888,556,025				

	December 31, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stocks	$ 984,337,100	984,377,100	-	-	984,377,100
Domestic non-listed (non-OTC) stocks	955,656,283	-	-	955,656,283	955,656,283
	$ 1,939,993,383				
Financial assets carried at cost after amortization					
Cash and cash equivalents	$ 214,173,158	-	-	-	-
Restricted bank deposits	20,022,848	-	-	-	-
Notes and accounts receivable	107,548,541	-	-	-	-
Other notes and accounts receivable	8,810,709	-	-	-	-
Guarantee deposits paid	4,536,500	-	-	-	-
	$ 355,091,756				
Financial liabilities carried at cost after amortization					
Short-term notes and bills payable	$ 124,699,972	-	-	-	-
Bank loan	3,905,071,179	-	-	-	-
Notes and accounts payable	66,233,920	-	-	-	-
Other notes and accounts payable	85,513,393	-	-	-	-
Guarantee deposits received	5,000,000	-	-	-	-
	$ 4,186,518,464				

(2) When measuring its assets and liabilities, the Company uses market observable input values as much as possible. Levels of fair value assessment are classified based on the types of input used:

Level 1: Open market quotation (unadjusted) for the same asset or liability.

Level 2: In addition to the public quotation included in Level 1, the input parameters of assets or liabilities are directly (i.e. prices) or indirectly (i.e. derived from prices) observable.

Level 3: Market inputs/parameters that are not observable (non-observable parameters).

(3) Fair value evaluation techniques for financial instruments not measured at fair value

The Company is of the opinion that financial instruments not measured at fair value either are close to maturity or have future payments/receipts that closely resemble the book value. For this reason, their fair values are estimated using book value as at the balance sheet date.

(4) Fair value evaluation techniques for financial instruments measured at fair value

(4.1) Non-derivative financial instruments

Financial instruments that are openly quoted in an active market shall have fair value determined at the openly quoted price. Market prices published on major exchange are used to determine the fair value of public-listed/OTC-traded equity instruments, while market prices of actively traded government bonds published by TPEx are used to determine the fair value of debt instruments that are openly quoted on an active market.

A financial instrument is deemed to be openly quoted on an active market if reliable quotations (that resemble transactions actually and frequently taking place in a fair market) can be obtained from stock exchange, brokers, underwriters, industry associations, pricing institutions, or the authority on a timely and frequent basis. A market is deemed inactive if it fails to satisfy the above conditions. In general, increasing or excessive bid-ask spread and lack of transaction volume are considered signs of inactive market.

Public listed and OTC-traded shares are deemed to have satisfied the standard conditions and hence treated as financial assets with active market. Their fair values are determined based on market quotations.

Fair value of equity instruments without public quotation held on hand is estimated using the market comparable company approach, which takes into account an investee's net equity and price-to-book multiple of comparable TWSE/TPEx listed company inferred from market quotation. This estimate has already been adjusted and discounted for equity security's lack of marketability.

(4.2) Derivative financial instruments

Fair values are determined using pricing models that are widely accepted among market participants, such as the discounted cash flow model and the options pricing model. Forward exchange contracts and currency swap contracts are generally valued based on counterparties' market quotations.

(5) Transfer between Level 1 and Level 2

There was no transfer in the fair value level of financial instruments evaluated by the Company in 2023 and 2022.

(6) List of changes in Level 3

	At fair value through other comprehensive income Equity instruments without open quotation
Balance on January 1, 2023	$ 955,656,283
Recognized in other comprehensive income	185,644,892
Purchase	64,315,900
Reclassification	33,000,000
Balance on December 31, 2023	**$ 1,238,617,075**
Balance on January 1, 2022	$ 973,059,079
Recognized in other comprehensive income	(20,902,796)
Purchase	3,500,000
Balance on December 31, 2022	**$ 955,656,283**

(7) Quantitative information on fair value measurement of significant unobservable input values (Level 3)

Assets that involve the use of level 3 fair value input are financial assets at fair value through other comprehensive income - equity securities.

Assets that have been classified as level 3 fair value input only use one significant and unobservable input.

Quantitative information of significant and unobservable inputs:

Item	Valuation technique	Significant and unobservable input	Relationship between fair value and significant and unobservable input
Financial assets at fair value through other comprehensive income - equity instruments without active market	Market approach	Lack of market liquidity discount (both 17.5% on December 31, 2023 and December 31, 2022)	• The higher discount for lack of liquidity, the lower the fair value

(8) Sensitivity analysis of fair value to reasonable alternative assumptions for fair value measurement at Level 3

The Company considers its fair value assessment approach of financial instruments to be reasonable, but uses of different valuation model or parameter may lead to different results. For financial instruments classified as level 3 input, impacts to other comprehensive income in the event of a change in valuation parameter are explained below:

Other comprehensive income's Financial assets at fair value through profit or loss	Input	Upward/downward variation	Fair value changes reflected in other comprehensive income	
			Favorable variation	**Adverse variation**
December 31, 2023				
Equity instruments without active market	Market liquidity discounted 17.5%	1%	$ 15,013,710	(15,013,710)
December 31, 2022				
Equity instruments without active market	Market liquidity discounted 17.5%	1%	$ 11,583,569	(11,583,569)

Favorable and adverse variations are determined by how they affect fair value. Fair value is calculated using appropriate valuation technique while incorporating different levels of unobservable input and parameter.

(XXVI) Financial risk management

1. Summary

Use of financial instrument exposes the Company to the following risks:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This footnote discloses exposure, assessment, and management goals, policies, and procedures for the abovementioned risks. For further quantitative disclosures, please see notes to the financial statement.

2. Risk management framework

The Company's Treasury Department and Administrative Department are responsible for establishing risk management policies for various business activities. Both the scope and severity of risk exposures are analyzed to facilitate supervision and management of financial risks associated with the Company's operations. Internal auditors, too, play a supervisory role.

The Company's risk management policy has been established to facilitate identification and analysis of the risks encountered. The policy introduces appropriate risk limits and controls, along with risk supervision practices and compliance requirements.

The risk management policy is regularly revised to reflect changes in market condition and the Company's operations.

3. Credit risk

Credit risk refers to the risk of financial losses incurred by the Company due to the inability of customers or counterparties of financial instruments to fulfill contractual obligations, mainly arising from the accounts receivable and bank deposits of the Company’s customers.

