

Quality and Integrity First

Quality • Sincerity

Stock Code: 2069

運錩鋼鐵股份有限公司

YUEN CHANG STAINLESS STEEL CO., LTD.

2023
Annual Report

The Company's Official Website: http://www.yuenchang.com.tw

MOPS at: http://mopsov.twse.com.tw

Printed on April 30, 2024

I. Name, Job Title, Contact Telephone, and Email Address of the Spokesperson as well as the Deputy Spokesperson:

Spokesperson: Chu Pei-Chen
Job Title: Financial and Accounting Assistant Vice President
Tel: (07) 969-5858
Email: peichen@yuenchang.com.tw

Deputy Spokesperson: Chang Yun-Ching
Title: Special Assistant to the Chairman
Tel: (07) 969-5858
Email: serena@yuenchang.com.tw

II. Address and telephone number of the Company's head office, branches, and factories:

Head Office Address: 13F.-1, No. 235, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City
Tel: (07) 969-5858
Address: No. 12, Huaxi Rd., Daliao Dist., Kaohsiung City
Tel: (07) 787-9118

III. Name, Address, Website, and Tel. No. of Shareholders Service Agency:

Name: Taishin Securities Co., Ltd, Shareholders Service Agency Dept.
Address: B1, No. 96, Section 1, Jianguo North Road, Taipei City
Tel: (02) 2504-8125
Website: https://stocktransfer.tssco.com.tw/index.action

IV. Name, Firm Name, Address, Website, and Tel. No. of External Auditor Certifying the Latest Financial Statements:

Name of CPA: Hsu Kai-Ning, CPA and Wu Chang-Chun, CPA
CPA Firm: Deloitte Taiwan
Address: 3F., No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City
Tel: (07) 530-1888
Website: http://www.doloitte.com.tw

V. 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

VI. The Company's Website: http://www.yuenchang.com.tw

Table of Contents

One. Letter to Shareholders

I. 2023 Business Report

2023 Business Report

The operating revenue in 2023 declined by 16%, primarily as a result of the impact posed by the weak demand and declining nickel price, which dragged down the stainless steel market and resulted in the operating revenue less than expectation. The 2023 business performance is reported as follows:

(I) Implementation results of the business plan

Unit: NTD thousand

Item	Performance in 2022	Performance in 2023	Comparison of performance	Growth rate
Operating revenue, net	14,042,665	11,837,852	-2,204,813	-15.7%

(II) Budget execution

Unit: NTD thousand

Item	Scheduled execution in 2023	Actual execution in 2023	Achievement rate
Operating Revenue	12,490,384	11,837,852	94.78%
Sale volume (MT)	180,890	164,340	90.85%

(III) Profitability analysis

Year	2022	2023
Gross profit margin	8.34%	3.48%
Net profit margin	1.36%	-1.26%

(IV) Revenue and expenditure

Unit: NTD thousand

Item	2022	2023	Change in Amount	Note
Net cash inflow (outflow) from operating activities	2,138,703	(91,680)	(2,230,383)	1
Net cash inflow (outflow) from investing activities	(3,624)	(140,371)	(136,747)	2
Cash inflow (outflow) from financing activities	(2,252,022)	292,186	2,544,208	3

Note 1: The increase in net cash outflow from operating activities is mainly due to the loss in the current period, and the decrease in inventory amount in the current year from last year.

Note 2: The increase in the net cash inflow from investing activities is primarily a result of the decrease in deposits pledged in the pervious period while none this period.

Note 3: The increase in the short-term loan by NT$648,019 thousand and repayment of the corporate bonds, NT$300,584 thousand, in the current period resulted in the increase in net cash inflow from financing activities.

(V) R&D

The Company has assigned the unit dedicated to improving and developing the product processing technology. In order to satisfy customers’ special needs, the Company has researched and developed the functional stainless steel plates intended for various uses, and held mature production experience and manufacturing technology, which upgrade the Company's independent innovation capabilities and comprehensive competitiveness thoroughly. For the time being, the Company's products are extensively applied to computers, communications, and consumer electronics, automobile industry, eco-friendly energy, household appliances, button cell batteries and construction projects. Considering that the Company owns ultra-thin precision stainless steel production technique, it will continue to optimize its product portfolio and develop high value-added products, and also keep improving its applications to car trims, electronics and energy and eco-friendly batteries.

Thank you for your kindness and support in the past. Looking forward to the coming year, the Company will continue to develop and create more competitive products, reduce the production cost, provide customers with more competitive price, help customers secure opportunities in the market, and pursue common prosperity for customers, shareholders, employees and suppliers, in order to create a future full of remarkable results!

Chairman: Yen Te-Ho  General Manager: Yen Te-Ho  Accounting Manager: Chu Pei-Chen 

II. Summary of 2024 Business Report

(I) Business policy

1. Develop new markets and products proactively, disperse the risk over concentrated sales and improve the profitability.
2. Improve production efficiency and quality, and cut operating costs.
3. Enhance the internal control system and implement corporate governance.
4. Promote ethical management and perform social responsibility.

(II) Sales volume forecast and the basis thereof

The Company’s sales volume attained 164,340 tons in 2023. Subject to the industrial environment and supply and demand in the market, and in consideration of the Company’s own production capacity and business development, the Company adjusted the product portfolio adequately, and set the target sales volume as 172,130 tons for 2024.

(III) Important production & sale policy

1. For the production policy: Continue to enhance operating efficiency and improve production process and quality, and plan high-performance and high-profit product portfolio.
2. For the sale policy: Maintain the fair relationship with existing customers, develop new sales territories, develop new customers and products, strengthen product segments and increase the added value of products.

III. The Company's future development strategy and impact posed by changes in external environment

In terms of the economic outlook of Taiwan's stainless steel industry, despite the conservative economic outlook of the USA and high economic uncertainty of China, which affect the industry’s growth momentum for make-to-order and shipment, the inventory adjustment of the downstream segment, such as machine and metal products, has come to an end preliminarily, thereby driving the stable recovery of the domestic manufacturing industry’s demand. Besides, the demand of public works and plant renovation projects for solar PV is increasing. Meanwhile, China's industrial control policies and the reduction of production adopted by related companies in Europe and the United States have achieved specific effects. Various leading countries promote infrastructure construction projects to support the domestic and export market demand and steel quotations. It is expected that the demand for emerging applications, such as electric vehicles and renewable energy, will expand steadily in 2024, thus driving the demand and quotation of international nickel metal to rebound. Further, the relevant dealers increase the proportion of niche products, and the comparison base period is lower, so as to help the dealers improve their business performance. Therefore, it is expected that the economy in 2024 will grow slightly from 2023.

In recent years, net zero emission has become an issue promoted by leading countries proactively. Some impact was posed on the export of certain products by the implementation of EU Carbon Border Adjustment Mechanism (CBAM) on a trial basis in October 2023. Also, Taiwan has passed the "Climate Change Response Act" in January 2023, and the sub-laws governing carbon tax and carbon inventory will be proposed as the first priority. Major dealers have activated the lead-time work, such as carbon footprint inventory and energy conservation and carbon reduction, as the responsive measures. Meanwhile, the ESG represents the global industry trend and enterprise development trend. Taiwan’s steel industry is also promoting related measures proactively. Generally speaking, the impact posed by net zero emission and ESG trends on industrial development changes and product line adjustment is expanding. The steel industry would calculate the product carbon footprint inevitably in line with the global carbon reduction trend. The costs related to carbon neutrality will constitute a part of the pricing of steel materials in the future. Therefore, the Company will pay more attention to relevant policies and regulations and the timing of implementation, and adjust products and processes proactively, in order to successfully seize new business opportunities in the carbon conservation and carbon reduction trend.

Looking forward to the future, the Company will keep pace with the times, continue to verify the market demand, integrate internal and external resources effectively, improve product quality and service level, proactively develop different markets, develop diversified and high value-added products, and also verify the global market trends, in order to address the changes in external environments rapidly, create the long-term stable profit growth and market competitiveness for the Company, and make enterprises and the society create value jointly.

Two. Company overview

I. Company overview

(I) Date of incorporation: July 24, 1987

(II) Company History

Year	Milestones
1987	Received the company license from Ministry of Economic Affairs, with the paid-in capital amounting to NT$1,000 thousand; rented the factory premises in Kaohsiung to engage in shearing and selling stainless steel.
1988	Paid-in capital amounting to NT$5,000 thousand upon the cash capital increase by NT$4,000 thousand.
1991	Paid-in capital amounting to NT$10,000 thousand upon the cash capital increase by NT$5,000 thousand.
1992	Paid-in capital amounting to NT$20,000 thousand upon the cash capital increase by NT$10,000 thousand. Changed into a company limited by shares.
1993	Acquired the land and factory premises in Yenchao Township to construct the processing factory engaged in shearing steels, occupying an area of 668 *pings*.
1994	Paid-in capital amounting to NT$40,000 thousand upon the cash capital increase by NT$20,000 thousand.
1996	Paid-in capital amounting to NT$60,000 thousand upon the cash capital increase by NT$20,000 thousand.
1997	Paid-in capital amounting to NT$90,000 thousand upon the cash capital increase by NT$30,000 thousand.
1999	Paid-in capital amounting to NT$132,000 thousand upon the cash capital increase by NT$42,000 thousand.
2000	Paid-in capital amounting to NT$198,000 thousand upon the cash capital increase by NT$66,000 thousand.
2002	Acquired the business place and established the Administration Division responsible for planning operations and financial allocation.
2004	Paid-in capital amounting to NT$268,680 thousand upon the cash capital increase by NT$70,680 thousand.
2005	Paid-in capital amounting to NT$319,680 thousand upon recapitalization of earnings by NT$51,000 thousand.
2007	Paid-in capital amounting to NT$380,000 thousand upon recapitalization of earnings by NT$57,000 thousand and cash capital increase by NT$3,320 thousand.
2008	Expanded the factory in Dafa Industrial Park and established Stainless Steel Processing Center of Dafa Plant. Received the International Trade Award of the R.O.C. Paid-in capital amounting to NT$500,000 thousand upon the cash capital increase by NT$120,000 thousand.
2009	Implemented the ERP system to improve the Company's management efficiency.
2010	Received the ISO 9001 certification
2011	Ningbo Qiyi Precision Metals was acquired as a wholly-owned subsidiary. Paid-in capital amounting to NT$1,100,000 thousand upon the cash capital increase by NT$600,000 thousand.

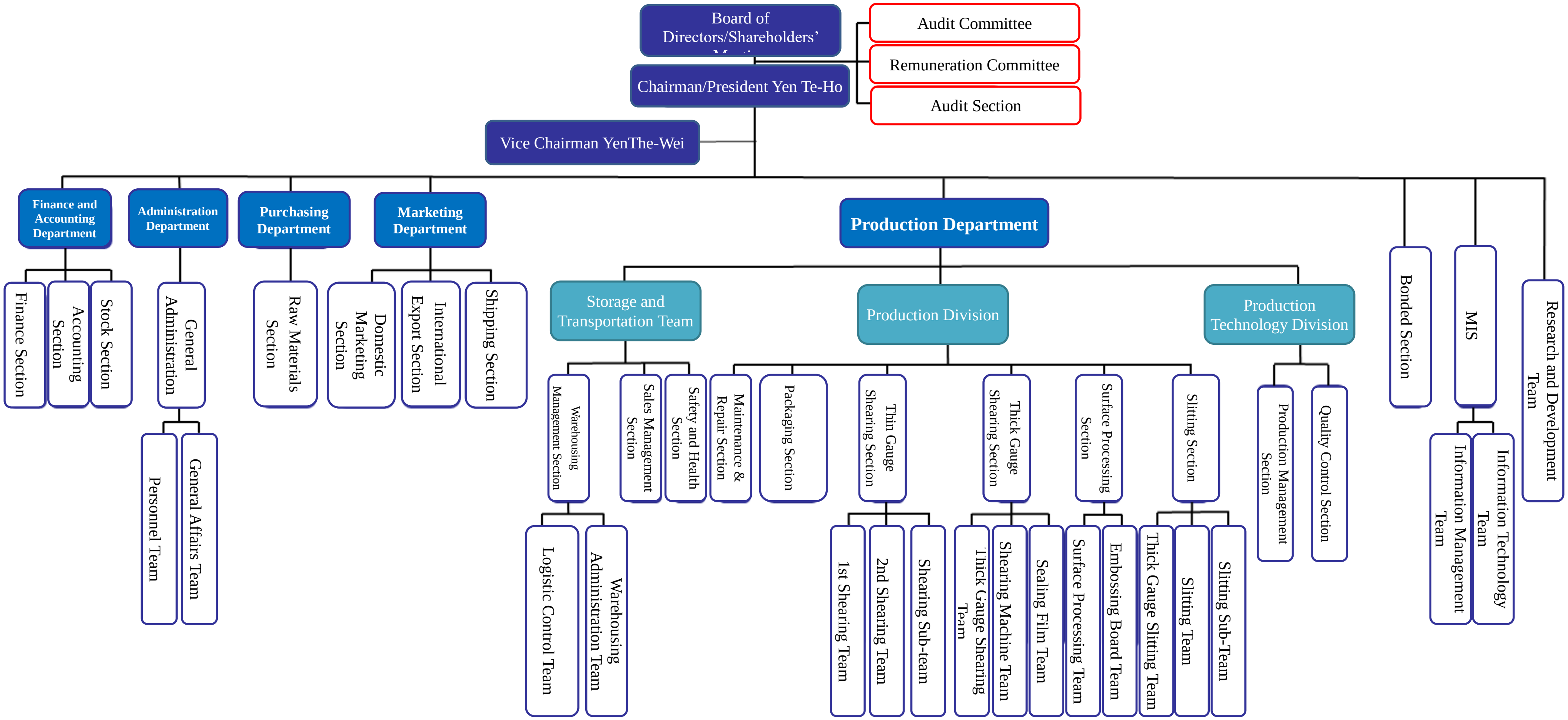
Year	Milestones
2012	The construction of the second phase new production line in Dafa Plant was finished.
2013	Received the license of the bonded factory from Kaohsiung Customs of Customs Administration, Ministry of Finance.
2014	The new shearing line was set up by Dafa Plant. Approved initial public offering.
2015	Listed on TPEx. Paid-in capital amounting to NT$1,121,560 thousand upon recapitalization of earnings by NT$21,560 thousand. Dafa Plant was awarded as the 2014 "Excellent Bonded Factory" by the Customs Administration, Ministry of Finance.
2016	The Company stock started to be listed and traded on TWSE. Paid-in capital amounting to NT1,243,100 thousand upon the cash capital increase by NT$121,540 thousand. Issued the domestic 1st secured convertible corporate bonds, NT$300 million, and 2nd unsecured convertible corporate bonds, NT$100 million. Paid-in capital amounting to NT$1,221,100 thousand upon the capital reduction by cancellation of the treasury stock, NT$22,000 thousand. The subsidiary in China, Ningbo Qiyi Precision Metals, acquired the land in Ningbo and started its work. Received the ISO 14001 certification
2017	Dafa Plant was awarded as the 2016 "Excellent Bonded Factory" by the Customs Administration, Ministry of Finance. The construction of the third phase new production line in Dafa Plant was finished. Paid-in capital amounting to NT$1,405,830 thousand upon the corporate bond holders' exercise of the conversion right to increase the capital stock by NT$184,730 thousand.
2018	Issued the domestic 3rd unsecured convertible corporate bonds, NT$400 million. Paid-in capital amounting to NT$1,530,461 thousand upon cash capital increase by NT$100,000 thousand and the corporate bond holders' exercise of the conversion right to increase the capital stock by NT$124,631 thousand. The expansion of the subsidiary in China, Ningbo Qiyi Precision Metals Co., Ltd. Ninghai Plant, was completed and started to operate in October.
2019	Paid-in capital amounting to NT$1,563,868 thousand upon the corporate bond holders' exercise of the conversion right to increase the capital stock by NT$33,407 thousand.
2020	Implemented the buyback of treasury stock The construction of the new office building in Dafa Plant started.
2021	The new slitting line for thick gauge was set up by Dafa Plant. The construction of the new office building in Dafa Plant was completed. Issued the domestic 4th unsecured convertible corporate bonds, NT$300 million. Paid-in capital amounting to NT$1,663,868 thousand upon the cash capital increase by NT$280,000 thousand.
2022	The construction of the fourth phase new production line in Dafa Plant was finished.