(1) Accounts receivable and other receivables

Credit risk exposure of the aforementioned accounts varies from customer to customer. The management also takes into consideration common factors including default risk of customers' industries and countries, as these risks are also likely to affect credit risk. There was no significant concentration of sales to few customers, and the Company was not susceptible to any significant concentration of credit risk.

The Company has established its own credit policy, which requires every new customer to have credit rating analyzed before being awarded standard payment and delivery terms and payment. Sales limits are assigned on a customer-by-customer basis. The limit represents the maximum amount of uncollected sales proceeds one customer may accumulate without additional approval from the Company, and is regularly reviewed. To mitigate credit risk, the Company requires most of its overseas customers to issue letters of credit.

The Company maintains a doubtful debt account that reflects its estimate of possible losses on notes, accounts, and other receivables. The doubtful debt account is used primarily to account for losses arising from the possibility of debts becoming unrecoverable due to financial distress or business-related dispute of certain customers.

(2) Bank deposit

Credit risks associated with bank deposit are assessed and monitored by the Company's Treasury Department. The Company transacts and deals only with banks of strong credit standing, hence there is no material concern in terms of contract fulfillment or credit risk exposure.

4. Liquidity risk

Liquidity risk refers to the risk of inability to deliver cash or other financial assets to settle financial liabilities and failure to fulfill related obligations. The Company monitors the use of bank financing limits through management personnel to ensure sufficient funds are available and compliance with loan contract terms. At the same time, it also conducts financing negotiations with financial institutions to maintain a certain credit limit and reduce liquidity risk. As of December 31, 2023 and 2022, the unused bank financing amounts of the Company were NTD 3,041,683,068 and NTD 2,749,928,821, respectively.

5. Market risk

Market risk refers to the effect a change of market price may have on the income or value of financial instruments held on hand, whether it is an exchange rate instrument, interest rate instrument, equity instrument or otherwise. The goal of market risk management is to control market risk exposure within a tolerable range while optimizing investment returns.

(1) Exchange rate risk

The Company is exposed to exchange rate risks arising from sales, purchases, and loans that are denominated in non-functional currencies. NTD represents the Company's main functional currency.

Furthermore, the Company adopts natural hedge as a general guideline, and hedges foreign currency capital requirements and net positions (being the difference between foreign currency assets and liabilities) depending on the state of the foreign currency market. Currency swaps are among the most common hedging instruments used, and all of which have maturity shorter than one year.

Loan interests accrue in the same currency as the principals borrowed. This practice provides effective hedge without use of derivative instruments, hence no hedge accounting is required.

(2) Interest rate risk

Capital borrowed by the Company may give rise to fair value or cash flow volatility due to exchange rate changes. The Company adopts a policy that monitors changes in the borrowing rate against trends of the market interest rate. It manages interest rate risk by borrowing capital through an appropriate combination of floating rate and fixed rate sources.

(3) Equity instrument price risk

Equity instrument price risk refers to future price uncertainty associated with the equity instruments held on hand. The Company manages equity instrument price risk through diversification of investment portfolio and regular update of issuers' financial position.

(XXVII) Capital management

Objectives of the Company's capital management practices are to ensure the ability to sustain operations, deliver shareholder returns, and perform in line with the interests of other stakeholders while maintaining optimal capital structure for minimal funding cost. The

Company may maintain or adjust its capital structure by changing the amounts of dividend paid, reducing and refunding share capital back to shareholders, issuing new shares, or liquidating assets against liabilities.

The Company manages capital using debt-to-capital ratio as the primary form of measurement. This ratio is calculated by dividing net liabilities with gross capital. Net liabilities are calculated by deducting cash and cash equivalents from total liabilities, as shown in the balance sheet. Total capital refers to all components of equity (i.e. share capital, capital surplus, retained earnings and other equity) plus net liabilities.

The debt to capital ratios on December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 4,088,597,662	4,444,188,551
Less: Cash and cash equivalents	455,844,908	214,173,158
Net liabilities	**$ 3,632,752,754**	**4,230,015,393**
Total equity interest	**$ 3,447,600,848**	**2,815,629,237**
Gross capital	**$ 7,080,353,602**	**7,045,644,630**
Debt-to-capital ratio	**51.31%**	**60.04%**

The capital management method of the Company remained unchanged as of December 31, 2023.

(XXVIII) Non-cash investment and financing activities

Reconciliation of liabilities associated with financing activities is explained below:

	January 1, 2022	Cash flow	Changes without cash effect: Reclassification	Changes without cash effect: Interest amortization	December 31, 2023
Short-term notes and bills payable	$ 124,699,972	(125,000,000)	-	300,028	-
Short-term loan	3,205,071,179	(211,754,247)	(1,330,000,000)	-	1,663,316,932
Long term borrowings	700,000,000	45,000,000	1,330,000,000	-	2,075,000,000
Total liabilities from financing activities	**$ 4,029,771,151**	**(291,754,247)**	**-**	**300,028**	**3,738,316,932**

	January 1, 2022	Cash flow	Changes without cash effect: Exchange rate changes	Changes without cash effect: Interest amortization	December 31, 2022
Short-term notes and bills payable	$ -	125,000,000	-	(300,028)	124,699,972
Short-term loan	3,232,340,870	(27,269,691)	-	-	3,205,071,179
Long term borrowings	700,000,000	-	-	-	700,000,000
Total liabilities from financing activities	**$ 3,932,340,870**	**97,730,309**	**-**	**(300,028)**	**4,029,771,151**

VII. Related party transactions

(I) Name and relationship of related parties

Transactions with related parties during the reporting period of the financial statements are as follows:

Name of related party	Relationship with the Company
Employee Welfare Committee of Kao Hsing Chang Iron & Steel Corp.	Employee welfare committee of the Company
Kao Hsing Smelting & Chemical Fiber Co., Ltd.	A company managed by key management personnel
Sunward Refractories Co., Ltd.	Associated companies of the Company
Upcycle Inc.	A company managed by key management personnel

(II) Significant transactions with related parties

1. Revenue from sales and leftover

	2023	2022
Kao Hsing Smelting & Chemical Fiber Co., Ltd.	$ 9,574,985	13,507,217

Proceeds on scraps sold to related parties are collected 10 days after month-end via promissory note; proceeds on sale of scraps to non-related parties are collected either within 10 days after month-end or in advance before shipment.

2. Leases

(1) The Company leased an office from the Employee Welfare Committee of Kao Hsing Chang Iron & Steel Corp. for the use of the headquarters. The lease period is from January 1, 2015 to December 31, 2024, and the payment method is a one-off payment of the rent for the lease period at the time of contract signing.

The lease deposits of the aforementioned lease paid on December 31, 2023 and 2022 are both 4,000,000. As of December 31, 2023 and 2022, the balances of the right-of-use assets were NTD 3,290,280 and NTD 6,580,560, respectively.

(2) The Company rented out the factory building in Zhuyuan section, Renwu District, Kaohsiung to Sunward Refractories Co., Ltd. in November 2020. The lease period was from November 2020 to November 202025, and the lease deposit collected on December 31, 2023and 2022 was both NTD 5,000,000. The recognized rental income for 2023 and 2022 were NTD 29,052,354 and NTD 28,608,567, respectively, recognized in the comprehensive income statement as operating income. As of December 31, 2023 and 2022, all receivables arising from the aforementioned transactions have been received.

3. Accounts receivable from related parties

Details of related party receivables are shown below:

Account category	Type of related party	December 31, 2023	December 31, 2022
2. Other receivables	A company managed by key management personnel	$ 534,813	499,474

4. Others

(1) In 2023, Upcycle Inc. processed a capital increase in cash, and the Company increased the investment amount in it by NTD 31,315,900. As of December 31, 2023, the relevant registration change procedures have been completed.

(2) As of December 31, 2023 and 2022, the bank loans and short-term notes and bills payable and the credit available were jointly guaranteed by the key management personnel of the Company.

(III) Transactions of key management personnel

Compensation to key management personnel includes the following:

	2023	2022
Short-term employee benefits	$ 10,304,882	10,282,245
Retirement benefits	64,692	63,072
	$ 10,369,574	10,345,317

In addition, the Company also provides cars for management personnel to use. As of December 31, 2023 and 2022, the outstanding balance of such car equipment was NTD 563,490 (cost NTD 11,270,000minus accumulated depreciation NTD 10,706,510) and NTD 939,154 (cost NTD 11,270,000 minus accumulated depreciation NTD 10,330,846). The depreciation expenses for 2023 and 2022 were NTD 375,664 and NTD 375,672, respectively. The Chairman has been assigned a driver, whose salary is determined according to the Company's Employee Salary Policy.

VIII. Assets collateralized and pledged

Book value of assets pledged by the Company is explained below:

Name of asset	Targets of collateralization and pledge	December 31, 2023	December 31, 2022
Restricted bank deposits	Short-term loan	$	20,022,848
Non-current assets classified as held for sale	Short-term loan	-	113,333,469
Property, plant and equipment	Short-term loans and long-term loans	955,031,992	944,394,238
Investment property	Short-term loans and long-term loans	2,009,571,539	1,996,070,599
		$ 2,964,603,531	3,073,821,154

IX. Major contingent liabilities and unrecognized contractual commitments

(I) As of December 31, 2023 and 2022, the payable guarantee notes issued by the Company for purchase of goods were NTD 41,620,000 and NTD 41,820,000, respectively.

(II) As of December 31, 2023 and 2022, the unused balance of letters of credit issued by the Company were NTD 39,439,116 and NTD 63,288,938, respectively.

(III) As of December 31, 2023 and 2022, The committed amounts of the sales contracts signed by the Company has signed were NTD 13,044,240 and NTD 4,498,632, respectively, and NTD 931,707 and NTD 530,000 were respectively provided as performance bonds (including bid deposits), recognized under guarantee deposits paid in the financial report. If the delivery is not made according to the agreement, a penalty of 1/1000 to 3/1000 of the unpaid portion of the payment will be imposed every day.

X. Losses from major disasters: None.

XI. Major post-balance sheet events: None.

XII. Others

(I) A summary of employee benefits, depreciation and amortization expenses is listed below by function:

Function / By nature	2023			2022		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee benefit expenses						
Salary expenses	85,144,817	35,841,593	120,986,410	87,782,725	35,145,329	122,928,054
Labor/health insurance premium	10,065,589	3,837,474	13,903,063	9,808,246	3,667,074	13,475,320
Pension expense	4,408,704	1,687,102	6,095,806	4,315,120	1,617,345	5,932,465
Directors' compensation	-	4,338,000	4,338,000	-	4,338,000	4,338,000
Other employee benefit expenses	5,154,830	1,917,400	7,072,230	8,018,082	3,029,845	11,047,927
Depreciation	50,571,083	7,083,635	57,654,718	49,155,469	6,616,704	55,772,173
Amortization	-	-	-	-	-	-

The additional information on the number of employees and employee benefit expenses for 2023 and 2022 is as follows:

	2023	2022
Number of employees	219	214
No. of directors without concurrent position as employee	6	6
Average employee benefit expenses	$ 695,106	737,422
Average employee salary expenses	$ 568,011	591,000
Adjustments to average employee salary expenses	(3.89)%	
Supervisor remuneration	$ -	-

Information on the Company's salary and remuneration policies (including for directors, managers and employees) is as follows:

I. Employees' salary and remuneration mainly includes basic compensation (including base salary and special environmental allowances), year-end bonuses and performance bonuses.

1. Salary payment standards are determined based on the salary market situation, company operation status and organizational structure. Furthermore, it will be adjusted in due course according to market salary dynamics, changes in the overall economy and industrial climate and governmental laws and regulations.
2. Employees' salary and remuneration are determined based on the academic experience, professional knowledge and skills, professional seniority and experience and personal performance, and do not differ based on age, gender, race, religion, political stance, marital status, or affiliation with the labor union.
3. Bonuses are paid based on the Company's operational performance and individual

employee's performance.

4. The starting salary standards for inexperienced and foreign workers comply with government regulations.
5. According to the articles of association of the Company, if the Company has a profit in the year, no less than 0.5% shall be allocated as employees' remuneration. However, profits must first be taken to offset against cumulative losses if any.