Year	Milestones
2023	The construction of Dafa Plant, 4th stage, was completed.

Three. Corporate Governance Report

I. Organization System

(I) Organizational Structure



(II) Business Operations by Major Departments

Main Departments	Main functions
Administration Department	Preparation of HR policy and operational coordination Research on laws and regulations governing factories Review on contract and related legal instruments Planning and execution of the procurement projects for various supplies and spare parts
Finance and Accounting Department	The Company's overall financial planning, fund utilization & allocation and risk management Planning and drafting of the Company's financial system and operating procedure Accounting, taxation and shareholders service management and operations, and decision-making support and analysis Prepare the relevant data in response to the audit conducted by the CPA
Purchasing Department	Planning and execution of the procurement projects for various raw materials
Marketing Department	Business development strategy planning and formulation of execution plan Marketing activity and marketing strategy planning Collection of market information and development of customers Analysis on market product competition and preparation of responsive strategies to ensure the profit and market share Customer relationship and management
Production Department	Production of various products per the production schedule and based on the SOP Feedback of abnormality in production process to the process unit for improvement Feedback of abnormality in quality to the quality unit for improvement Overall planning about the facility including manufacturing and production Control over production schedule, delivery period and mass production, process control and preparation in the factory Establishment of standard production rate and performance, analysis on production line balance rate, formulation of production flow line planning, and promote the production line automation system Responsible for occupational safety, environmental protection and engineering throughout the factory
Bonded Section	Corporate bonded accounting management
MIS	Planning, promotion, integration, maintenance and management of computerized environment in the Company Maintenance of computer software and hardware, and organization and custody of data and documents Modification of software designs and addition of functional design
Research and Development Team	Core technology development and planning, and implementation of production process Patent application, maintenance and management, and collection of related technology information Collection of new technology information in market, and related industrial connections development and maintenance Improvement of production process and enhancement of mechanical

Main Departments	Main functions
	efficiency
Audit Section	Routine audit on business activities and operating procedures, and execution and improvement of internal control systems, and provision of related analysis and report to the management

II. Background Information About Directors, General Manager, Vice General Manager, Associate General Manager, and the Heads of Various Departments and Branches

(I) Information about directors

April 8, 2024; Unit: shares; %

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age	Date of (elected to) office:	Term of office	Date first elected (Note 2)	Shares held at the time of elected to office		Current Shares		Shares held by spouse and underage children		Shares held in the name of a third party		Main career (academic) achievements (Note 3)	Current positions in the Company and other companies	Spouse or Relatives Within the Second Degree of Kinship Acting as a Director, Supervisor, or Other Managerial Officer			Remark
							Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Job Title	Name	Affiliation	
Chairman	Republic of China	Yen Te-Ho	Male 66 years old	June 9, 2023	3 years	August 12, 1992	7,215,568	4.34%	6,915,568	4.16%	5,615,200	3.37%	-	-	EMBA (Master's), National Sun Yat-sen University	President of the Company Director and also General Manager, QIYI PRECISION METALS CO., LTD. Director and also General Manager, Surewin Global Limited (HK) Chairman of Board, Ningbo Qiyi Precision Metals Co., Ltd. Director, Krystal Holding Ltd.	Director	Yen The-Wei	Siblings	(Note 4)
																	Vice General Manager	Yeh Mei-Yun	Spouse	
																	Vice General Manager	Yen Po-Chien	Father and son	
																	Representative of Director	Chang Yun-Ching	Father-in-law and daughter-in-law	

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age	Date of (elected to) office:	Term of office	Date first elected (Note 2)	Shares held at the time of elected to office		Current Shares		Shares held by spouse and underage children		Shares held in the name of a third party		Main career (academic) achievements (Note 3)	Current positions in the Company and other companies	Spouse or Relatives Within the Second Degree of Kinship Acting as a Director, Supervisor, or Other Managerial Officer			Remark
							Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Job Title	Name	Affiliation	
Director	Republic of China	Yen The-Wei	Male 63 years old	June 9, 2023	3 years	July 2, 1999	2,300,482	1.38%	2,226,482	1.34%	160,894	0.10%	-	-	MBA (Master's), University of Missouri Professor, Department of Business Management, National Taiwan University Sales Manager, Wholesale Banking Business Unit, American Express Bank Specialist, Import & Export Dept., Citibank Taiwan	Vice Chairman of the Company Chairman of Board, Pei Li Investment Co., Ltd.	Chairman Vice General Manager	Yen Te-Ho Yeh Mei-Yun	Siblings Relatives by marriage	
Director	Republic of China	Yuji Investment Co., Ltd.	-	June 9, 2023	3 years	June 23, 2020	37,731,750	22.68%	37,731,750	22.68%	Not applicable	Not applicable	-	-	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
	Republic of China	Representative: Chang Yun-Ching	Female 41 years	June 9, 2023 Date	3 years	June 9, 2023 Date	-	-	665,530	0.40%	3,240,334	1.95%	-	-	MBA (Master's), Purdue	Special Assistant to the Chairman of	Chairman	Yen Te-Ho	Father-in-law and daughter-in-law	

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age	Date of (elected to) office:	Term of office	Date first elected (Note 2)	Shares held at the time of elected to office		Current Shares		Shares held by spouse and underage children		Shares held in the name of a third party		Main career (academic) achievements (Note 3)	Current positions in the Company and other companies	Spouse or Relatives Within the Second Degree of Kinship Acting as a Director, Supervisor, or Other Managerial Officer			Remark
							Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Job Title	Name	Affiliation	
			old	onboard		onboard									University Department of International Business, National Taiwan University	the Company Supervisor, Ningbo Qiyi Precision Metals Co., Ltd.	Vice General Manager	Yeh Mei-Yun	Mother-in-law and daughter-in-law	
																	Vice General Manager	Yen Po-Chien	Spouse	
Independent director	Republic of China	Pan Yung-Shan	Male 69 years old	June 9, 2023	3 years	June 23, 2020	-	-	-	-	-	-	-	-	Department of Materials Science and Engineering, NCKU Vice General Manager, TANG ENG IRON WORKS CO., LTD.	-	-	-	-	
Independent director	Republic of China	Tu Chin-Hsiang	Male 53 years old	June 9, 2023	3 years	June 9, 2023	-	-	-	-	-	-	-	-	EMBA (Master's), National Sun Yat-sen University	Senior Assistant Vice President, Kinmax Technology Inc.	-	-	-	
Independent director	Republic of China	Chen Chih-Cheng	Male 48 years old	June 9, 2023	3 years	June 9, 2023	-	-	-	-	-	-	-	-	Department of Accounting, Feng Chia University	Practicing CPA, Zhuo Cheng CPA Firm	-	-	-	

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age	Date of (elected to) office:	Term of office	Date first elected (Note 2)	Shares held at the time of elected to office		Current Shares		Shares held by spouse and underage children		Shares held in the name of a third party		Main career (academic) achievements (Note 3)	Current positions in the Company and other companies	Spouse or Relatives Within the Second Degree of Kinship Acting as a Director, Supervisor, or Other Managerial Officer			Remark
							Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Job Title	Name	Affiliation	
Independent director	Republic of China	Liu Hsin-Hung	Male 50 years old	June 9, 2023	3 years	June 9, 2023	100,888	0.06%	115,888	0.07%	139,888	0.08%	-	-	Master, Department of Public Finance and Taxation, National Kaohsiung University of Science and Technology	Executive Vice President, SUMI STEEL CO., LTD.	-	-	-	

Note 1: Juristic person shareholders shall be identified by the name and representative individually (in the case of a juristic person shareholder's representative, the juristic person shareholder's name shall be identified), and the following Table 1 shall be completed.

Note 2: Please also specify if the initial term of office for the Company's director or supervisor is interrupted.

Note 3: Previous work experiences relating to their current roles; if the person worked in the external auditor's firm or its affiliated company during said time period, the job title and responsibilities must be provided.

Note 4: The Company's Chairman concurrently serves as the President, in order to improve the operating efficiency and decision-making execution power. Besides, the Company's Chairman owns complete industry qualifications and is familiar with the industry market pulse, so as to enable the Board of Directors to control the Company's operations more comprehensively. Notwithstanding, the Company has proactively cultivated professional managers to meet the needs for sound corporate governance. Meanwhile, in the re-election of the Board of Directors in 2023, the Company elected one additional independent director to improve the functions of the Board of Directors and strengthen the supervisory function.

1. Major shareholders of juristic person shareholders

April 30, 2024

Name of Juristic Person Shareholder	Major shareholders of juristic person shareholders
Yuji Investment Co., Ltd.	Krystal Holding Limited 93.14%, Yen Po-Chien 3.63%, Yeh Mei-Yun 1.51%; Yen Te-Ho 0.96%; Chang Yun-Ching 0.76%

2. Major shareholders of major shareholders who are juristic persons in said Table

April 30, 2024

Name of Juristic Person	Major shareholders of the Juristic Person
Krystal Holding Limited	Yen Te-Ho 50%; Yeh Mei-Yun 50%

3. Information disclosure of director's professional qualifications and independence of the independent directors

Conditions / Name	Professional qualifications and experience	Independence status	Number of companies to which also serving as independent directors
Yen Te-Ho	Academic background: EMBA (Master's), National Sun Yat-sen University Work experience: President of the Company Director and also General Manager, QIYI PRECISION METALS CO., LTD. Director and also General Manager, Surewin Global Limited (HK) Chairman of Board, Ningbo Qiyi Precision Metals Co., Ltd. Director, Krystal Holding Ltd. Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	Not applicable	None
Yen The-Wei	Academic background: MBA (Master's), University of Missouri Work experience: Sales Manager, Wholesale Banking Business Unit, American Express Bank Specialist, Import & Export Dept., Citibank Taiwan Chairman of Board, Pei Li Investment Co., Ltd. Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	Not applicable	None

Name \ Conditions	Professional qualifications and experience	Independence status	Number of companies to which also serving as independent directors
Chang Yun-Ching	Academic background: MBA (Master's), Purdue University Work experience: Chairman’s Special Assistant, Yuen Chang Stainless Steel Co., Ltd. Supervisor, Ningbo Qiyi Precision Metals Co., Ltd. Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	Not applicable	None
Pan Yung-Shan	Academic Background: Department of Materials Science and Engineering, NCKU Work experience: Vice General Manager, TANG ENG IRON WORKS CO., LTD. Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	(1) Neither they or their spouses or relatives within the second degree of kinship serve as directors, supervisors, or employees in the Company or any of its affiliates. (2) The number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder) are 0 and 0 %. (3) None of them serve as directors, supervisors, or employees in any entity that has a certain relationship with the Company. (4) Amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates is NT$0.	None
Tu Chin-Hsiang	Academic background: EMBA (Master's), National Sun Yat-sen University Work experience: Senior Assistant Vice President, Kinmax Technology Inc. Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	(1) Neither they or their spouses or relatives within the second degree of kinship serve as directors, supervisors, or employees in the Company or any of its affiliates. (2) The number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder) are 0 and 0 %. (3) None of them serve as directors, supervisors, or employees in any entity that has a certain relationship with the Company. (4) Amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other	None

Conditions / Name	Professional qualifications and experience	Independence status	Number of companies to which also serving as independent directors
		professional services to the Company and its affiliates is NT$0.	
Chen Chih-Cheng	Academic background: Department of Accounting, Feng Chia University Work experience: Practicing CPA, Zhuo Cheng CPA Firm Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	(1) Neither they or their spouses or relatives within the second degree of kinship serve as directors, supervisors, or employees in the Company or any of its affiliates. (2) The number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder) are 0 and 0 %. (3) None of them serve as directors, supervisors, or employees in any entity that has a certain relationship with the Company. (4) Amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates is NT$0.	2
Liu Hsin-Hung	Academic background: Master, Department of Public Finance and Taxation, National Kaohsiung University of Science and Technology Work experience: Executive Vice President, SUMI STEEL CO., LTD. Professional qualification: Please refer to (Note 1). Does not meet any of the conditions stated in Article 30 of the Company Act.	(1) Neither they or their spouses or relatives within the second degree of kinship serve as directors, supervisors, or employees in the Company or any of its affiliates. (2) The number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder) are 0 and 0 %. (3) None of them serve as directors, supervisors, or employees in any entity that has a certain relationship with the Company. (4) Amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates is NT$0.	None

4. The Board of Directors' diversity and independence

(1) Diversity of the Board members:

The Company includes the philosophy of diversity into the “Corporate Governance Best Practice Principles” and “Procedure for Election of Directors.” The same expressly state that the election of directors shall be determined by taking diversity into consideration but directors serving as managers concurrently should not be more than one-third of the whole directors. Meanwhile, it is advisable that an appropriate policy on diversity shall include, without limitation to, the two general standards, namely, basic requirements and values (gender, age, nationality and culture, etc.) and professional knowledge and skills (law, accounting, industry, finance, marketing or technology).

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:
(a)Ability to make operational judgments; (b)Ability to perform accounting and financial analysis; (c) Ability to conduct management administration; (d) Ability to conduct crisis management; (e) Knowledge of the industry; (f) An international market perspective; (g) Ability to lead; (h) Ability to make policy decisions.

In order to implement the Board member diversity policy, the Company aims to increase the proportion of female directors to one-third or more of 5th Board of Directors. Now, one female director is serving the term of office, i.e. 14% of the whole directors. Further, there are two directors with the employee ID in the Company, i.e. 29%, and four independent directors, i.e. 57%. None of the independent directors shall hold more than three consecutive terms of office. Three directors attain the age of 41~50 years old, one director the age of more than 51 years old, and three directors at the age of more than 61 years old. For the Board members’ diversified composition and professional ability, please refer to Note (1).

(2) Independence of the Board of Directors:

Among the Board members, Chairman Yen Te-Ho and Director Yen The-Wei are siblings, and Chairman Yen Te-Ho and Representative of Juristic Person Director, Chang Yun-Ching, are father-in-law and daughter-in-law. There are four independent directors. Accordingly, the Company should be held complying with Article 14-2 of the Securities and Exchange Act, requiring that there should be no less than two independent directors and the number of independent directors shall be no less than one-fifth of the whole directors. Meanwhile, more than a half of the Company's Board members do consist of persons who are neither a spouse nor relative within the second degree of kinship of any director.

Note 1: The Board members’ composition and professional ability.

Diversity core items / Name of director	Basic composition:								Industrial experience				Professional ability					
	Nationality	Gender	Serving as the Company’s employees concurrently	Age			Seniority as an independent director		Manufacturing	Commercial and industrial service	Finance	Information and Communication Services	Business Management	Leadership and Decision Making	Knowledge of the industry	Accounting and finance	Marketing	Technology
				41 to 50	51 to 60	61 to 70	Under 3 years	3–9 years										
Chairman Yen Te-Ho	Republic of China	Male	✓			✓			✓				✓	✓	✓	✓	✓	
Director Yen The-Wei	Republic of China	Male				✓			✓		✓		✓	✓	✓	✓	✓	
Juristic Person Director Representative Chang Yun-Ching	Republic of China	Female	✓	✓					✓		✓		✓	✓	✓	✓	✓	
Independent director Pan Yung-Shan	Republic of China	Male				✓		✓	✓				✓	✓	✓		✓	
Independent director Tu Chin-Hsiang	Republic of China	Male			✓		✓					✓	✓	✓	✓		✓	✓
Independent director Chen Chih-Cheng	Republic of China	Male		✓			✓			✓			✓	✓	✓	✓		
Independent director Liu Hsin-Hung	Republic of China	Male		✓			✓		✓				✓	✓	✓	✓	✓	

(II) Background Information About General Manager, Vice General Manager, Associate General Manager, and the Heads of Various Departments and Branches

April 8, 2024; Unit: shares; %

Job Title	Nationality	Name	Gender	Date of (elected to) office	Shares held		Shareholding by spouse or dependents		Shares held in the name of a third party		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives within the second degree of kinship acting as managers			Remark
					Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Job Title	Name	Affiliation	
General Manager	Republic of China	Yen Te-Ho	Male	June 9, 2023	6,915,568	4.16%	5,615,200	3.37%	-	-	EMBA (Master's), National Sun Yat-sen University	Director and also General Manager, QIYI PRECISION METALS CO., LTD. Director and also General Manager, Surewin Global Limited (HK) Chairman of Board, Ningbo Qiyi Precision Metals Co., Ltd. Director, Krystal Holding Ltd.	Vice General Manager	Yeh Mei-Yun	Spouse	(Note 1)
													Vice General Manager	Yen Po-Chien	Father and son	
													Special Assistant to the Chairman	Chang Yun-Ching	Father-in-law and daughter-in-law	
Vice General Managert	Republic of China	Yeh Mei-Yun	Female	August 1, 2009	5,615,200	3.37%	6,915,568	4.16%	-	-	EMBA (Master's), National Sun Yat-sen University	Director, Ningbo Qiyi Precision Metals Co., Ltd. Supervisor, Run Yang Investment Co., Ltd. Director, Krystal Holding Ltd.	General Manager	Yen Te-Ho	Spouse	
													Vice General Manager	Yen Po-Chien	Mother and son	
													Special Assistant to the Chairman	Chang Yun-Ching	Mother-in-law and daughter-in-law	
Vice General Managert	Republic of China	Wu Huang-Yen	Male	October 1, 2008	40,548	0.02%	-	-	-	-	Department of Aeronautics and Astronautics, NCKU Graduate Institute of Mechanical Engineering, National Chung Hsing University Factory Manager, Production Dept., YIEH MAU CORP. Vice General Manager, YOW JAAN CHERN ENTERPRISE CO., LTD., Guandong Branch	None	-	-	-	
Vice General Managert	Republic of China	Huang Ying-Hsueh	Male	April 13, 2015	80,664	0.05%	-	-	-	-	Department of Business Administration, National Sun Yat-sen University Section Chief, Business Dept., YIEH UNITED STEEL CORPORATION Associate General Manager, Ningbo Qiyi Precision Metals Co., Ltd.	None	-	-	-	

Job Title	Nationality	Name	Gender	Date of (elected to) office	Shares held		Shareholding by spouse or dependents		Shares held in the name of a third party		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives within the second degree of kinship acting as managers			Remark
					Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Job Title	Name	Affiliation	
Associate General Manager, Finance and Accounting Department	Republic of China	Chu Pei-Chen	Male	November 5, 2013	163,143	0.10%	-	-	-	-	Department of Accounting, Tunghai University Graduate Institute of Business Management, National Kaohsiung University of Science and Technology Director, Audit Dept., Horwath Chien Hsing, Certified Public Accountants	None	-	-	-	
Vice General Manager	Republic of China	Yen Po-Chien	Male	December 25, 2020	1,991,714	1.20%	1,914,150	1.15%	-	-	MBA (Master's), Purdue University Department of Business Administration, National Chengchi University	Chairman of Board, Yuji Investment Co., Ltd. Director, Ningbo Qiyi Precision Metals Co., Ltd. Vice General Manager, Ningbo Qiyi Precision Metals Co., Ltd.	General Manager	Yen Te-Ho	Father and son	
													Vice General Manager	Yeh Mei-Yun	Mother and son	
													Special Assistant to the Chairman	Chang Yun-Ching	Spouse	
Special Assistant to the Chairman	Republic of China	Chang Yun-Ching	Female	January 1, 2023	665,530	0.40%	3,240,334	1.95%	-	-	MBA (Master's), Purdue University Department of International Business, National Taiwan University	Supervisor, Ningbo Qiyi Precision Metals Co., Ltd.	General Manager	Yen Te-Ho	Father-in-law and daughter-in-law	
													Vice General Manager	Yeh Mei-Yun	Mother-in-law and daughter-in-law	
													Vice General Manager	Yen Po-Chien	Spouse	

Note 1: The Company's Chairman concurrently serves as the President, in order to improve the operating efficiency and decision-making execution power. Besides, the Company's Chairman owns complete industry qualifications and is familiar with the industry market pulse, so as to enable the Board of Directors to control the Company's operations more comprehensively. Notwithstanding, the Company has proactively cultivated professional managers to meet the needs for sound corporate governance. Meanwhile, in the re-election of the Board of Directors in 2023, the Company elected one additional independent director to improve the functions of the Board of Directors and strengthen the supervisory function.

III. Compensation to Directors (including Independent Directors), General Manager and Vice General Manager in the Latest Year

(I) Compensation to Directors, General Manager and Vice General Manager in the Latest Year (2023)

1. Compensation to directors (including independent directors):

Unit: NT$ Thousand; Shares in Thousand; %

Job Title	Name (Note 1)	Remuneration to directors								Sum of A, B, C, and D as a Percentage of Net Income		Employee compensation received by directors								Sum of A, B, C, D, E, F, and G as a Percentage of Net Income		Compensation from investees other than subsidiaries or from the parent company
		Remuneration (A)		Severance payment and pension (B)		Remuneration to directors (C)		Professional practice fees (D)				Salaries, bonuses and special allowances, etc. (E)		Severance payment and pension (F)		Remuneration to employees (G)						
		The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company		Companies Included in the Financial Statements		The Company	Companies Included in the Financial Statements	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Chairman	Yen Te-Ho	4,806	4,806	-	-	-	-	28	28	-3.24%	-3.24%	-	-	-	-	-	-	-	-	-3.24%	-3.24%	None
Director	Yen The-Wei	354	354	-	-	-	-	28	28	-0.26%	-0.26%	1,366	1,366	-	-	197	-	197	-	-1.30%	-1.30%	None
Director	Yen Po-Chien	153	153	-	-	-	-	10	10	-0.11%	-0.11%	900	2,525	-	-	189	-	189	-	-0.84%	-1.93%	None
Director	Huang Hung-Chieh	153	153	-	-	-	-	10	10	-0.11%	-0.11%	-	-	-	-	-	-	-	-	-0.11%	-0.11%	None
Director	Chang Yun-Ching	201	201	-	-	-	-	18	18	-0.15%	-0.15%	812	812	-	-	70	-	70	-	-0.74%	-0.74%	None
Independent director	Tseng Chi-Kuo	153	153	-	-	-	-	14	14	-0.11%	-0.11%	-	-	-	-	-	-	-	-	-0.11%	-0.11%	None
Independent director	Chen Mu-Tan	153	153	-	-	-	-	14	14	-0.11%	-0.11%	-	-	-	-	-	-	-	-	-0.11%	-0.11%	None
Independent director	Pan Yung-Shan	354	354	-	-	-	-	28	28	-0.26%	-0.26%	-	-	-	-	-	-	-	-	-0.26%	-0.26%	None
Independent director	Tu Chin-Hsiang	201	201	-	-	-	-	18	18	-0.15%	-0.15%	-	-	-	-	-	-	-	-	-0.15%	-0.15%	None
Independent director	Chen Chih-Cheng	201	201	-	-	-	-	18	18	-0.15%	-0.15%	-	-	-	-	-	-	-	-	-0.15%	-0.15%	None
Independent director	Liu Hsin-Hung	201	201	-	-	-	-	18	18	-0.15%	-0.15%	-	-	-	-	-	-	-	-	-0.15%	-0.15%	None

Note 1: The Company re-elected directors at the shareholders' meeting on June 9, 2023, and the new directors were Tu Chin-Hsiang, Chen Chih-Cheng and Liu Hsin-Hung. The former directors were Huang Hung-Chieh , Tseng Chi-Kuo and Chen Mu-Dan. Yuji Investment Co., Ltd. changed its representative from Yen Po-Chien to Chang Yun-Ching .

1. Please explain the policy, system, standards and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed:
(1) The remuneration to independent directors was paid at a fixed amount, i.e. NT$29,000 per person/month, which was later adjusted to NT$30,000 in July 2023. According to Article 20 of the Articles of Incorporation, subject to the profit sought for the current year, the Board of Directors may resolve to allocate no more than 2% of the profit as the remuneration to directors. The remuneration to directors may be paid in cash only.
(2) The independent directors shall attend the Board of Directors' meetings, for which the Company will pay the transportation allowance to the independent directors.
(3) The independent directors who also serve as the members of any functional committee of the Board of Directors shall also attend the functional committee meeting. The Company will pay the attendance fees subject to the circumstances.
2. Compensation received by director for providing service (e.g. consultancy service without the title of an employee to the parent company, any company included in the financial statements, or any investee) in the most recent year, except those disclosed in said table: None.

2. Compensation to General Manager and Vice General Manager (Remuneration to the top five executives with the highest remuneration):

Unit: NT$ Thousand; Shares in Thousand; %

Job Title (Note 1)	Name	Salaries (A)		Severance payment and pension (B)		Bonus and special allowances (C)		Remuneration to employees (D)				Sum of A, B, C, and D as a Percentage of Net Income (%)		Compensation from investees other than subsidiaries or from the parent company
		The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company		Companies Included in the Financial Statements		The Company	Companies Included in the Financial Statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
General Manager	Yen Te-Ho	-	-	-	-	-	-	-	-	-	-	-	-	None
General Manager	Yen The-Wei	1,366	1,366	-	-	-	-	197	-	197	-	-1.04%	-1.04%	None
Vice General Manager	Yeh Mei-Yun	1,956	1,956	-	-	265	265	164	-	164	-	-1.59%	-1.59%	None
Vice General Manager	Wu Huang-Yen	1,716	1,716	-	-	225	225	139	-	139	-	-1.39%	-1.39%	None
Vice General Manager	Huang Ying-Hsueh	1,448	1,448	-	-	197	197	122	-	122	-	-1.18%	-1.18%	None
Vice General Manager	Yen Po-Chien	790	2,291	-	-	109	234	189	-	189	-	-0.72%	-1.81%	None

Note 1: The Company's Board of Directors approved on June 9, 2023 that the Chairman should concurrently serve as the President. The former President was elected as the Vice Chairman by the directors.

3. Names of managers who receive employee remuneration, and the final allocation in the latest year (2023):

Unit: NTD thousand

	Job Title	Name	Amount in stock	Amount in cash	Total	Total Amount in Proportion to Net Income (%)
Manager	General Manager	Yen The-Wei	-	992	992	-0.66%
	Vice General Manager, Administration Department	Yeh Mei-Yun				
	Vice General Manager, Production Department	Wu Huang-Yen				
	Vice General Manager, Purchasing Department	Huang Ying-Hsueh				
	Associate General Manager, Finance and Accounting Department	Chu Pei-Chen				
	Vice General Manager, Ningbo Qiyi Precision Metals Co., Ltd.	Yen Po-Chien				
	Special Assistant to the Chairman	Chang Yun-Ching				

(II) Amount of compensation paid in the latest 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, General Manager and Vice General Manager, and their respective proportions to the net income referred to in the parent company only or individual financial statements, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks.

1. Analysis on the amount of compensation paid in the latest 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, General Manager and Vice General Manager, and their respective proportions to the net income referred to in the parent company only or individual financial statements:

Unit: NT$ Thousand; %

Analysis Items	2022		2023	
	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements
Total compensation to directors	7,690	7,690	7,134	7,134
Total compensation to directors in proportion to net income	4.01%	4.01%	-4.78%	-4.78%
Total compensation	-	-	-	-

to supervisors				
Total compensation to supervisors in proportion to net income	-	-	-	-
Total compensation to General Manager and Vice General Manager	13,366	14,478	8,883	10,509
Total compensation to General Manager and Vice General Manager in proportion to net income	6.97%	7.56%	-5.90%	-7.04%

2. The Company’s policies, standards, and packages by which the compensations were paid, the procedures through which compensations were determined, and their association with business performance and future risks:

    (1) For the Company's policy by which the compensation was paid to directors, according to Article 17 of the Articles of Incorporation, the Board of Directors is authorized to resolve the remuneration to all directors based on their participation in the Company’s operation and contribution value and the typical pay levels adopted by peer companies, irrelevant with profit or loss retained by the Company. According to Article 20 of the Articles of Incorporation, subject to the profit sought by the Company (i.e. the incomeg before tax less remuneration distributed to employees and directors) for any fiscal year, the Company shall allocate no more than 2% of the balance remaining after accumulated losses are paid up, if any, as the remuneration to directors.
    In order to evaluate the remuneration to directors periodically, the remuneration to directors is decided subject to their engagement in the Company's operations and personal performance contribution, and paid based on the assessment conducted under the “Regulations Governing the Board of Directors’ Performance Evaluation.” The compensation to directors is proposed by Remuneration Committee and paid upon approval of the Board of Directors. Please refer to Page 25 for details on the directors’ performance evaluation items.

    (2) For the Company's policy by which the compensation was paid to managers, according to the Company's “Salary Management Regulations”, the salary and remuneration to managers shall be evaluated and determined subject to the managers’ seniority, position, responsibility, performance, and contribution to the Company, and in reference to the pay level adopted by the peer companies, personal performance, the rationality of their association with business performance and future risks. Further, according to Article 20 of the Articles of Incorporation, subject to the profit sought by the Company (i.e. The income before income tax less remuneration distributed to employees and directors) for any fiscal year, the Company shall allocate at least 2% of the balance remaining after accumulated losses are paid up, if any, as the remuneration to employees.
    In order to ensure the close association of the managers’ performance with the Company's strategies and also competitive salary and remuneration, the Company adopts the “Regulations Governing the Managers’ Performance Evaluation.” The managers’ performance evaluation consists of the indicators including “leadership,” “ability to train subordinates,” “work performance,” “ability to communicate and

coordinate” and “cost consciousness.” The performance evaluation is conducted each year, as the basis for the managers’ performance evaluation and payment of compensation. Said Regulations are subject to the resolution rendered by the Board of Directors after being reviewed by the Remuneration Committee.

IV. Corporate Governance

(I) Functionality of the Board of Directors

Chairman Yen Te-Ho has convened a total of 8 Board of Directors’ meetings in 2023. The attendance of directors is stated as follows:

Job Title	Name	Attendance in Person (or as observer)	Frequency of proxy attendance	Percentage of attendance (or as observer) (%)	Remark
Chairman	Yen Te-Ho	8	-	100%	Re-elected on June 9, 2023
Director	Yen The-Wei	8	-	100%	Re-elected on June 9, 2023
Director	Huang Hung-Chieh	3	-	100%	Former
Director	Yuji Investment Co., Ltd. Representative: Yen Po-Chien	3	-	100%	Re-elected on June 9, 2023
Director	Yuji Investment Co., Ltd. Representative: Chang Yun-Ching	5	-	100%	
Independent director	Tseng Chi-Kuo	3	-	100%	Former
Independent director	Chen Mu-Tan	3	-	100%	Former
Independent director	Pan Yung-Shan	8	-	100%	Re-elected on June 9, 2023
Independent director	Tu Chin-Hsiang	5	-	100%	Newly elected on June 9, 2023
Independent director	Chen Chih-Cheng	5	-	100%	Newly elected on June 9, 2023
Independent director	Liu Hsin-Hung	5	-	100%	Newly elected on June 9, 2023

Other remarks:

I. Where there are any circumstances referred to in Article 14-3 of the Securities and Exchange Act and any other resolution(s) by the Board of Directors’ meetings passed but with independent directors voicing opposing or qualified opinions on the record or in writing, please disclose the date and session of the meeting, contents of the motions, independent directors' opinions and how the Company has responded to such opinions: None.