II Managers' salary and remuneration are based on factors such as the Company's business strategy, profitability, performance and job contribution, with reference to the salary market level, including salary, job allowance, severance pay, various bonuses, rewards and allowances. In addition, according to the articles of incorporation of the Company, if there is any profit in the year, no less than 0.5% shall be allocated as employees' remuneration. However, profits must first be taken to offset against cumulative losses if any.

III Other than a fixed monthly fee for business execution, the remuneration of the Chairman also includes salary, various bonuses and rewards. In addition, according to the articles of incorporation of the Company, if there is any profit in the year, no less than 5% shall be allocated as directors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

XIII. Other disclosures

(I) Information Related to Significant Transactions

The information related to major transactions that the Company is required to disclose in accordance with the Regulations Governing the Preparation of Financial Reports for 2023 is as follows:

1. Loans to others: None.
2. Endorsement and guarantee for others: None.
3. Holding of securities at the end of the period (excluding investment in subsidiaries, affiliates and joint venture equity):

Holder	Name and type of securities	Relationship with the securities issuer	Account category	End of period				Remarks
				Shares	Book value	Shareholding percentage	Fair value	
The Company	Stock/HIWIN	-	Current financial assets at fair value through other comprehensive income	100,000	23,500,000	0.03%	23,500,000	
The Company	Stock/Chuntai Resource Technology	-	Current financial assets at fair value through other comprehensive income	20,000	2,160,000	0.02%	2,160,000	
The Company	Share/China Steel Chemical	-	Current financial assets at fair value through other comprehensive income	500,000	59,250,000	0.21%	59,250,000	
The Company	Stock/Cleanaway	-	Current financial assets at fair value through other comprehensive income	480,000	86,400,000	0.44%	86,400,000	
The Company	Stock/Delta Electronics	-	Current financial assets at fair value through other comprehensive income	150,000	47,025,000	0.01%	47,025,000	
The Company	Stocks/Taiwan Semiconductor Manufacturing	-	Current financial assets at fair value through other comprehensive income	10,000	5,930,000	- %	5,930,000	
The Company	Stock/Genius Electronic Optical	-	Current financial assets at fair value through other comprehensive income	110,000	46,255,000	0.10%	46,255,000	
The Company	Share/ChainQui Construction Development	-	Current financial assets at fair value through other comprehensive income	93,000	1,567,050	0.04%	1,567,050	
The Company	Stocks/Asia Optical	-	Current financial assets at fair value through other comprehensive income	400,000	28,080,000	0.14%	28,080,000	
The Company	Stocks/Eternal Materials	-	Current financial assets at fair value through other comprehensive income	500,000	14,550,000	0.04%	14,550,000	
The Company	Stock/AOpen Inc.	-	Current financial assets at fair value through other comprehensive income	250,000	15,950,000	0.32%	15,950,000	
The Company	Share/Yageo	-	Current financial assets at fair value through other comprehensive income	70,000	41,790,000	0.02%	41,790,000	
The Company	Stock/Kaimei	-	Current financial assets at fair value through other comprehensive income	1,650,000	116,325,000	1.52%	116,325,000	

Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Holder	Name and type of securities	Relationship with the securities issuer	Account category	End of period				Remarks
				Shares	Book value	Shareholding percentage	Fair value	
The Company	Stock/Walsin Technology	-	Current financial assets at fair value through other comprehensive income	1,700,000	65,705,000	0.04%	65,705,000	
The Company	Stock/Episil Technologies	-	Current financial assets at fair value through other comprehensive income	500,000	36,050,000	0.15%	36,050,000	
The Company	Stocks/CHPT	-	Current financial assets at fair value through other comprehensive income	20,000	11,280,000	0.06%	11,280,000	
The Company	Stock/Quanta Computer	-	Current financial assets at fair value through other comprehensive income	20,000	4,490,000	- %	4,490,000	
The Company	Share/Sunspring Metal	-	Current financial assets at fair value through other comprehensive income	300,000	7,575,000	0.15%	7,575,000	
The Company	Stock/Hon Hai Precision Industry	-	Current financial assets at fair value through other comprehensive income	300,000	31,350,000	- %	31,350,000	
The Company	Stock/B-TEK Corp.	-	Current financial assets at fair value through other comprehensive income	400,000	21,240,000	0.03%	21,240,000	
The Company	Share/Win Semiconductors	-	Current financial assets at fair value through other comprehensive income	150,000	23,850,000	0.04%	23,850,000	
The Company	Stock/Giga-Byte Technology	-	Current financial assets at fair value through other comprehensive income	150,000	39,900,000	0.02%	39,900,000	
The Company	Stock/Far EasTone Telecommunications		Current financial assets at fair value through other comprehensive income	600,000	47,880,000	0.02%	47,880,000	
The Company	Stock/Airoha Technology		Current financial assets at fair value through other comprehensive income	10,000	5,770,000	0.01%	5,770,000	
The Company	Stock/VisEra Technologies		Current financial assets at fair value through other comprehensive income	80,000	22,120,000	0.03%	22,120,000	
The Company	Share/Chunghwa Picture Tubes	-	Non-current financial assets at fair value through other comprehensive income	71,210	-	- %	-	
The Company	Share/CSGT Metals Vietnam Joint Stock Company	-	Non-current financial assets at fair value through other comprehensive income	1,328,940	57,119,417	6.00%	57,119,417	
The Company	Share/Universal Venture Capital Investment Crop.	-	Non-current financial assets at fair value through other comprehensive income	1,400,000	12,740,000	1.16%	12,740,000	
The Company	Share/KHH Arena Corporation	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	77,096,250	2.00%	77,096,250	
The Company	Stock/Apex Logistic	-	Non-current financial assets at fair value through other comprehensive income	350,000	4,084,500	5.15%	4,084,500	
The Company	Share/ENRESTEC Inc.	The Company is a director of the securities issuer	Non-current financial assets at fair value through other comprehensive income	19,101,651	272,785,904	18.71%	272,785,904	
The Company	Stock/Guangdong Haowei Electronics Co., Ltd.	The Company is a director of the securities issuer	Non-current financial assets at fair value through other comprehensive income	28,014,706	679,254,284	18.68%	679,254,284	
The Company	Stock/Upcycle Inc.	The Company is a director of the securities issuer	Non-current financial assets at fair value through other comprehensive income	8,846,900	135,536,720	8.48%	135,536,720	

4. The cumulative amount of the same securities purchased or sold reaches NTD 300 million or 20% of the paid-in capital:

Purchasing/selling company	Name and type of securities	Account category	Transaction counterparty	Relationship	Beginning of period		Purchase		Sell				End of period	
					Number of shares	Amount (Note 1)	Number of shares	Amount	Shares	Price	Book cost	Disposal gain or loss	Number of shares	Amount (Note 2)
The Company	Share/Yageo	Financial assets at fair value through other comprehensive income - current	-	-	360,000	192,208,033	284,000	142,329,556	574,000	308,322,280	298,156,360	10,165,920	70,000	36,381,229

Note 1: The amount does not include the evaluation adjustment of NTD (29,848,033).