II. For directors’ avoidance of motions which involves conflict of interest:

All of the Company's directors comply with Article 19 of the “Regulations Governing Procedure for Board of Directors Meetings,” which provides that “a director or the juristic person represented by him/her may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter, under the following circumstances: I. if the director or the juristic person represented by him/her is an interested party with respect to any agenda item and thereby is likely to prejudice the interests of the Company; II. if the director considers that he/she should recuse himself/herself voluntarily; III. if the director should be recused per the resolution by the Board of Directors meeting. If the director still participates in the voting against the recusal requirement, his/her voting right shall be held invalid.”

1. 1st meeting of 3rd Board of Directors in 2023 on March 16, 2023: 2022 year-end bonus to managers: Director Yen Te-Ho, Director Yen The-Wei and Director Yen Po-Chien recused themselves pursuant to laws.
2. 1st meeting of 3rd Board of Directors in 2023 on March 16, 2023: 2022 distribution of remuneration to employees and directors: Director Yen Te-Ho, Director Yen The-Wei, Director Yen Po-Chien, Director Huang Hung-Chieh, Director Tseng Chi-Kuo, Director Chen Mu-Tan and Director Pan Yung-Shan recused themselves pursuant to laws.
3. 1st meeting of 4th Board of Directors on June 9, 2023: The proposal for transfer of the Company’s President: Director Yen Te-Ho, Director Yen The-Wei and Director Chang Yu-Ching all recused themselves pursuant to laws.
4. 2nd meeting of 4th Board of Directors on August 9, 2023: Periodic review on the salary and remuneration to directors and managers: Director Yen Te-Ho, Director Yen The-Wei, Director Chang Yun-Ching, Director Pan Yung-Shan, Director Tu Chin-Hsiang, Director Chen Chih-Cheng and Director Liu Hsin-Hung all recused themselves pursuant to laws.
5. 2nd meeting of 4th Board of Directors on August 9, 2023: Distribution of 2022 employee remuneration to managers, and directors with the employee ID: Director Yen Te-Ho, Director Yen The-Wei and Director Chang Yun-Ching all recused themselves pursuant to laws.
6. 3rd meeting of 4th Board of Directors on September 22, 2023: The proposal for transfer of treasury shares for subscription by the managers: Director Yen Te-Ho, Director Yen The-Wei and Director Chang Yu-Ching all recused themselves pursuant to laws.

III. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. establishment of an Audit Committee, and improvement of information transparency, etc), and the progress of such enhancements:

1. Target for enhancements to the functionality of the Board of Directors:
   (1) The Board of Directors is operating fairly in accordance with the “Regulations Governing Procedure for Board of Directors Meetings.”
   (2) The Company also established the “Audit Committee” and “Remuneration Committee” on January 9, 2015, in order to enhance the functionality of the Board of Directors and improvement the information transparency.
   (3) The Company arranges each director to attend continuing education programs to help the director keep his/her core values and professional ability.
2. Evaluation on implementation status:
   By upholding the principle of operating information transparency, the Company will post any important resolution on the MOPS and the Company's website immediately once it is rendered by the Board of Directors meeting, in order to maintain shareholders’ equity.

(II) Execution of the Board Performance Evaluation

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Contents of evaluation
Once per year	January 1 to December 31, 2023	Including the Board of Directors, individual Board members, Audit Committee and Remuneration Committee	Internal self-assessment	(1) The Board of Directors' performance evaluation indicators shall cover the following five major aspects: A. Participation in the Company's operation; B. Improvement of Board of Directors' decision-making quality; C. Composition and structure of the Board; D. Election and continuing education of directors; E. Internal controls. (2) The Board members' performance evaluation indicators shall cover the following six major aspects: A. Alignment with the goals and mission of the Company; B. Knowledge of directors' duties; C. Participation in the Company's operation; D. Management of internal relationship and communication; E. Professionalism and continuing education of directors; F. Internal controls. (3) The functional committees' performance evaluation indicators shall cover the following five major aspects: A. Participation in the Company's operation; B. Knowledge of the duties of the functional committee. C. Improvement of the functional committee's decision-making quality. D. Composition of the functional committee, and election and appointment of the committee members. E. Internal controls.

(III) Information the functionality of Audit Committee:

1. The Company established the Audit Committee in replace of the supervisors upon approval of the Board of Directors on January 9, 2015.
2. The Company's Audit Committee consists of 3 independent directors. The Committee aims to help the Board of Directors supervise the quality and integrity of the accounting, auditing and financial reporting procedures and financial controls executed by the Company.
3. Functionality of the Audit Committee in 2023 - A total of 7 meetings were convened in 2023. The members' attendance at the meetings is specified as follows:

Job Title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance (%)	Remark
Convener	Tseng Chi-Kuo	2	-	100%	Former
Member	Chen Mu-Tan	2	-	100%	Former
Member	Pan Yung-Shan	7	-	100%	Re-elected (Note 1)
Member	Tu Chin-Hsiang	5	-	100%	Newly elected (Note 1)
Convener	Chen Chih-Cheng	5	-	100%	Newly elected (Note 1)
Member	Liu Hsin-Hung	5	-	100%	Newly elected (Note 1)

Note 1: Pan Yung-Shan, Tu Chin-Hsiang, Chen Chih-Cheng and Liu Hsin-Hung were elected as the Company's independent directors at the annual general meeting on June 9, 2023, and became the Audit Committee members to serve the term of office from June 9, 2023 to June 8, 2026.

Matters to be reviewed by the Audit Committee members primarily include:
1. Audit on financial statements, and accounting policies and procedures
2. Internal control systems and related policies and procedures
3. Material assets or derivatives transactions
4. Material loaning of funds and making of endorsement or guarantee
5. Offering or issuance of securities
6. Financial derivatives and cash investment
7. Legal Compliance
8. Whether the manager and director engage in the transaction with related parties and have any potential conflict of interest with each other.
9. Report on grievances
10. Corruption prevention plan and corruption investigation report
11. Information security
12. Corporate risk management
13. Work experience, independence and performance assessment of external auditors
14. Appointment, discharge or remuneration of an external auditor
15. Appointment or discharge of a financial, accounting or internal auditing officer.

Performance of responsibilities of the Audit Committee:

● Review on financial reports

The Board of Directors have prepared the Company's 2023 Business Report, financial statements and earnings appropriation proposal. Among them, the financial statements were already audited by Deloitte Taiwan, to which the firm issued an audit report. Said business report, financial statements and earnings appropriation proposal have been reviewed by the Audit Committee and found to have no inconsistencies.

● Evaluation on effectiveness of the internal control system

The Audit Committee evaluated the effectiveness of policies and procedures about the Company's internal control system (including finance, operation, risk management, information security, contract award and compliance control policies), and also reviewed the Company's Audit Dept. and external auditors, in addition to the management's periodic reports, including risk management and legal compliance reports. By reference to the Internal Control-Integrated Framework released by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believed that the Company's risk management and internal control system should be held effective. The Company has also adopted necessary control mechanism to supervise and correct any misconduct.

Other remarks:

I. For an Audit Committee that meets any of the following descriptions, state the date, session, contents of motion, independent directors' opposing opinions, reservations or key recommendations, Audit Committee's resolutions, and how the Company has responded to Audit Committee's opinions.

1. Circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Session	Contents of Motion	Resolution	How the Company Has Responded to Audit Committee's Opinions
1st meeting of 3rd Audit Committee on March 16, 2023	1. Issuance of the Company's 2022 Declaration for Statement of Internal Control. 2. Appointment of and remuneration to the Company's external auditors in 2023. 3. 2022 Business report and financial statements. 4. 2022 Earnings appropriation proposal. 5. Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as "Qiyi"), with various financial institutions in 2023. 6. Amendments to certain provisions of the "Rules Governing Financial and Business Matters Between Affiliated Companies, Specific Companies and Group Companies". 7. Amendments to certain provisions of the "Sustainable Development Best Practice Principles". 8. Amendments to certain provisions of the "Corporate Governance Best Practice Principles". 9. Adoption of the "Regulations Governing Review on Pre-approval of Non-Assurance Services Provided by External Auditors".	The motion was unanimously approved by all present Committee members as it was proposed upon discussion.	Submitted to the Company's Board of Directors for resolution.
2nd meeting of 3rd Audit Committee on May 9, 2023	1. Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as "Qiyi"), with various financial institutions in 2023. 2. Amendments to certain provisions of the Company's "Rules of Procedure for Shareholders' Meeting."	The motion was unanimously approved by all present Committee members as it was proposed upon discussion.	Submitted to the Company's Board of Directors for resolution.
2nd meeting of 4th Audit Committee on August 9, 2023	1. Ratification of the Company's derivatives trading. 2. Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as "Qiyi"), with various financial institutions in 2023.	The motion was unanimously approved by all present Committee members as it was proposed upon discussion.	Submitted to the Company's Board of Directors for resolution.
3rd meeting of 4th Audit Committee on September 22, 2023	1. Transfer of treasury shares to non-managerial officers.	The motion was unanimously approved by all present Committee members as it was proposed	Submitted to the Company's Board of Directors for resolution.

		upon discussion.	
4th meeting of 4th Audit Committee on November 8, 2023	1. Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as “Qiyi”), with various financial institutions in 2023. 2. Amendments to certain provisions of the “Internal Control System” and “General Provisions of Internal Audit System and Enforcement Rules thereof.” 3. Amendments to the Company's “Procedures for Handling Material Inside Information and Insider Trading Prevention Management”	The motion was unanimously approved by all present Committee members as it was proposed upon discussion.	Submitted to the Company's Board of Directors for resolution.

Session	Contents of Motion	Resolution	How the Company Has Responded to Audit Committee's Opinions
5th meeting of 4th Audit Committee on December 27, 2023	1. Propose the Company's 2024 business plan. 2. Ratification of the Company's derivatives trading. 3. The Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (Hereinafter referred to as "Qiyi") with various financial institutions in 2024. 4. The Company's plan to loan fund to the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (Hereinafter referred to as "Qiyi"). 5. Amendments to certain provisions of the "Internal Control System" 6. Amendments to certain provisions of the "Regulations Governing the Use of Seals." 7. Amendments to certain provisions of the Company's "Operating Procedure for Loaning of Funds to Others." 8. Amendments to the Company's "Regulations Governing Property Management" 9. Amendments to the Company's "Regulations Governing Handling of Reported Cases Against Illegal and Unethical Conduct or Dishonest Conduct."	The motion was unanimously approved by all present Committee members as it was proposed upon discussion.	Submitted to the Company's Board of Directors for resolution.

2. Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-third of directors: None.

II. For independent directors' avoidance of motions which involves conflict of interest, the names of independent directors, contents of the motions, reasons of the recusal for conflict of interest, and participation in voting must be disclosed: None.

III. Communication between independent directors & internal auditing officer and CPAs:

1. The interaction between internal auditors and independent directors in 2023:

Date	Attendees	Contents of communication	Results of communication
Communication meeting on March 16, 2023	Independent Director Tseng Chi-Kuo Independent Director Pan Yong-Shan Independent Director Chen Mu-Dan Chief Internal Audit Officer Huang Chi-Yun	2022 overall audit operations implementation status	No comments
		Audit reports on December 2022 and January to February 2023	No comments
		Issuance of the Company's 2022 "Declaration for Statement of Internal Control".	No comments
May 9, 2023 Communication meeting	Independent Director Tseng Chi-Kuo Independent Director Pan Yong-Shan Independent Director Chen	Audit reports for March to April 2023.	No comments

	Mu-Dan Chief Internal Audit Officer Huang Chi-Yun		
June 9, 2023 Communication meeting	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Chief Internal Audit Officer Huang Chi-Yun	Audit reports for May 2023.	No comments
		Correction of deficiencies in internal control system and abnormality in 2022.	No comments
August 9, 2023 Communication meeting	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Chief Internal Audit Officer Huang Chi-Yun	Audit reports for June to July 2023.	No comments
November 8, 2023 Communication meeting	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Chief Internal Audit Officer Huang Chi-Yun	Audit reports for August to September 2023.	No comments
December 27, 2023 Communication meeting	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Chief Internal Audit Officer Huang Chi-Yun	Audit reports for October to November 2023.	No comments
		Proposal of the "the Company's 2024 internal audit plan" to the internal auditors.	No comments

2. The interaction between CPAs and independent directors in 2023:

Date	Attendees	Contents of communication	Results of communication
March 16, 2023 Audit Committee	Independent Director Tseng Chi-Kuo Independent Director Pan Yong-Shan Independent Director Chen Mu-Dan Hsu Kai-Ning, CPA of Deloitte Taiwan Huang Pao-Yu, Deloitte Taiwan Manager	Evaluation on independence and competence of external auditors.	No objection raised by the Audit Committee.
		Reported to the Audit Committee on the expected audit and non-audit work in 2023 for approval.	Approved the audited and non-audited work to be performed by Deloitte Taiwan in 2023.
		Discussion and communication about 2022 consolidated financial statements and parent company only financial statements.	Audit Committee approved the audit result of 2022 financial statements, and no follow-up is required.
August 9, 2023 Audit Committee	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Hsu Kai-Ning, CPA of Deloitte Taiwan Manager Huang Pao-Yu, Deloitte Taiwan	Discussion and communication about Q2 2023 consolidated financial statements.	Audit Committee approved the review result of Q2 2023 financial statements, and no followup required.
Audit Committee on November 8, 2023	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Hsu Kai-Ning, CPA of Deloitte Taiwan Manager Huang Pao-Yu, Deloitte Taiwan	Discussion and communication about Q3 2023 consolidated financial statements.	Audit Committee approved the audit result of Q3 2023 financial statements, and no follow-up is required.
Audit Committee on December 27, 2023	Independent Director Chen Chih-Cheng Independent Director Pan Yong-Shan Independent Director Tu Chin-Hsiang Independent Director Liu Hsin-Hung Hsu Kai-Ning, CPA of Deloitte Taiwan	2023 audit strategies, key audit matters scheduled to be communicated for 2023 financial statements, and report on AQIs.	Audit Committee approved the 2023 audit strategies and key audit matters.

(IV) Corporate governance status, and deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof.

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
I. Does the Company establish and disclose its corporate governance best practice principles based on "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has adopted its own Corporate Governance Best Practice Principles. The exercise of powers by the Company's directors and independent directors, and the internal controls, adhere to the spirit of the Principles and are also governed by the Principles.	No material deviation was found.
II. Equity structure and shareholders' equity of the Company (I) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters, and have the procedures implemented accordingly? (II) Does the Company possess the list of the Company's major shareholders of ultimate controllers, and the list of the ultimate controllers of the major shareholders? (III) Does the Company establish and implement the risk control and firewall mechanism with its affiliated companies?	✓ ✓ ✓		The Company has appointed the spokesperson and deputy spokesperson, and disclosed the spokesperson's phone number on the MOPS as the channel dedicated to dealing with shareholders' suggestions, questions and dispute, in order to ensure the shareholders' equity. The Company's routine shareholders service is contracted to the professional shareholders service agent. Meanwhile, the Company also assigns dedicated personnel to take charge of relevant affairs, and retains at all times a register of the major shareholders having controlling power over the Company and the persons with ultimate control over those major shareholders. The Company and the affiliated companies engaged in transactions with the Company all expressly define the price conditions and payment method in a fair and reasonable manner. Meanwhile, the Company has adopted the "Rules Governing Financial and Business Matters Between Affiliated	No material deviation was found.

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
(IV) Does the Company adopt internal rules prohibiting the Company’s insiders from trading securities using information not disclosed to the market?	✓		Companies, Specific Companies and Group Companies” to govern the transactions with its affiliated companies. Therefore, it should be able to achieve the risk controls effectively. The Company has adopted its “Procedures for Handling Material Inside Information and Insider Trading Prevention Management” in order to prohibit the Company's insiders from engaging in trading securities with the information yet disclosed to the market.	
III. Composition and responsibilities of the Board of Directors (I) Does the Board of Directors have a diversity policy and management goals that are duly enforced?	✓		Article 20 of the Company’s “Corporate Governance Best Practice Principles” expressly states that the composition of the Board of Directors shall be determined by taking diversity into consideration. The directors who hold the position as the Company's managers shall be no more than one-third of all of the directors,	No material deviation was found.

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
(II) Does the Company, in addition to setting up the Remuneration Committee and Audit Committee lawfully, have other functional committees set up voluntarily? (III) Does the Company establish a set of policies and assessment methods to evaluate the Board's performance, conduct the performance evaluation regularly at least on an annual basis, and submit the results of performance assessments to the Board of Directors and use them as reference in determining remuneration for individual directors, and their nomination for additional office term?	✓ ✓		and an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards: I. Basic requirements and values: Gender, age, nationality, and culture, and female directors preferably accounting for one-third of the whole directors. II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. For the Company's Board diversity policy, specific management goals and status of enforcement thereof, please refer to Pages 15–18 hereof. The Company has set up the Remuneration Committee and Audit Committee, which are both operating pursuant to related laws and regulations. It will set up other functional committees, subject to the Company's overview of operation and related laws and regulations. The Company’s latest Board of Directors meeting amended the “Regulations Governing the Board of Directors’ Performance Evaluation” on August 7, 2020. The Company conducted the internal performance evaluation on the Board of Directors and	

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
			distributed the self-performance evaluation questionnaire to the whole Board members at the end of February 2024. The scope of evaluation covers performance of the Board as a whole, the individual directors and functional committees. The Board of Directors' performance evaluation indicators shall cover the following five major aspects: 1. Participation in the Company's operation; 2. Improvement of Board of Directors' decision-making quality; 3. Composition and structure of the Board; 4. Election and continuing education of directors; 5. Internal controls. The Board members' self-performance evaluation indicators shall cover the following major aspects: 1. Alignment with the goals and mission of the Company; 2. Knowledge of directors' duties; 3. Participation in the Company's operation; 4. Management of internal relationship and communication; 5. Professionalism and continuing education of directors; 6. Internal controls. The Audit Committee's and Remuenration Committee's self-performance evaluation indicators shall cover the following major aspects: 1. Participation in the Company's operation; 2. Knowledge of the duties of the functional committee. 3. Improvement of the functional committee's decision-making quality.	

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
(IV) Does the Company have the independence of the external auditors evaluated regularly?	✓		4. Composition of the functional committee, and election and appointment of the committee members. 5. Internal controls. The evaluation is conducted by Finance and Accounting Department through internal questionnaire. Based on the four major indicators, i.e. functionality of the Board of Directors, directors' engagement, functionality of the Remuneration Committee and functional of the Audit Committee, the parliamentary unit conducts the evaluation on the functionality of the Board of Directors, directors conduct the self-evaluation on their engagement, and the parliamentary unit conducts the evaluation on the functionality of the Remuneration Committee and Audit Committee. Said performance appraisal will be taken into consideration when the Company is electing or nominating independent directors. The directors' and functional committee members' performance evaluation result will serve as the reference for determination of the remuneration to individual directors. After recalling the questionnaire at the end of February each year, the Company's Finance and Accounting Department will conduct the analysis according to said Regulations, report the result to the Board of Directors and also propose the approach to make improvement per the suggestions provided by directors. The Company completed the performance evaluation on the Board of Directors, Board members, Remuneration Committee and Audit Committee in February 2024, and report the	

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
			evaluation result at the Board of Directors meeting on March 8, 2024. The evaluation results for this year showed that “the Board of Directors, Audit Committee and Remuneration Committee could be considered operating effectively.” The Company’s Audit Committee assesses the independence and competency of the external auditors each year, and demands that the external auditors should provide “Statement of Independence” and “AQIs”, and also conduct the assessment in accordance with the “CPA Independence and Performance Assessment Form” in the Company's “Regulations Governing Assessment on Independence and Competence of External Auditors” and 13 AQIs. Upon confirmation, it was found that, except the fees for certification and taxation affairs, the CPAs had no financial interests or business relationship with the Company. The CPAs’ family members were also found free from any violations of the independence requirements. Meanwhile, in reference to the AQI indicators, CPAs and their firms were also confirmed to outperform the average level among the peers in the same trade in terms of the experience in audit and training hours, and also continued to implement the digital audit tools to provide the audit quality. The assessment results for the most recent one year have been discussed and approved by the Audit Committee on March 8, 2024 and reported to the Board of Directors on March 8, 2024 for resolution on the assessment on independence and competence of the CPAs.	

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
			The specific indicators for the "CPA Independence and Performance Assessment Form" are stated as follows:	

Item	Specific indicators	Yes	No	Compliance with the independence requirements or not
Independence indicators (according to Article 47 of the Certified Public Accountant Act - CPAs may not undertake the certification of financial reports):				
1	Whether the evaluated party is currently employed by the client or audited entity to perform routine work for which he or she receives a fixed salary, or currently serves as a director thereof.	No		Yes
2	Whether the evaluated party has previously served for the client or audited entity as a director, managerial officer, or an employee with material influence over the audited case, and has been separated from the position for less than two years.	No		Yes
3	Whether the evaluated party is the spouse, lineal relative by blood, lineal relative by marriage, or collateral relative within the second degree of kinship by blood of the Company's responsible person or managers.	No		Yes

<table>
<tr><th rowspan="2">Evaluation items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Item</th><th>Specific indicators</th><th>Yes</th><th>No</th><th>Compliance with the independence requirements or not</th></tr>
<tr><td colspan="5">Independence indicators (according to Article 47 of the Certified Public Accountant Act - CPAs may not undertake the certification of financial reports):</td></tr>
<tr><td>4</td><td>Whether the evaluated party, or the spouse or a minor child thereof, has invested in the client or audited entity, or shares in financial gains therewith.</td><td>No</td><td></td><td>Yes</td></tr>
<tr><td>5</td><td>Whether the evaluated party, or the spouse or a minor child thereof, has lent or borrowed funds to or from the client or audited entity.</td><td>No</td><td></td><td>Yes</td></tr>
<tr><td>6</td><td>Whether the evaluated party provides management consulting or other non-attestation services that affect his or her independence.</td><td>No</td><td></td><td>Yes</td></tr>
<tr><td>7</td><td>Whether the evaluated party fails to comply with regulations, as prescribed by the competent authority, governing CPA rotation, handling accounting matters on behalf of clients, or other matters that affect his or her independence.</td><td>No</td><td></td><td>Yes</td></tr>
</table>
</td><td></td></tr>
</table>

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
IV. Does the Company assign the adequate number of competent corporate governance officers, and appoint the chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, provision to directors/supervisors the information needed by them to perform their duties, assistance to directors/supervisors in compliance, organization of the Board of Directors meetings and shareholders' meetings, and preparation of the Board meeting and shareholders' meeting minutes, etc.)?	✓		The Company appoints the Finance and Accounting Department to serve as the corporate governance unit concurrently to promote the corporate governance systems and propose the suggestions on improvement, including corporate governance framework, code of conduct, Board of Directors, Audit Committee, Remuneration Committee, internal control & risk management, and continuing operation management. The proposal for appointment of the Financial and Accounting Assistant Vice President to hold the position as the chief corporate governance officer concurrently was resolved and approved by the Board of Directors on March 16, 2023. The appointment became effective as of April 1, 2023.	No material deviation was found.
V. Does the Company provide proper communication channels and create a stakeholder section on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	✓		The Company has appointed the spokesperson and deputy spokesperson as the channel of communication with stakeholders. The Company's website also provides the stakeholders section. Should any stakeholder have questions or opinions, the stakeholder may communicate via the department dealing with it.	No material deviation was found.
VI. Does the Company engage a shareholders service agency to handle shareholders' meeting affairs?	✓		The Company has appointed the professional shareholders service agency to handle the routine shareholders service on behalf of the Company.	No material deviation was found.
VII. Information disclosure (I) Does the Company set up a website to disclose the Company's business, finance and corporate governance information?	✓		The Company has set up the investors section where shareholders and investors may access the information about the Company's finance, business and corporate. http://www.yuenchang.com.tw	

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
(II) Does the Company have adopted other information disclosure methods (e.g., establishing an English website, designating dedicated persons for collecting and disclosing information of the Company, practicing the spokesman system, posting the investor conference on the Company’s website, etc.)?	✓		The Company appoints dedicated personnel to disclose the Company's material information, enters the information to the MOPS and the Company's website in a timely manner, and also implements the spokesperson system as required.	
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?	✓		The Company publishes and reports its annual financial report within specific time limit prescribed by the Securities and Exchange Act, and also publishes and reports its financial reports for the first, second and third quarters as well as its operating status for each month before specified deadline. The Company will publish and report its annual financial reports within two months at the end of a fiscal year, subject to its overview of operation and related laws and regulations.	No material deviation was found.
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?	✓		1. For employee right and employee care: The Company has complied with the Labor Standards Act. Meanwhile, the Company also provides employees with a healthy, safe and humane working environment, arranges the health checkup for employees regularly, establishes the Employee Welfare Committee, and convenes regular labor-management meetings to protect employees' rights. 2. Investor relations: The Company values investors’ interest and right, and publishes related information timely on the MOPS designated by the competent authority pursuant to	No material deviation was found.

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
			relevant requirements. The Company also appoints the spokesperson, deputy spokesperson, and contact person for investors relations to answer any questions about the Company raised by investors from time to time. 3. Supplier relations: The Company always maintains the fair supply relationship with suppliers. Over the past years, various suppliers' quality and delivery schedule were considered normal, and no problem about shortage or interruption of supplies arose. 4. Stakeholders' interests: The Company and stakeholders all exercise rights and perform obligations per contract and related operating requirements, in order to protect both parties' interests and rights. 5. Continuing education of directors: The Company's directors and independent directors all have professional backgrounds and practical experience in operation and management. Meanwhile, they would attend the continuing education program about corporate governance regularly, and satisfy the requirements on continuing education hours. 6. Implementation of risk management policies and risk measurements: The Company's internal control system and material business management regulations have been resolved by the Board of Directors or shareholders'	

Evaluation items	Actual governance			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
			meetings. 7. Implementation of customer policy: The Company follows the Ethical Management Best Practice Principles and maintain the fair supply relationship with customers. The Company designates personnel to continue communicating with customers and solving problems with respect to the timely delivery of customers' orders, quality requirements and after-sale. 8. Insuring against liabilities of the Company's directors and supervisors: The Company has renewed the liability insurance for each director on March 8, 2024, and submitted the report to the Board of Directors meeting on March 8, 2024. The insurance policy is stated as follows: (1) Insurance period: March 15, 2024 to March 15, 2025. (2) Coverage: Directors' and managers' liability, the Company's compensation liability, coverage of investigation and defense expenses, the Company's compensation liability toward securities, and the Company's compensation liability toward employment. (3) Insured value: US$1 million.	

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by the TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:

(I) The Company ranked 66%–80% in the 10th Corporate Governance Evaluation.

(II) The improvement of the Company's unscored items in the 10th Corporate Governance Evaluation (the year of evaluation: 2023) is stated as follows:

Type of indicator	Contents of indicator	Scores	Improved?	Explanation about pending improvement
Preservation of shareholders' interest and fair treatment of shareholders	1.6 Does the Company convene the annual general meeting by the end of May?	0		The Company will decide subject to the actual need.
Preservation of shareholders' interest and fair treatment of shareholders	1.18 Does the Company record the important contents of shareholders' questions and the Company's responses in the annual general meeting minutes?	0		The Company will record the important contents of shareholders' questions and the Company's responses in the 2024 annual general meeting minutes.
Preservation of shareholders' interest and fair treatment of shareholders	1.19 Are the shareholders' meetings of the Company broadcast live online or are the uninterrupted audio and video recordings of the whole process uploaded after the shareholders' meeting?	0		The Company will strengthen the communication with insiders.
Enhanced structure and operation of the Board of Directors.	2.3 Are the Company's Chairman and the president or other equivalents (the highest management) different persons, or spouses, or relatives within 1st degree of kinship with each other?	0		The Company will strengthen the communication with insiders.
Enhanced structure and operation of the Board of Directors.	2.4 Does some spousal relationship or a familial relationship within the second degree of kinship exist among more than two directors of the Company?	0		The Company has not yet found competent candidates for director.
Enhanced structure and operation of the Board of Directors.	2.9 Does the Company set forth the Board member and key management successor cultivation planning, and disclose how the planning works on the Company's website or on the Company's annual report?	0		The Company will decide subject to the actual need.
Enhanced structure and operation of the Board of Directors.	2.14 Does the Company establish any functional committee other than those required by laws, such as Nomination Committee, Risk Management Committee or Sustainable Development Committee, which shall consist of no less than three members, including the independent directors who shall account for a majority of the functional committee members, and at least one of them who shall have the professional ability required by the committee? If it does, please disclose the composition, responsibilities and functionality of such functional committee.	0		The Company will decide subject to the actual need.
Enhanced structure and operation of the Board of Directors.	2.17 Does the Company evaluate the independence and competence of the independent directors based on the AQIs regularly (at least once per year), and disclose the evaluation procedure in detail in the annual report?	0	Yes	Already disclosed in the 2023 annual report.
Enhanced structure and operation of the Board of Directors.	2.21 Does the Company's chief corporate governance officer perform duty on a full-time basis? Are their duties and continuing education explained on the Company's website and in the annual report?	0		The Company will decide subject to the actual need.

Type of indicator	Contents of indicator	Scores	Improved?	Explanation about pending improvement
Enhanced structure and operation of the Board of Directors.	2.22 Whether the Company has an audit committee or functional committee at the board level (e.g., the Risk Management Committee) to supervise risk management, has the risk management policies and procedures approved by the Board of Directors, and disclose the risk management organizational structure, risk management procedures and operations thereof and report them to the Board of Directors at least once a year?	0		The Company will decide subject to the actual need.
Enhanced structure and operation of the Board of Directors.	2.23 Are the Regulations Governing the Board of Directors' Performance Evaluation set forth by the Company approved by a Board meeting and do the Regulations expressly that an external audit should be conducted at least once per three years? Does the Company do so in the assessment year or within the most recent two years and disclose the execution status and evaluation results on its website or in its annual report?	0		The Company will decide subject to the actual need.
Enhanced structure and operation of the Board of Directors.	2.27 Does the Company set the IP management plan structured with the business objectives, and disclose the status in implementation of the plan on the Company's website or in its annual report, and report the same to the Board of Directors at least once per year? [If the Company implements certification by the Taiwan Intellectual Property Management System (TIPS), ISO56005 or any similar intellectual property management system, and is certified or audited by a third party, one additional score may be added to the total scores.]	0		The Company will decide subject to the actual need.
Enhanced structure and operation of the Board of Directors.	2.30 Does at least one of the Company's internal auditors have the certificate/license of International Internal Auditor, International Computer Auditor or CPA?	0		The Company will decide subject to the actual need.
Improvement of Information Transparency	3.4 Does the Company publish its annual financial report audited and certified by CPAs within two months at the end of a fiscal year?	0		The Company will decide subject to the actual need.
Improvement of Information Transparency	3.6 Does the Company disclose the interim financial statements in English within two months after the due date for publication and reporting of the interim financial statements in Chinese?	0		The Company will decide subject to the actual need.
Improvement of Information Transparency	3.18 Does the Company set up an English website to disclose the Company's business, finance and corporate governance information?	0		The English website is under construction.
Improvement of Information Transparency	3.20 Is the Company invited to convene (or convenes voluntarily) at least two institutional investor conferences, and the interval between the two institutional investor conferences convened at the beginning and end of the evaluated year is more than three months? [If the institutional investor conference is convened at least once per quarter or with respect to the quarterly overview of operation, one additional score may be added to the total scores.]	0		The Company has been invited to convene an institutional investor conference in 2023. It will decide whether to convene the conference subject to actual needs.
Promotion of sustainable development	4.2 Does the Company establish a dedicated (or part-time) unit to promote ethical corporate management, be responsible for the formulation and monitoring of ethical management policies and prevention programs, and to disclose the operation and implementation of the unit on the Company's website and in the annual report, and report them to the Board of Directors at least once a year report?	0		The operation of the unit promoting ethical corporate management and the implementation of the year will be disclosed on the official website and in the annual report.