Note2: The amount does not include the evaluation adjustment of NTD 5,408,771.

5. The amount of property acquired reaches NTD 300 million or 20% of the paid-in capital:
6. The amount of property disposed of reaches NTD 300 million or 20% of the paid-in capital:

Property disposing company	Name of property	Date of occurrence	Initial acquisition date	Book value	Transaction amount	Proceeds collection status	Disposal gain or loss	Transaction counterparty	Relationship with the Company	Disposal purpose	Reference for price setting	Other stipulated matters
The Company	Land (recognized as non-current assets classified as held for sale)	Contract signing date December 16, 2022	September 1987	113,333,469	452,373,000	Fully collected	329,307,124	Individual	Non-related party	Working capital replenishment	Appraisal report	-

7. The amount of related parties' purchase or sale of goods reaches NTD 100 million or 20% of the paid-in capital: None.
8. The amount of accounts receivable from related parties reaches NTD 100 million or 20% of the paid-in capital:
9. Engagement in derivative instrument trading: None.

(II) Information Related to reinvestments

The information on the Company's reinvestments in 2023 is as follows (excluding mainland investments):

Name of investor	Name of investee	Location	Main business activities	Sum of initial investment		Period-end holding position			Current period profit/loss of the investee	Investment gains/losses recognized in the current period	Remarks
				End of current period	End of previous year	Shares	Ratio	Book value			
The Company	KHC Steel International Corp.	Gushan District, Kaohsiung City	Trading of steel pipes and steel sheets	105,800,000	105,800,000	7,280,000	38.32%	165,770,897	3,886,602	1,489,346	-
The Company	Hsieh Chang Hsing Trading Co., Ltd.	Gushan District, Kaohsiung City	Holding of various production and banking businesses	171,728,510	171,728,510	17,172,851	45.79%	284,106,872	13,600,031	6,227,454	-
The Company	Sunward Refractories Co., Ltd.	Renwu District, Kaohsiung City	Ceramic products and refractory material manufacturing	107,906,001	107,906,001	4,588,600	20.00%	80,926,347	41,910,581	8,382,116	-
The Company	Smartway Ark Alliance Co., Ltd.	Gushan District, Kaohsiung City	Real estate construction	99,000,000	99,000,000	9,900,000	45.00%	98,232,542	(1,772,730)	(797,729)	-

(III) Mainland investment information: None.

(IV) Major shareholder information

Unit: Shares

Shares Name	Number of shares held	Percentage of shareholding
Huida Investment Co., Ltd.	40,999,312	21.48%
Tai-Rong Lui	27,551,329	14.43%
Hsieh Chang Hsing Trading Co., Ltd.	26,007,915	13.62%
Lu Ho-Lin	16,426,010	8.60%
KHC Steel International Corp.	12,770,000	6.69%

The Company has applied to Taiwan Depository and Clearing Corporation to obtain the information listed in this table to explain the following matters:

(1) The major shareholder information in this table is compiled by the Taiwan Depository and Clearing Corp. on the last business day at the end of each quarter by calculating the total number of ordinary shares held by each shareholder in the Company (including treasury shares) settled via scripless registration and exceeding 5% in total. As for the share capital recorded in the Company's financial statements and the Company's actual completed non-physical registration of the number of shares delivered, there may be differences or discrepancies due to different calculation bases.

(2) If the data above pertains to shares delivered by shareholders to a trust, it is disclosed in individual sub-accounts under the trustee's special trust account. As for shareholders' declarations of insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, such shareholdings include personal shareholdings plus the shares delivered to a trust and have the right to use the trust property, and so on. For information on insider equity declarations, please refer to the Market Observation Post System.

XIV. Segment information

(I) Information on the profit or loss, assets, liabilities and their measurement basis and adjustments of departments to be reported

The management allocates resources and evaluates segment performance based on pre-tax segment profits (excluding extraordinary gains/losses and exchange gains/losses), as shown on internal management reports verified by the main operational decision maker. Due to the fact that income tax, extraordinary gains/losses, and exchange gains/losses are managed at the group level, the Company does not allocate income tax expenses (benefits), extraordinary gains/losses, and exchange gains/losses to reporting segments. The reported amounts are consistent with the amounts used by the management for decision-making.

Accounting policies adopted by various operating segments are consistent with those described in Note IV - "Summary of significant accounting policies."

Disclosure and reconciliation of segment information:

2023	Steel Pipe Department	Others	Reconciliation and elimination	Total
Revenue				
Revenues from external customers	$ 1,351,761,474	108,533,482	-	1,460,294,956
Inter-segment revenues	-	-	-	-
Total revenues	$ 1,351,761,474	108,533,482	-	1,460,294,956
Interest expenses	$ -	-	(88,661,943)	(88,661,943)
Depreciation and amortization	$ 41,248,065	5,440,987	10,965,666	57,654,718
Share of equity-accounted associated companies	$ -	-	15,301,187	15,301,187
Profit/loss of reported segment	$ 75,399,917	(13,278,708)	350,050,322	412,171,531
Assets				
Equity-accounted investments	$ -	-	629,036,658	629,036,658
Capital spending for non-current assets	$ 31,290,413	2,235,000	2,205,000	35,730,413
Assets of reported segment	$ 1,661,487,746	20,830,770	5,853,879,994	7,536,198,510

2022	Steel Pipe Department	Others	Reconciliation and elimination	Total
Revenue				
Revenues from external customers	$ 2,122,479,408	93,575,250	-	2,216,054,658
Inter-segment revenues	-	-	-	-
Total revenues	$ 2,122,479,408	93,575,250	-	2,216,054,658
Interest expenses	$ -	-	(73,038,759)	(73,038,759)
Depreciation and amortization	$ 40,703,715	5,110,637	9,957,821	55,772,173
Share of equity-accounted associated companies	$ -	-	2,280,069	2,280,069
Profit/loss of reported segment	$ 135,305,200	(17,376,718)	1,630,640	119,559,122
Assets				
Equity-accounted investments	$ -	-	512,824,145	512,824,145
Capital spending for non-current assets	$ 38,012,158	1,955,000	7,416,980	47,384,138
Assets of reported segment	$ 1,679,370,650	20,021,533	5,560,425,605	7,259,817,788

Significant reconciliation of information between the reporting segments mentioned above:

1. Undistributed gains and losses of departments to be reported:

	2023	2022
Gain on disposal of non-current assets classified as held for sale	$ 329,307,124	-
Loss (gain) on disposal of property, plant and equipment	192,667	(892,224)
Financial costs – interest expenses	(88,661,943)	(73,038,759)
Others	109,212,474	75,561,623
Total	$ 350,050,322	1,630,640

2. Assets of departments not to be reported:

	2023	2022
Cash and bank deposits	$ 455,754,908	214,083,158
Equity-accounted investments	629,036,658	512,824,145
Non-current assets classified as held for sale	-	113,333,469
Property, plant and equipment	616,406,121	619,729,429
Right-of-use asset	3,290,280	6,580,560
Investment property	2,024,890,855	2,027,466,093
Financial assets at fair value through other comprehensive income	2,044,609,125	1,939,993,383
Other financial assets	-	20,022,848
Others	79,892,047	106,392,520
Total	**$ 5,853,879,994**	**5,560,425,605**

(II) Information by region

Disclosure of regional information is as follows. Income location is determined based on customers' geographic presence, whereas location of non-current assets is determined based on the asset's physical presence.

Region	**2023**	**2022**
Revenues from external customers:		
Taiwan	$ 1,326,811,348	1,557,333,227
USA	132,768,394	657,960,034
Japan	715,214	761,397
	$ 1,460,294,956	**2,216,054,658**

Region	**112.12.31**	**111.12.31**
Non-current assets:		
Taiwan	**$ 3,526,164,609**	**3,548,088,914**

Non-current assets include property, plant, and equipment, investment property, and right-of-use asset, but exclude non-current financial instruments.

(III) Major customer information

Customer	2023	2022
Nakosin Enterprise Co., Ltd.	$ 471,906,377	613,502,013
Gir Gai Trading Co., Ltd.	232,126,704	218,536,382
Long An Hardware Co., Ltd.	135,203,793	175,974,266
Kiin's Corporation	125,758,195	125,167,682
Thyssenkrupp Materials Trading	71,573,985	224,945,828
	$ 1,036,569,054	**1,358,126,171**

V. In the most recent year and as of the publication date of the Annual Report, if any financial difficulties occur among the Company and its affiliated companies, their effect on the Company's financial status: None.

Seven. Financial status and financial performance review analysis and risk issues

I. Financial status

Unit: NTD Thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	2,137,442	2,205,712	(68,270)	(3.09)
Non-current assets	5,398,757	5,054,106	344,651	6.81
Total assets	7,536,199	7,259,818	276,381	3.8
Current liabilities	1,862,200	3,532,687	(1,670,487)	(47.28) Note 1
Non-current liabilities	2,226,397	911,501	1,314,896	144.25 Note 1
Total liabilities	4,088,597	4,444,188	(355,591)	(8)
Share capital	1,908,523	2,008,523	(100,000)	(4.97)
Capital surplus	0	75,159	(75,159)	(100) Note 2
Retained earnings	1,210,269	809,216	401,053	49.56 Note 3
Other equity interest	328,808	(77,268)	406,076	525.54 Note 4
Treasury stock	0	0	0	0
Total equity	3,447,600	2,815,630	631,970	22.44
Net value per share (NTD)	17.84	14.02	3.82	27.25

Description of major changes:

1. In June 2023, the Company applied to the bank for a credit period of two years instead of one year; the short-term borrowings amounted to NTD 1,330,000 thousand were transferred to long-term borrowings.
2. The Company repurchases treasury shares for the 7th instance at a price higher than the denomination. When the treasury shares are canceled, the write-off will be recognized as a capital reserve.
3. Mainly due to the increase in net income for the period.
4. Other equity increased by NTD 406,076 thousand, which was mainly due to the increase in unrealized equity investments at fair value through other comprehensive income.

II. Financial performance

(I) Financial performance

Unit: NTD thousands

Item \ Year	2023 Total	2022 Total	Amount of increase or decrease	Change in ratios (%)
Operating income	1,460,295	2,216,054	(755,759)	(34.1)
Operating costs	1,258,760	1,888,923	(630,163)	(33.36)
Operating margin (loss)	201,535	327,131	(125,596)	(38.39)
Marketing fees	35,144	120,872	(85,728)	(70.92)
Management expenses	77,746	67,785	9,961	14.69
Operating expenses	112,890	188,657	(75,767)	(40.16)
Operating profit (loss)	88,645	138,474	(49,829)	(35.98)
Non-operating revenue and expenses	323,527	(18,915)	342,442	1810.43
Net profit before tax for continuing operations (loss)	412,172	119,559	292,613	244.74
Income tax expense (benefit)	(20,664)	7,375	(28,039)	(380.19)
Net profit (loss) for the period	432,836	112,184	320,652	285.83
Other comprehensive income (net amount)	499,466	(266,195)	765,661	287.63
Total comprehensive income for the period	932,302	(154,011)	1,086,313	705.35
Earnings per share (NTD)	2.24	0	1.68	300

Analysis and explanation of increases and decreases in ratios:

1. In 2023, due to the decrease in orders for exporting to the US for YouTube, the sales volume decreased, and the costs and related expenses were also reduced, resulting in a decrease in operating income.
2. The increase in non-operating income and expenses for this period is mainly due to the sale of the land at No. 2 Xinfeng Section, Sanmin District, Kaohsiung City, The transfer resulted in a disposal gain of NTD 329,307 thousand, and the net profit increased accordingly.
3. Increase in other comprehensive income: It is mainly due to the increase in unrealized valuation gains of the Company’s investment in equity instruments measured at fair value through other comprehensive income that are accounted for using the equity method.