Type of indicator	Contents of indicator	Scores	Improved?	Explanation about pending improvement
Promotion of sustainable development	4.4 Does the Company prepare and upload to the MOPS and the Company's website the ESG report according to the GRI Standards by the end of September? [If the ESG report discloses the related ESG information in reference to SASB, one additional score may be added to the total scores]	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.5 Is the ESG report prepared by the Company certified by a third party?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.6 Does the Company develop its human right protection policies and specific management programs in reference to the International Bill of Human Rights and also disclose the same on the Company’s website or in its annual report?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.7 Does the Company upload to the MOPS and the Company's website the English ESG report?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.11 Does the Company disclose the statistics on GHG emission, water consumption, and total waste volume in the last two years? [If the GHG emission, water consumption, and total waste volume in the last two years were certified by external auditors, one additional score may be added to the total scores.]	0	Yes	Already disclosed in the 2023 annual report.
Promotion of sustainable development	4.12 Does the Company adopt the policies aiming at conserving energy, and reducing carbon, GHG emission, water consumption or other wastes, including reduction target, promotion measures and achievement status?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.14 Does the Company disclose the identified stakeholders’ identity, concerned issues, communication channels and responses on the Company’s website? [If the report on communication with each stakeholder is submitted to the Board of Directors regularly, one additional score may be added to the total scores.]	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.17 Does the Company’s website, annual report or ESG report disclose any specific supplier management policy adopted by the Company, which demands that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or laborers’ human rights, and how the policy is implemented?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.18 Does the Company disclose the information about its governance, strategy, risk management, indicators and targets of the risk and opportunities related to climate according to the TCFD framework?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.19 Does the Company invest in energy-saving or green energy-related environmental protection and sustainable machine and equipment, or in Taiwan's green energy industry (e.g. renewable energy power plants), or in the issuance of or investment of its funds for green or social benefit investment projects and sustainable development financial instruments with substantial benefits, and disclose their investment status and specific benefits?	0		The Company will decide subject to the actual need.
Promotion of sustainable development	4.22 Does the Company allocate resources to support the development of domestic culture, and disclose the support methods and results on the Company's website and in the annual report or sustainability report?	0		The Company will decide subject to the actual need.
Bonus questions	Does the Company present excellent performance in the field of corporate governance, or have already achieved specific effect in promotion of corporate governance?	No extra scores.		The Company will decide subject to the actual need.

(V) Disclose the composition, responsibilities and functionality f the Remuneration Committee, if available

According to Paragraph 1 of Article 14-6 of the Securities and Exchange Act and "Regulations on the Establishment of Remuneration Committees by TWSE/TPEx Listed Companies and their Exercise of Powers," the Company passed the adoption of the "Articles of Association for the Remuneration Committee" at the 1st meeting of the 1st Board of Directors in 2015 on January 9, 2015.

The Remuneration Committee's responsibilities primarily include adoption of the Chairman's and managers' performance evaluation policy, review on their performance, and adoption and periodic review on the remuneration to directors and managers, and the structure and system thereof.

1. Information about the Remuneration Committee members:

Information about the Remuneration Committee Members

Identity	Name / Conditions	Professional qualifications and experience	Independence status	Number of other companies where the member is also a member of their remuneration committees
Independent director (Convener)	Tu Chin-Hsiang	Note 1	Note 1	0
Independent director	Pan Yung-Shan	Note 1	Note 1	0
Independent director	Chen Chih-Cheng	Note 1	Note 1	2

Note 1: Please refer to the information about directors on Pages 15–18 hereof.

2. Information about the functionality of the Company's "Remuneration Committee":

(1) The Company's Remuneration Committee consists of three members.

(2) Term of office: From June 9, 2023 to June 8, 2026. The Remuneration Committee convened 3 meetings in 2023. The members' attendance at the meetings is stated as follows:

Job Title	Name	Frequency of actual	Frequency of proxy	Actual attendance (%)	Remark
Convener	Chen Mu-Tan	1	-	100%	Former
Member	Tseng Chi-Kuo	1	-	100%	Former
Member	Pan Yung-Shan	4	-	100%	Re-elected (Note 1)
Convener	Tu Chin-Hsiang	3	-	100%	Newly elected (Note 1)
Member	Chen Chih-Cheng	3	-	100%	Newly elected (Note 1)

Note 1: Pan Yung-Shan, Tu Chin-Hsiang and Chen Chih-Cheng were elected as the Company's independent directors at the annual general meeting on June 9, 2023, and became the Remuneration Committee members.

Remuneration Committee	Contents of Motion	Resolution	How the Company Has Responded to Remuneration Committee's Opinions
1st meeting of 3rd Committee in 2023 March 16, 2023	1. 2022 year-end bonus to managers. 2. 2022 distribution of remuneration to employees and directors. 3. The Company's appointment of the Chief Corporate Governance Officer.	Approved by the whole Committee members unanimously.	Submitted to the Board of Directors and approved by all present directors unanimously.
1st meeting of 4th Committee in 2023 June 9, 2023	1. Election of the convener and meeting chair of 4th Remuneration Committee.	Approved by the whole Committee members unanimously.	Submitted to the Board of Directors and approved by all present directors unanimously.
2nd meeting of 4th Committee in 2023 August 9, 2023	1. To review the salary and remuneration to directors and managers periodically. 2. Distribution of 2022 employee remuneration to managers, and directors with the employee ID.	Approved by the whole Committee members unanimously.	Submitted to the Board of Directors and approved by all present directors unanimously.
3rd meeting of 4th Committee in 2023 September 22, 2023	1. The proposal for transfer of treasury shares for subscription by the managers.	Approved by the whole Committee members unanimously.	Submitted to the Board of Directors and approved by all present directors unanimously.

Other remarks:

I. Should the Board of Directors reject or modify the suggestions from the Remuneration Committee, state the date, session, contents of the motions, resolution made by Board meeting and results thereof, and how the Company has responded to Remuneration Committee's opinions (describe the differences and reasons, if any, should the Board of Directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.

II. Should any resolution(s) by the Remuneration Committee be passed but with members voicing opposing or qualified opinions on the record or in writing, please describe the date and session of the meeting, contents of the motion, the entirety of members' opinions, and how their opinions are addressed: None.

(VI) Implementation status of sustainable development practices, and variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
I. Does the Company implement a governance body that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the Board of Directors and run by senior management, and how does the Board supervise progress?	✓		1. The Company established the "Ethical Management and Social Responsibility Committee" in 2015 and renamed it as the "Sustainable Development Committee" in 2023. The Committee is responsible for formulating the corporate sustainability strategies and visions, in order to promote the corporate social responsibility operations and management. 2. The General Manager holds the position as the Chairman of the Committee. The Committee consists of the corporate governance team, sustainable environment team, social welfare team and ethical management team. 3. The Committee convenes at least one meeting per year, in order to review the implementation status in the previous year prepare the specific promotion plan for the current year and report to the Board of Directors regularly. The status in 2022 and 2023 was submitted to the 3rd meeting of 3rd Board of Directors on May 9, 2023 and the 1st meeting of 4th Board of Directors on March 8, 2024. 4. The Board of Directors urges the management team to make adjustment whenever it is necessary. The Committee shall listen to the Board of Directors' opinion, in order to strengthen the adjustment items.	No material deviation was found.

<table>
<tr><th rowspan="2">Promotional items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>II. Does the Company, in accordance with the materiality principle, conduct risk assessments on environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy?</td><td>✓</td><td></td><td>The disclosed data cover the major locations’ sustainable development performance from January 2023 to December 2023. The risk assessment border shall be subject to the Company's locations in Taiwan.
The Company has, in accordance with the materiality principle for corporate social responsibility, conducted risk assessments on environmental, social, and corporate governance issues pertaining to company operations and established the following relevant risk management policy or strategy upon the risk assessment:
<table>
<tr><th>Material issue</th><th>Risk assessment items</th><th>Risk management policy or strategy</th></tr>
<tr><td>Environment</td><td>Environmental protection</td><td>The Company uses the best effort to implement environmental protection. By executing the ISO 14001 environmental management and continuing replacement with energy-conservation equipment, the Company mitigates the pollution and power consumption and improves reuse and recycling of waste effectively. The Company also installs solar panels throughout the factory premises to mitigate carbon emission and achieve the energy conservation effect by lowering the room temperature at the factory premises. The Company also adopts and executes plans and programs per ISO 14001, and regularly follows up the progress and achievement of various goals.</td></tr>
<tr><td>Society</td><td>Product safety</td><td>All of the Company's products meet the RoHS. Meanwhile, by executing the ISO 9001 quality management system, the Company may provide customers with the product and quality without the safety</td></tr>
</table></td><td>No material deviation was found.</td></tr>
</table>

<table>
<tr><th rowspan="2">Promotional items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>concern. The Company also conducts the customers’ quality and service satisfaction survey, strengthen the cooperative relationship with customers, and continue to provide fine-quality services as the basis for corporate sustainable development.</td></tr>
<tr><td rowspan="2">Corporate Governance</td><td>Socioeconomic and Legal Compliance</td><td>By establishing the corporate governance organizational framework, the Company has its overall operating activities execute the internal control system strictly. Meanwhile, the Company reviews the same regularly in order to deal with the changes in internal and external environment, ensure that all of the Company's personnel and operations keep functioning effectively, and strictly comply with the Articles of Incorporation and related laws & regulations.</td></tr>
<tr><td>Strengthen the powers of the Board of Directors</td><td>1. Plan related continuing education issues for directors and provide directors with the latest laws & regulations and system development and policies each year.
2. Maintain the liability insurance for directors to protect them from litigation or monetary claims.</td></tr>
</table></td><td></td></tr>
<tr><td>III. Environmental issues
(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</td><td>✓</td><td></td><td>The Company's factory premises establish the environmental management system and continue to pass a third party’s certification in accordance with the ISO14001. The Company also plans to complete the 2023 GHG accounting in accordance with ISO14064-1 in 2024. The Company has not suffered any material environmental pollution incidents in the latest five years. This can reflect the result generated by the Company's efforts in the environmental management.</td><td>No material deviation was found.

No material</td></tr>
</table>

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
				deviation was found.
(II) Does the Company endeavor to utilize all resources more efficiently, and use renewable materials which have a low impact on the environment?	✓		1. The continuous operation of the solar panels on the roof of AE Building of Dafa Plant generates 1.69 million kWh of power per year, which can reduce about 840 mt carbon emissions. 2. The energy-conservation and variable-frequency equipment is chosen as the first priority if the equipment at the factory premises should be replaced. 3. The Headquarters and factories of the Company all adopted LED lamps. 4. The Company's packaging materials are made of the waste upon classification, recycling and reuse of waste (e.g. lining paper/angle bead) through internal management procedures, in order to mitigate waste of natural resources and also the impact to the environment. 5. The traditional blue tempered packing steel strap is changed to PET plastic steel packing.	No material deviation was found.
(III) Does the Company assess the current and future potential risks and opportunities that climate change may present to enterprises and adopt the responsive measures against climate-related issues?	✓		Please refer to Pages 50~52 for details.	No sufficient internal and external information is available.
(IV) Does the Company maintain statistics on GHG emission, water		✓	1. The Company completed the 2023 greenhouse gas inventory in accordance with ISO 14064-1 in 2024. 2. The Company has not yet adopted the policies aiming at	

<table>
<tr><th rowspan="2">Promotional items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>consumption, and total waste volume in the last two years, and adopt the policies aimed at conserving energy, and reducing carbon, GHG emission, water consumption or other wastes?</td><td></td><td></td><td>reduction of GHG emission, water consumption or other wastes.
<table>
<tr><th>Item</th><th>2022</th><th>2023</th></tr>
<tr><td>GHG</td><td>3,982.6086</td><td>4,629.5286</td></tr>
<tr><td>Water consumption</td><td>9,657 cubic meters</td><td>12,566 cubic meters</td></tr>
<tr><td>Gross weight of waste</td><td>Domestic waste about 22 tons
Waste wood about 4.8 tons</td><td>Domestic waste about 14 tons
Waste wood about 11.21 tons
Waste lubricants about 1.4 tons</td></tr>
</table></td><td></td></tr>
<tr><td>IV. Social issues
(I) Does the Company develop its policies and procedures in accordance with laws and International Bill of Human Rights?</td><td>✓</td><td></td><td>1. In order to fulfill the corporate social responsibility and to protect the basic human rights of all colleagues, customers and stakeholders, the Company formulated its own “Human Right Policy” in accordance with the principles disclosed by the international human right conventions including the “Universal Declaration of Human Rights,” “United Nations Global Compact” and “International Labour Convention” on November 6, 2018. Meanwhile, the Company strictly complies with the local labor laws and regulations.
2. Meanwhile, the Company has adopted its “Work Rules.” The labor-management right and obligation both satisfy the labor laws and regulations, and recorded by the department of labor, in order to protect employees’ interests and rights and to promote the amicable labor-management relationship.</td><td>No material deviation was found.</td></tr>
</table>

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
(II) Does the Company adopt and implement reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.), and reflect the operating performance or results to the remuneration to employees adequately?	✓		1. Employee Benefit Plans: (1) Bonus: Year-end bonus, remuneration to employees, production bonus, sales bonus and business bonus. (2) Gift money: Gift money for wedding, gift money for childbirth, gift money for birthday, gift money for three major festivals, gift money for service seniority, consolation money for hospitalization, and consolation money for funeral. (3) Catering services: Employees may use rice steamers, microwave ovens, electric cookers and coffee machine provided by the Company. The Company also provides desserts and snacks at teatime each month. Employees are granted the allowance for staff party, as the Company wishes to enhance the exchange among colleagues. (4) Day care center and breastfeeding room: The Company executes the contract with the kindergarten to provide employees with preferential measures if they send their children to the kindergarten. A heartwarming breastfeeding room is also made available to employees who need to breastfeed children. (5) Subsidies: The Company provides disaster subsidies. Employees are granted subsidies for natural disaster. Meanwhile, the continuing education subsidies are granted in order to encourage to attend continuing education. (6) Healthcare: In addition to labor and national health insurance programs, the Company maintains the employee group medical and accident insurance programs additionally, in order to protect employees. The Company implements employee health checkup, provides on-site healthcare professionals' services every year, conducts health checkup analysis and management, prevention of occupational diseases and health promotion.	