(II) Expected sales volume and the basis thereof, possible impact on the Company’s future finance and business, and responsive plan: Please refer to page 5 of the annual report for details.

III. Cash flows

(I) Liquidity analysis for the most recent two years

Item \ Year	2023	2022	Increase (decrease) proportion %
Cash flow adequacy ratio	1%	1%	67.05%
Cash flow adequacy ratio	1%	(7.94)%	209.19%
Cash reinvestment ratio	1%	1%	(94.11)%

Analysis and explanation of increases and decreases in ratios:

1. The increase in cash flow ratio is mainly due to the operating profit.
2. The increase in cash flow adequacy ratio is mainly due to the increase in net cash outflow from operating activities in the last five years compared to the five-year period accumulated in 2022.
3. Cash reinvestment ratio decreased mainly due to net cash inflow from operating activities due to decreased operating profits.

(II) Cash flow analysis for the coming year

Unit: NTD Thousand

Year	Beginning cash balance	Projected annual net cash inflow from operating activities	Projected net cash inflow from investing activities for the year	Projected net cash outflow from financing activities for the year	Projected cash surplus (insufficiency) amount	Remedial measures for cash shortages
						Financing plan
2024	455,845	17,000	275,975	(402,606)	346,214	-

Analysis of changes in cash flow in 2024:

1. The net cash inflow from operating activities is due to the projected operating profit and the reduction in inventory level, resulting in a decrease in net cash inflow from operating activities.
2. The net cash inflow from investing activities is due to the estimated adjustment of investment.
3. The net cash outflow from financing activities is due to the estimated repayment of borrowings and the distribution of dividends.
4. Remedial measures and liquidity analysis for expected cash shortage: Not applicable.

IV. The impact of major capital expenditures in recent years on financial operations: Not applicable.

V. Reinvestment policy in the most recent year, main reasons for its profit or loss, improvement plan and investment plan for the next year:

Explanation:

1. The Company's reinvestment policy is mainly to act in line with its deep cultivation of the steel industry, with a main focus on enhancing product competitiveness. This is supplemented by diversified operations to maximize the benefits of investment and enhance shareholder rights.
2. The main reason for the profit or loss of the Company’s reinvestment policy in the most recent year: None.
3. Investment plan for the coming year:

   At the 10th meeting of the 21st Board of Directors of the Company on August 3, 2023, it was decided to collaborate with a construction company in order to participate in government tenders. The joint application for the land development project of O13 station and Y10 station was submitted with KUO CHENG CONSTRUCTION CO., LTD. As per the agreement, the Company and KUO CHENG CONSTRUCTION CO., LTD. will contribute 35% and 65% of the capital respectively (as the authorized representative). On November 10, 2023, the Kaohsiung City Government selected it as the best applicant.

   The project company of the above-mentioned development was approved and registered by the Kaohsiung City Government on 2024/1/24 and 2024/1/23:

   O13 station land development project Company name: The authorized capital is NT$2.5 billion, and the paid-in capital for initiation is NT$100 million, of which the Company contributes 35%, and the investment amount is NT$35 million (3,500,000 shares at NT$10 per share).

   Y10 station land development project Company name: The authorized capital is NT$2 billion, and the paid-in capital for initiation is NT$90 million, of which the Company contributes 35%, and the investment amount is NT$31.5 million (3,150,000 shares at NT$10 per share).

VI. Risk analysis

The following matters shall be analyzed and evaluated in the most recent year and up to the date of publication of the Annual Report:

(I) Impacts of changes in interest rates, exchange rates and inflation on the Company's profit and loss, and future countermeasures

1. Credit risk:

(1) Credit risk exposure

The book value of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

As the Company has no significant concentration of transactions with a single customer and the sales regions are dispersed, there is no significant risk of concentration of credit risk of accounts and notes receivable. In order to reduce credit risk, the Company also regularly evaluates customers' financial status.

2. Liquidity risk:

The following table shows the contract maturity dates of financial liabilities. It contains estimated interest but does not include the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2023							
Non-derivative instruments							
Short-term loans (floating rate)	$ 1,663,316,932	(1,679,280,842)	(766,298,650)	(912,982,192)	-	-	-
Notes payable (non-interest bearing)	30,333,490	(30,333,490)	(30,333,490)	-	-	-	-
Other notes payable (non-interest bearing)	11,850,879	(11,850,879)	(11,850,879)	-	-	-	-
Accounts payable (non-interest bearing)	34,394,780	(34,394,780)	(34,394,780)	-	-	-	-
Other payables (non-interest bearing)	68,659,944	(68,659,944)	(60,169,944)	(8,490,000)	-	-	-
Guarantee deposits paid (non-interest bearing)	5,000,000	(5,000,000)	-	-	(5,000,000)	-	-
Long-term loan (floating rate)	2,075,000,000	(2,201,556,177)	(27,726,563)	(43,550,111)	(1,564,591,539)	(358,846,946)	(206,841,018)
	$ 3,888,556,025	**(4,031,076,112)**	**(930,774,306)**	**(965,022,303)**	**(1,569,591,539)**	**(358,846,946)**	**(206,841,018)**

The Company does not expect cash flows in the maturity analysis to occur at any earlier time, or in amounts that differ significantly.

3. Exchange rate risk:

(1) The financial assets and liabilities of the Company exposed to significant foreign exchange rate risk are as follows:

	2023.12.31			2023.12.31		
	Foreign currency (NTD)	**Exchange rate**	**NTD**	**Foreign currency (NTD)**	**Exchange rate**	**NTD**
Financial assets						
Monetary item						
USD	$ 265,903.48	30.705	68,351,337	$2,225,702.92	30.71	68,351,337
Financial liabilities						
Monetary item						
USD	406,288.41	30.705				

Sensitivity analysis

The exchange rate risk of the Company's monetary items mainly comes from cash and cash equivalents, accounts receivable, and borrowings denominated in foreign currencies, which generate foreign currency exchange gains and losses during translation. On December 31, 2023 and 2022, when the New Taiwan dollar depreciates or appreciates by 4% relative to the US dollar and Japanese Yen, while all other factors remain unchanged, the net profit after tax for 2023 will decrease or increase by NTD 137,937, and the net loss after tax for 2022 will increase or decrease by NTD 2,187,242. The same base is used for the analysis of both periods.

Because the functional currency of the Company is New Taiwan dollar, the foreign currency exchange gains and losses (including realized and unrealized) for 2023 and 2022 were NTD 11,504 and NTD 7,769,283, respectively.

4. Inflation:

(1) The Company's main raw materials are hot-rolled coils. The suppliers are China Steel, CHUNG HUNG, and ECOLUX. As the supply contracts are signed, the source of raw materials is stable.

(2) The Company outsourced the plating of galvanized steel pipes and the reuse of recovered zinc to mitigate the impact of rising zinc prices.

(3) Utilities and fuel: The steel pipe plant accounted for about 13.5% of the manufacturing cost. In addition to actively promoting revenue and reducing expenditures, production units are also instructed to make more use of off-peak electricity prices for production and recycled water for reuse.

(II) Policies on engaging in high-risk and highly leveraged investments, loans to others, endorsements and guarantees, and derivative transactions, the main reasons for profit or loss, and future countermeasures

1. High risks engaged in by the Company in recent years: None.
2. Highly leveraged investments: None.
3. Loans of funds to others: None.
4. Endorsements / guarantees provided: None.
5. Derivative trading
   (1) The Company did not engage in derivative transactions in 2023.

(III) Future R&D plans and expected R&D expenses

The Company focuses on the improvement of production efficiency, energy conservation, pollution prevention and product quality improvement; currently, there is no major R&D plan.

(IV) Impacts of important domestic and foreign policies and legal changes on the Company’s financial operations, and responsive measures:

The Company pays attention to changes in important domestic and foreign political and economic policies and laws at all times, and takes the initiative to propose corresponding measures in a timely manner. In the most recent year and up to the publication date of the annual report, the Company has not been affected by important domestic and foreign policies and legal changes that have significant impact on financial business and business love affair.

(V) Impacts of technological and industrial changes on the Company’s financial operations, and countermeasures:

In view of the current market conditions of the product, the Company seeks a corresponding profit model to improve operating performance.

(VI) Impacts of changes in corporate image on corporate crisis management and countermeasures:

The Company has a dedicated spokesperson responsible for maintaining the relationship with the public and investors, and establishing the Company's image. In the most recent year and as of the publication date of the Annual Report, no major incidents affecting the Company's corporate image have occurred.

(VII) Expected benefits and possible risks of mergers and acquisitions, and countermeasures:

The Company has no plans for mergers and acquisitions in the most recent year and as of the publication date of the Annual Report. If there are merger and acquisition plans in the future, the M&A will be carefully evaluated and considered to ensure the interests of shareholders.

(VIII) Expected benefits and possible risks associated with any plant expansion, and countermeasures:

The Company's operations are on track and the head office regularly communicates information with the production unit's factory area to relatively reduce the possibility of potential risks, such as: lack of materials or labor and so on.

(IX) Risks associated with any concentration of purchases or sales, and countermeasures:

The main suppliers of raw materials purchased by the Company are China Steel, Chung Hung, and Shang Chen. Due to the signing of supply contracts, the sources of raw materials are stable and the sales targets are mostly long-term stable customers. The Company provides high-quality products and optimal services to establish close interactive relationships and improve customer satisfaction.

(X) Effects and risks to the Company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and countermeasures:

As of the printing date of the Annual Report, the Company had experienced no massive transfer or replacement of shares of directors, supervisors, or major shareholders holding more than 10% of shares.

(XI) Impacts and risks to the Company due to change in management rights, and countermeasures:

In most recent year and as of the printing date of the Annual Report, there has been no change in management rights for the Company.

(XII) For litigation or non-litigation incidents, the company and its directors, supervisors, general managers, substantive persons in charge, major shareholders with more than 10% shareholding, and subordinate companies shall be listed any major litigation, non-litigation, or administrative dispute involving the Company,

and the results of which may have a significant impact on shareholders' equity or securities prices, the Company shall disclose the facts of the dispute, the amount of the dispute, the date of litigation commencement, the main parties involved, and the legal status of the dispute as of the publication date of the annual report: None.

(XIII) Other major risks and countermeasures: information security risk assessment.

Information security risk assessment and analysis: In the past few years, ransomware has swept global enterprises and consumers, and the IoT environment has gradually matured. The vulnerabilities of IoT devices can easily be exploited by hackers to launch network attacks. Therefore, in addition to strengthening the gateway facilities, the Company is also gradually implementing protection at endpoints, checking websites and increasing mail filtering levels, as well as regular employee education and training, to ensure the Company's important assets.

Name of asset	Risk event		Controllable measures or disposal
	Weakness	Derivative threat	
Server host	Operating system vulnerabilities	Causing the system to be compromised	Perform operating system vulnerability patching tests or network control from time to time
	Damaged hardware	Host is not working	Host virtualization or physical host backup
	No backup of software data	Data loss or damage	File remote backup on a regular basis
	Account password control	Data leakage or alteration	Regular changes and complexity of account passwords
	Unavoidable natural disasters	Host crash	Remote backup and storage of virtualized host data
Personal computers	Operating system vulnerabilities	Causing the system to be compromised	Unscheduled patching of operating system vulnerabilities or network control
	Computer virus	Computer is not working	Personal antivirus software installation and regular updates
Network equipment	Network protocol vulnerability	Internet is not available	Network protocol control or host firmware update
	Unavoidable natural disasters	Equipment is not working	Other related network equipment backup
Employee	Insufficient information security concepts	Computer infection or data theft	Advocacy and education of irregular information security views

VII. Other important matters: None.

Eight. Special Disclosures

I. **Related information of affiliated companies: Preparation unnecessary.**

II. **Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, disclose the date on which the placement was approved by the Board of Directors or by a Shareholders' Meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, and the reasons why the private placement method was necessary:** None.

III. **Status of holding or disposing of the Company’s stocks by subsidiaries in the most recent year and as of the date of publication of the Annual Report:** None.

IV. **Other necessary supplementary explanations:** None.

Nine. In the most recent year and as of the printing date of the Annual Report, the occurrence of the matters that have a significant impact on shareholders' equity or securities prices: None.

Kao Hsing Chang Iron & Steel Corp.

Chairman