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
			(7) Leisure category: The Company will organize local and overseas tours and one-day tours from time to time, in order to have employees feel relaxed physically and mentally. 2. Leave: The Company implements the sound leave system in accordance with labor laws and regulations, and includes it into its "Work Rules" communicated to all colleagues, which will be amended in response to update on the laws and regulations, if any. 3. Workplace diversity and equality: (1) The Company implements the equal pay equal work reward conditions and equal promotion opportunity. By upholding the principle that the job is suitable for the right person, the Company approves that female employees also have the opportunity for promotion to be executive officers. In 2023, the female employees accounted for 36.9% of the whole employees, and 56% of the middle management and above. (2) The Company provides the leave without pay for childcare. Employees can apply for it if necessary. In 2023, only 3 employees applied for the leave without pay for childcare, and the reinstatement rate after the leave without pay for childcare was 100%. 4. Employee remuneration policy: (1) In order to attract and retain talents, and have employees to share operating results with the Company, the Company provides competitive salary and rewards to attract and retain talents. The main philosophy upheld by the Company is to determine the salary subject to the job position. The rewards are decided based on the colleagues’ functions and responsibilities, in combination of the business performance of the Company,	

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
			units and individuals. Meanwhile, through the salary survey, the Company offers raise subject to the pay level in the market, economic trends and personal performance, in order to maintain the overall competitiveness of salary and rewards. (2) According to the Company's Articles of Incorporation, annual profits concluded by the Company, if any, shall be subject to the remuneration to employees of no less than 2%.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		1. The workplace responsible person shall observe workers' operations from time to time, and ask for correction or improvement immediately upon discovery of any unsafe activities or conditions. 2. Portable electric hand tool safety management: check before starting the operation, and place the tools at fixed locations and with fixed capacity. 3. Forklift safety management: check before starting operation, and place it at fixed locations. 4. Stationary cranes (hoisting load over 3 metric tons): Check before starting operation, quarterly check point, and yearly check. 5. Arrangement for 2023 crane inspection. 6. EHS management personnel shall communicate the labeling, sign and hazard warning messages about hazardous chemicals, in accordance with the "GHS." 7. The contract for "operating environment monitoring" operations was awarded to a monitoring institution. In 2023, the contract was awarded once per six months. The Company also asked workers to wear effective soundproof protective gears, such as earplugs and earmuffs. 8. The purchase contracts for machine, appliances, equipment,	

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
			materials, raw materials and person protective gears should be held satisfying the Occupational Safety and Health Act, and related standards. 9. Assess the potential risks upon change of the operation, and take adequate measures. Meanwhile, workers shall understand and accept related educational training. 10. Inspect the contractors' safety and health management regulations in accordance with the Occupational Safety and Health Act per year, and make amendments if necessary, in response to the actual operations. 11. Inspect the compliance of various machine units with the safety and health operations from time to time, wearing helmet, safety shoes and earplugs. 12. Inspect whether the operators engage in any unsafe activities or are in an unsafe environment from time to time. 13. Once per month: Regular check on fire protection equipment, high-voltage electrical equipment and low-voltage electrical equipment. 14. The automatic inspection on mechanical equipment once per week; the tour inspection on safety and health at the worksite at least once per day. 15. Implement the general safety and health education for new employees and workers who transfer their jobs. 16. Implement the in-service safety and health training. 17. On-the-job training for the first aid personnel, stationary cranes, and stackers. 18. Implement the safety and health training for operational supervisors, occupational safety and health personnel and committees.	

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
			19. Purchase of emergency response equipment and protective equipment; check, maintain and care the personal protective equipment. 20. New employees' physical examination, and in-service personnel's health checkup once per year. 21. Purchase of first-aid kits and check on the first-aid kits on a monthly basis. 22. Implement the labor hygiene awareness campaign in response to the government's policy, e.g. posting posters, comic story and slogans, and update them from time to time to promote the safety awareness. 23. Communicate with laborers for their opinions on work, improve work efficiency; collect occupational safety and health messages on related websites; attend the courses organized by labor inspection units. 24. Emergency response measures: Adopt the related procedures for response to abnormality, incidents and disasters, and implement drills and training. 25. Investigate, settle and gather statistics on occupational accidents, false alarms, and incidents affecting physical and mental health. 26. Strengthen the implementation of labor hygiene and disaster mitigation campaign in response to the government's policy, and publish the information about the latest labor safety and health policies in a timely manner. 27. Supervisors shall communicate the safety awareness and other safety and health promotion matters when staff are gathered for work in the day and swing shifts. 28. The Company is committed to a smoke-free environment and	

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
			promotion of health at workplace. Meanwhile, the Company has received the Healthy Workplace Certification - Badge of Accredited Healthy Workplace. 29. The Company has suffered 2 occupational accidents, involving 2 employees (0.09% of the total persons in 2023) in 2023. The Company plans to strengthen the safety protective equipment and education & training program arrangement, in order to ensure colleagues' personal safety in work. 30. The Company has suffered 0 occupational accident, involving 0 employee (0% of the total persons in 2023) in 2023. Relevant improvement measures in response to fire: Not applicable. 31. Identification of fire risks under unfavorable scenarios and key feasible mitigation measures:	

Fire Risk Identification	**Feasible mitigation measures**
Fire incurred by overload of electricity gas/electric panel	Electricity-leakage circuit breakers, carbon dioxide, dry powder fire extinguishers, and fire alarm switchboard have been installed, so that workers at the factory premises can operate fire extinguishers at the very beginning, or activate emergency response measures (refuge, evacuation and first aid) if it is impossible to extinguish the fire.
Liner burning caused by overheating of the shearing machine heater.	The machine is equipped with dry chemical and carbon dioxide fire extinguishers. Personnel can put out the fire at the very beginning, and activate emergency response measures (refuge, evacuation and first aid) if it is impossible to extinguish the fire.

<table>
<tr><th rowspan="2">Promotional items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Fire caused by falling spark during the electric welding operation.</td><td>The electric welding area is equipped with dry powder fire extinguishers. Personnel can put out the fire at the very beginning, and activate emergency response measures (refuge, evacuation and first aid) if it is impossible to extinguish the fire.</td></tr>
<tr><td>Arson (force majeure)</td><td>Fire alarm receiving system, emergency response measures (refuge, evacuation and first aid), self-defense fire protection team, fire extinguishing equipment (dry chemical powder, carbon dioxide fire extinguisher, and fire hydrant).</td></tr>
<tr><td>Earthquake</td><td>Emergency response measures (refuge, evacuation and first aid), qualified first aid personnel, and emergency contact persons.</td></tr>
<tr><td>Others</td><td>Check the fire protection equipment (fire extinguishers, hydrants, emergency power generators and fire pumps) on a monthly basis, organize the fire drills in 1H and 2H of each year, check the heaters and electrical equipment on and off duty, check broadcasting and warning system testing, regularly check high-voltage and low-voltage circuit systems, and send security personnel to conduct the fixed-point inspection at nighttime.</td></tr>
</table></td><td></td></tr>
<tr><td>(IV) Does the Company have an effective career capacity development training program established for</td><td>✓</td><td></td><td>The Company plans complete competency training for managers and colleagues of various level, including orientation training, professional advanced training, and officers’ training, etc., to help colleagues continue to learn and grow through diversified learning</td><td></td></tr>
</table>

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
employees?			methods, and implements training courses related to the belief and development of corporate ethics to cultivate the colleagues' key competencies. There were a total of 719 persons attending the career training, for 567.3 hours in total, in 2023.	
(V) Does the Company comply with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered, and implement consumer or customer interest protection policies and grievance procedures?	✓		1. The marketing and labeling in all of the Company's products and services comply with the laws of Taiwan and the territories where the products and services are sold, or per customers' request. The Company has adopted its own personal data protection management system and policy to appoint each department manage and protect customers' privacy. Meanwhile, the Company also sets up the information security dedicated unit to protect customers' personal data jointly through the personal data internal audit, prevention of crisis, education & training and awareness promotion. 2. The Company posts the latest news, product information, and Tel. No. and email of persons-in-charge of various business lines on the Company's homepage. Meanwhile, the stakeholder communication channel is also set up, sot hat all stakeholders may file complaints or seek communication via said channel. Upon receipt of the information provided by the stakeholder, the Company will assign dedicated personnel to confirm or process the case and respond to the stakeholder within specific time limit. 3. The Company didn't violate any laws and regulations with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered by it in 2023.	
(VI) Does the Company adopt any specific supplier management policy	✓		The Company values the protection of environment and society. Meanwhile, the Company engages in the awareness campaign for external suppliers every year to urge them to act in response to the	

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	
demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights, and how the policy is implemented?			material environmental survey and perform the environmental evaluation at their factory premises, and also provides the suppliers with the "Supplier Material Environmental Survey Form." According to the government's existing policy, if any domestic supplier engages in activities affecting the environment and society, the supplier shall be fined or ordered to suspend business. Therefore, the Company doesn't include into its contract the terms stipulating that the contract may be terminated or rescinded any time. The agreement and contract executed by the Company with its foreign suppliers are handled in accordance with the local laws and regulations.	
V. Does the Company prepare sustainability report or any report of non-financial information based on international reporting standards or guidelines? Is said report assured or guaranteed by a third party certification unit?		✓	The Company has disclosed the critical and relevant corporate social responsibility information on the Company's website and the MOPS. The Company will prepare the sustainability report subject to the overview of operation or according to related laws and regulations.	The Company expects to prepare the Sustainability Report in 2025.
VI. If the Company has established its own sustainable development policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the current practices and any deviations thereof from such principles: The Company has adopted its own "Sustainable Development Best Practice Principles" and also demanded that all colleagues should comply with, and commit to implement, the Principles.				
VII. Other information useful to the understanding of sustainable practice: 1. The Company donates the fixed fund, NT$60,000, to the Foundation of Kaohsiung City Yong-An Children's Home on a yearly basis (to help children who have suffered family accidents and became alone and helpless for their physical, mental and personality development). 2. The Company donates fixed fund, NT$60,000, to Kaohsiung City Public Good Deeds and Charity Association on a yearly basis (to visit and assist the homeless elderly and loners who are not subsidized by any social welfare unit, and establish the public welfare carcass disposal team). 3. Rural school children's book reading activity: On February 11, 2023 and June 3, 2023, the Company's charity volunteer team consisting of 21 members, led the				

Promotional items	Implementation status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and causes thereof
	Yes	No	Summary	

rural school students and teachers of Wan An Elementary School and Danlu Elementary School, totaling 50 persons, were arranged to visit the Company's production plants, in order to inspire the students to explore their dreams about life and careers, and experience the convenience of the Kaohsiung MRT and Light Rail Transit. They were also guided to visit the Formosa Boulevard Station where an art presentation of the beauty of the sky is demonstrated, and watch movies that may temper their mind at the Pier-2 Art Center. At last, they read, select and bought books at Eslite Bookstore. The whole activity was arranged to give the remote school children more motivation to keep working hard and improving.

4. Teaching to improve remote school children’s English language proficiency: As of November 3, 2023, at 16:05~16:45 on Mondays and Fridays, one volunteer was assigned by the Company to perform the English teaching tutorship and reading plan for 4 students from Wan An Elementary School, in order to enable these children interested in English to have more chances to learn English to improve their English language proficiency.
5. A total of 30 street trees in Dafa Industrial Park have been pruned and adopted, so that presence of Dafa Industrial Park became more tidy and beautiful.
6. Donation of 106 COVID-19 rapid test kits to the nursing home.

VIII. Climate-related information implementation:

Item	Implementation status
1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	The Board of Directors is the supreme steering body responsible for reviewing and directing the Group's overall climate change strategies, action plans and annual goals. The "Sustainable Development Committee" reports the implementation plans and results to the Board of Directors on an annual basis. In order to effectively manage climate-related risks and opportunities, the chairman of the "Sustainable Development Committee" has appointed a "sustainable environment team" as the dedicated unit engaged in the climate change-related management. The “sustainable development team” conducts rolling reviews on the internal sustainability promotion strategies and policies regularly, while gaining insight into the changes in external environment. When analyzing the Company's sustainability opportunities and risks, feedback may be provided to the Company's risk management level at the same time, and strategies and implementation progress are reported to the "Sustainable Development Committee" on a regular basis.
2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term).	The scope of impact covers the upstream, internal and downstream, segments and the time of occurrence of each risk is divided into: short-term less than 3 years, medium-term for 3-5 years, and long-term more than 5 years. Please refer to the following 1-1.
3. Describe the financial impact posed by extreme climate events and transformation actions.	Under evaluation.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The Company has established the "Sustainable Development Committee" chaired by the President. The Committee consists of the corporate governance team, sustainable environment team, social welfare team, and ethical management team. The corporate governance team is responsible for formulating, supervising and reviewing policies and management mechanism related to corporate governance and risk management. It is also responsible for coordinating relevant departments to perform risk identification, assessment, control and supervision, and regularly report the implementation status to the “Sustainable Development Committee.” The “Sustainable Development Committee” shall report the overall risk management implementation status to the Board of Directors at least once a year. Each relevant department assesses the possibility of occurrence of each risk factor and the level of impact subject to their functions, and formulate and implement necessary measures and manage various risks with care. Based on the risk management policy and risk assessment results, the

	internal auditors formulates the annual internal audit plan, executes various system audits according to the plan, and assists the Board of Directors in monitoring and controlling the potential risks over the execution of decisions to ensure that all operational risks are effectively controlled and suggestions for improvement may be proposed in a timely manner. The sustainable environment team of the Company's "Sustainable Development Committee" is the dedicated unit engaged in climate change-related management. The unit is responsible for collecting international reports and literature and issues of domestic and foreign industry peers' climate-related risks and opportunities, organizing education and training programs and internal discussions on climate risks and opportunities, assessing the potential impacts on the Company, and concluding the Company's major climate-related risks and opportunities, in order to enhance the Company's ability to respond to climate changes.
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.	Not applicable.
6. If there is a transformation plan in response to the management of climate-related risks, describe the contents of the plan, and the indicators and goals used to identify and manage physical risks and transformation risks.	Not applicable.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.	Not applicable.
8. If climate-related goals are set, the activities covered, scope of greenhouse gas emissions, planned schedule, and annual progress should be explained. If carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, please explain the source and quantity of carbon offset credits or quantity of Renewable Energy Certificates (RECs) for	Not applicable.

which they are exchanged.	
9. Greenhouse gas inventory and assurance status, as well as reduction targets, strategies and concrete action plans.	For the greenhouse gas inventory and assurance status, please refer to the following 1-2. The greenhouse gas reduction targets, strategies and concrete action plans will be disclosed in 2024 annual report in 2025.

1-1 Major Climate Risks and Opportunities

Major Climate Change Risks and Opportunities			Potential impact on business, strategy and finance	Responsive measures
Risk	Short-term	Increasing electricity bills	Increasing costs	Installation of solar power generation facilities and formulation of power-saving measures
		Extreme weather affects transportation	● Increasing freight costs ● Impact on the delivery period of imported raw materials and exported commodities	● Pay attention to the weather and respond to it early ● Increase risk diversification by transport companies
	Mid-term	Collection of carbon emission-related taxes at home and abroad	Increasing operating costs	Procurement of raw materials with lower carbon emissions and energy-saving equipment
		Natural resource price fluctuate and unstable supply of goods	Interruption in the raw material supply sources	Diversify suppliers to mitigate risks
	Long-term	Extreme weather affects raw material supply, production and sales	Affect the enterprise’s normal operation	● Insurance claims ● Diversify suppliers and develop new customers ● Develop new business lines
Opportunity	Short-term	Improve resource utilization efficiency	Reduce the costs	Conservation and efficient use of water, electricity and other resources
	Mid-term	Improvement of technology and equipment performance	Increasing capital expenditures and decreasing operating costs	Procurement of raw materials with lower carbon emissions and energy-saving equipment
		Acquisition of low-carbon raw materials		
	Long-term	Industrial transformation	Improve corporate competitiveness	Develop more diversified business models

1-2 The greenhouse gas inventory and assurance status in the most recent two years

1-2-1 GHG Inventory Information

Year	By company	Direct scope 1 (metric tons CO_2e)	Energy indirect scope 2 (metric tons CO_2e)	Intensity (metric ton CO_2e/NTD million)
2022	The Company	84.4332	1,058.3449	0.106191
2023		83.4251	1,095.2816	0.132446

Note: The intensity of greenhouse gas emission is calculated based on the turnover (NTD million).

1-2-2 GHG Inventory Assurance Information

2023

Scope	By company	Assurance institution	Description about the assurance status
Scope 1	The Company	SGS Taiwan Ltd.	Among the total greenhouse gas emissions disclosed by the Company, 1,178.7067 metric tons of CO_2e (accounting for 0.0064% of the total emissions) were verified by the certification body in accordance with the ISO14064-3 standard, and the assurance opinion is reasonable assurance.
Scope 2			

Note: The Company's 2022 GHG inventory information has not been verified by an assurance institution externally.

(VII) Ethical management status, and deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof

Evaluation items	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof
	Yes	No	Summary	
I. Establishment of ethical management policies and plans (I) Does the Company establish a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	✓		The Company has adopted its “Ethical Management Best Practice Principles” upon approval of the Board of Directors, and also published the same to all colleagues. The Board of Directors and management all commit to implement the same proactively.	No material deviation was found.
(II) Does the Company develop systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in	✓		In reference to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and by taking into consideration the unethical conduct risk that might be encountered by the Company during operations, the Company's Ethical Management Promotion Taskforce set forth the “Ethical Management Best Practice Principles” including the prevention policy against the activities referred to in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.”	

Evaluation items	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof
	Yes	No	Summary	
Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"? (III) Does the Company define and enforce operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	✓		The Company has communicated the “Ethical Management Best Practice Principles” to all colleagues, and also set forth the operating procedure for prevention of unethical conduct . Meanwhile, the Company would perform the awareness campaign toward employees for education and training regularly. The Company will review whether it is necessary to amend said program regularly each year. The amendments, if any, will be submitted to the Board of Directors for approval.	
II. Implementation of ethical management (I) Does the Company evaluate the integrity of all trading counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		Prior to engaging in any commercial transactions, the Company will take into consideration the legality of its agents, suppliers, customers or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with the agents, suppliers, customers or other trading counterparties, the Company may at any time terminate or rescind the contractual terms and conditions, in the event the trading counterparties are involved in unethical conduct.	No material deviation was found.

Evaluation items	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof
	Yes	No	Summary	
(II) Does the Company establish a unit dedicated to promoting ethical corporate management under supervision of the Board of Directors which shall be responsible for reporting the status of implementation of the ethical management policy and unethical conduct prevention program to the Board of Directors periodically (at least for once per year)?	✓		1. The convener of the Company's Ethical Management Taskforce is Administration Department, which is responsible for assisting the Board of Directors and management in formulation and supervision on execution of the ethical management policies and unethical conduct prevention programs, in order to ensure the implementation of Ethical Management Best Practice Principles. It shall also report the implementation status in the previous to the Board of Directors. The 2023 implementation status was reported to the Board of Directors on March 8, 2024. 2. In order to prevent the conflict of interest and provide adequate channels to provide explanation, the Company has adopted its own "Ethical Management Best Practice Principles" and "Measures for the Report on Illegal and Unethical or Dishonest Conducts." 3. The Company's implementation of the ethical corporate management policy n 2023: (1) The Ethical Management Taskforce organized the awareness and education & training campaign for employees' ethics and insider trading for a total of 18.35 hours in 2023. (2) The Company's whistleblowing mailbox: 0 incident was reported in 2023; the HR whistle-blowing mailbox: 0 incident was reported in 2023.	
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	✓		The Company has adopted the "Ethical Management Best Practice Principles" to prevent the conflict of interest, and also set up adequate channels to provide explanation.	

Evaluation items	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof
	Yes	No	Summary	
(IV) Does the Company implement effective accounting policy and internal control system to maintain business integrity? Has an internal audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	✓		The Board of Directors shall exercise the due diligence as a good administrator to urge the Company to prevent any unethical conduct, and shall also review the compliance with the accounting system and internal control system, in order to continue following up and improve the same to ensure the implementation of the ethical management policy. The Company's Audit Department conducts various audits per the annual audit plans upon risk assessment, and reports the audit results to the Board of Directors.	
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	✓		The Company organizes the internal education and training program periodically or sends its staff to attend related programs organized by the competent authority.	
III. Implementation of the Company's whistleblowing system (I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts? (II) Does the Company implement	 ✓ ✓		The Company has adopted the “Measures for the Report on Illegal and Unethical or Dishonest Conducts.” The grievance channels and dedicated personnel are stated as follows: 1. Whistleblowing channels (1) Spokersperson’s whistle-blowing mail box:peichen@yuenchang.com.tw (2) Internal auditing officer’s email: josie@yuenchang.com.tw 2. Dedicated personnel	No material deviation was found.

Evaluation items	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof
	Yes	No	Summary	
any standard procedures for handling reported misconducts and related confidentiality measures? (III) Does the Company have taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	 ✓		The reported cases involving the general employees shall be submitted by the handling units to the department heads. Those involving directors or senior management shall be submitted to independent directors. 3. Protection of whistleblowers Personnel of the Company handling whistleblowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing. According to the "Working Rules", the Company grants merits to those who whistleblow misconduct or cases impairing the Company's interest as reward.	
IV. Enhanced information disclosure Does the Company disclose the contents of its ethical management best practice principles and the result of implementation on its official website and MOPS?	✓		The Company has disclose the contents of its ethical management best practice principles and the result of implementation on its official website and MOPS. The Company's official website at http://www.yuenchang.com.tw.	No material deviation was found.
V. If the Company has established its own sustainable development policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the current practices and any deviations thereof from such principles: The Company's ethical management strictly complies with the Principles adopted by it.				
VI. Other information useful to the understanding of ethical corporate management (e.g., the Company reviews and amends the ethical management best practice principles established by it): The Company will at all times monitor the development of relevant local and international regulations concerning ethical corporate				

Evaluation items	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and causes thereof
	Yes	No	Summary	
management and encourage its directors, managers and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.				

(VIII) If the Company has established corporate governance principles and other relevant guidelines, references to such principles must be disclosed: Please visit the MOPS or the Company's website.

(IX) Other information material to the understanding of corporate governance within the Company: Please visit the MOPS or the Company's website.

(X) Disclosures relating to the implementation of the internal control system:

1. Declaration for Statement of Internal Control:

Yuen Chang Stainless Steel Co., Ltd.
Declaration for Statement of Internal Control System

Date: March 8, 2024

We made the following declaration based on self-assessment on the Company's internal control policies in 2023:

I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers, and that such a system has already been established throughout the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc.,), reliable, timely and transparent financial reporting, and regulatory compliance.

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, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws were identified.

III. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.

IV. The Company has adopted the above-mentioned criteria to validate the effectiveness of its internal control design and execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control policies to be effective as of December 31, 2023. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

VI. The Statement forms an integral part of the Company's annual report and prospectus, and shall be made public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. The Statement was approved at the Company's Board of Directors meeting held on March 8, 2024. None of the 7 directors present to the meeting held any objections, and all of them unanimously agreed to the contents of this declaration.

Yuen Chang Stainless Steel Co., Ltd.

Chairman and President: Yen Te-Ho Seal/Signature

2. If the internal control system has been reviewed by an external auditor, the result of such review must be disclosed: None.

(XI) Punishments received by the Company and its internal personnel pursuant to laws and punitive actions issued by the Company against its internal employees in violation of the internal control system provisions in the most recent year until the date of publication of the annual report that may significantly impact shareholders' interest or security price, and major deficiency and correction status: None.

(XII) Major resolutions passed in shareholders’ meetings and Board of Directors meetings in the most recent year until the date of publication of the annual report

1. Major resolutions passed in shareholders’ meetings and Board of Directors meetings in 2023 until the date of publication of the annual report:

Name of Meeting	Date	Remark	
Annual General Meeting	June 9, 2023	1.	2022 Business report and financial statements.
		Implementation status	Approved as it is proposed.
		2.	2022 Earnings appropriation proposal.
		Implementation status	Approved as it is proposed.
		3.	Amendments to certain provisions of the Company’s “Articles of Incorporation”
		Implementation status	Approved as it was, and an application was submitted to the MOEA on June 17, 2023, which was approved by the MOEA in writing on June 30, 2023.
		4.	Re-election of the whole directors
		Implementation status	Election of 7 directors (including 4 independent directors) of 4th Board of Directors of the Company, already disclosed on the Company’s website.
		5.	Termination of the non-competition restrictions imposed on new directors and their representatives
		Implementation status	Approved as it is proposed.

2. Major Resolutions of the Board of Directors Meetings:
Major resolutions passed in Board of Directors meetings in 2023 until the date of publication of the annual report:

Name of Meeting	Date	Remark	
Board of Directors	March 16, 2023	1.	Issuance of the Company's 2022 Declaration for Statement of Internal Control.
		2.	The Company's periodic evaluation on the independence of external auditors.
		3.	2023 appointment of and remuneration to external auditors
		4.	2022 Business report and financial statements.
		5.	2022 Earnings appropriation proposal.
		6.	Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as “Qiyi”), with various financial institutions in 2023.
		7.	Amendments to certain provisions of the “Rules Governing Financial and Business Matters Between Affiliated Companies, Specific Companies and Group Companies”
		8.	Amendments to certain provisions of the “Sustainable Development Best Practice Principles”
		9.	Amendments to certain provisions of the “Corporate Governance Best Practice Principles”
		10.	Adoption of the “Regulations Governing Review on Pre-approval of Non-Assurance Services Provided by External Auditors”
		11.	2022 year-end bonus to managers.
		12.	2022 distribution of remuneration to employees and directors.
		13.	The Company’s appointment of the Chief Corporate Governance Officer
		14.	Re-election of the whole directors
		15.	Operating procedure for and criteria for review on acceptance of nomination by directors
		16.	Termination of the non-competition restrictions imposed on new directors and their representatives
		17.	Amendments to certain provisions of the “Articles of Incorporation”
		18.	Convention of the Company's 2023 annual general meeting.
Board of Directors	April 28, 2023	1.	Qualification review on nominated directors.
Board of Directors	May 9, 2023	1.	The Company's Q1 2023 consolidated financial statements.
		2.	Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as “Qiyi”), with various financial institutions in 2023.
		3.	Amendments to certain provisions of the Company's “Rules of Procedure for Shareholders’ Meeting”
Board of Directors	June 9, 2023	1.	Election of the Chairman and Vice Chairman.
		2.	Appointment of 4th Remuneration Committee.
		3.	Transfer of the Company’s President.
Board of Directors	August 9, 2023	1.	The Company's Q2 2023 consolidated financial statements.
		2.	Ratification of the Company’s derivatives trading.
		3.	Ratification of the agreement on facility with certain financial institutions in 2023.

Name of Meeting	Date	Remark	
		4.	Amendments to the agreement on facility with certain financial institutions in 2023.
		5.	Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as “Qiyi”), with various financial institutions in 2023.
		6.	Periodic review on the salary and remuneration to directors and managers.
		7.	Distribution of 2022 employee remuneration to managers, and directors with the employee ID.
Board of Directors	September 22, 2023	1.	Transfer of treasury shares for subscription by non-managerial officers.
		2.	Transfer of treasury shares for subscription by the managers.
Board of Directors	November 8, 2023	1.	The Company's Q3 2023 consolidated financial statements.
		2.	2023 agreement on facility with E-Sun Bank, Kaohsiung Branch.
		3.	Amendments to the agreement on facility with certain financial institutions in 2023.
		4.	Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as “Qiyi”), with various financial institutions in 2023.
		5.	Amendments to certain provisions of the “Internal Control System” and “General Provisions of Internal Audit System and Enforcement Rules thereof.”
		6.	Amendments to the Company's “Procedures for Handling Material Inside Information and Insider Trading Prevention Management”
Board of Directors	December 27, 2023	1.	Propose the Company’s 2024 business plan.
		2.	Ratification of the Company’s derivatives trading.
		3.	Plan to agree on addition to and renewal of the facility with various financial institutions in 2024.
		4.	The Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (Hereinafter referred to as “Qiyi”) with various financial institutions in 2024.
		5.	The Company's plan to loan fund to the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (Hereinafter referred to as “Qiyi”).
		6.	Propose the Company’s 2024 business plan.
		7.	Amendments to certain provisions of the “Internal Control System”
		8.	Amendments to certain provisions of the “Regulations Governing the Use of Seals.”
		9.	Amendments to certain provisions of the Company’s “Operating Procedure for Loaning of Funds to Others.”
		10.	Amendments to the Company's “Regulations Governing Property Management”
		11.	Amendments to the Company's “Regulations Governing Handling of Reported Cases Against Illegal and Unethical Conduct or Dishonest Conduct.”
Board of Directors	March 8, 2024	1.	Issuance of the Company's 2023 Declaration for Statement of Internal Control.
		2.	The Company's periodic evaluation on the independence of external auditors.

Name of Meeting	Date	Remark	
		3.	Appointment of and remuneration to the Company’s external auditors in 2024.
		4.	2023 Business report and financial statements.
		5.	2023 Deficit compensation proposal
		6.	Distribution of cash from capital surplus.
		7.	Ratification of the Company’s derivatives trading.
		8.	Amendments to the agreement on facility with certain financial institutions in 2024.
		9.	Amendments to the Company's plan to make endorsement/guarantee for the agreement on and renewal of facility of the subsidiary, Ningbo Qiyi Precision Metals Co., Ltd. (hereinafter referred to as “Qiyi”), with various financial institutions in 2024.
		10.	Amendments to certain provisions of the “General Provisions of Internal Audit System and Enforcement Rules thereof.”
		11.	Amendments to certain provisions of the Company's “Regulations Governing Procedure for Board of Directors Meetings.”
		12.	Amendments to certain provisions of the "Organization Rules of Audit Committee Charter."
		13.	2023 year-end bonus to managers.
		14.	Amendments to certain provisions of the “Articles of Incorporation”
		15.	Convention of the Company's 2024 annual general meeting.

(XIII) The main contents of important resolutions of the Board passed but with directors or supervisors voicing opposing opinions on the record or in writing in the most recent year until the date of publication of the annual report: None.

(XIV) Summary of resignation/dismissal of the Company's Chairman, General Manager, accounting officer, financial officer, internal auditing officer, chief corporate governance officer or chief R&D officer in the most recent year until the date of publication of the annual report:

Two. January 1, 2023~December 31, 2024

JOB TITLE	NAME	DATE ONBOARD	DATE OF DISMISSAL	REASONS FOR RESIGNATION OR DISMISSAL
General Manager	Yen The-Wei	April 1, 2011	June 9, 2023	Elected as the Vice Chairman, due to functionary adjustment

V. Information about CPA’s audit fee

Unit: NTD thousand

Name of CAP Firm	Name of CPA	Audit Period	Audit fee	Non-audit fee	Total	Remark
Deloitte Taiwan	Hsu Kai-Ning Wu Chiu-Yen, Wu Chang-Chun	January 1, 2023 to December 31, 2023	3,500	-	3,500	Note (1)

Note (1) Due to the post transfer in the CPA Firm, the Company's external auditors have been changed from Hsu Kai-Ning, ,CPA and Wu Chiu-Yen, CPA to Hsu Kai-Ning, CPA and Wu Chang-Chun, CPA since Q4 of 2022.

(I) If a change of CPA firm results in a lower audit fee for that year compared to the previous year: None.

(II) If the audit fee was reduced by more than 10% from the previous year: None.

VI. Replacement of CPA:

(I) Information relating to the former CPA

<table>
<tr><td>Date of Replacement</td><td colspan="5">Approved by the Board of Directors meeting on November 8, 2022</td></tr>
<tr><td>Cause of replacement and remark</td><td colspan="5">Due to the post transfer in the CPA Firm, the Company's external auditors have been changed from Hsu Kai-Ning, ,CPA and Wu Chiu-Yen, CPA to Hsu Kai-Ning, CPA and Wu Chang-Chun, CPA since Q4 of 2022.</td></tr>
<tr><td rowspan="3">To specify whether the client or CPA terminates or rejects the appointment</td><td colspan="3">Contracting parties
Status</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="3">Voluntary termination of the appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="3">No longer accept (continue) the appointment</td></tr>
<tr><td>Issuance of the audit report other than the audit report containing unqualified opinions, and causes thereof</td><td colspan="5">Not applicable</td></tr>
<tr><td rowspan="6">Disagree with the Company?</td><td rowspan="4">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="3">Scope or steps of audit</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="4"></td></tr>
<tr><td colspan="5">Remark: N/A.</td></tr>
<tr><td>Other disclosures (To be disclosed under subparagraphs 6.1(4)–(7) of Article 10 of the Regulations.)</td><td colspan="5">None</td></tr>
</table>

(II) About the succeeding CPA

Name of CPA firm	Deloitte Taiwan
Name of CPA	Wu Chang-Chun
Date of appointment	Approved by the Board of Directors meeting on November 8, 2022
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	Not applicable
Written opinion from the succeeding CPA regarding the matters disagreed by the former CPA	Not applicable

(III) The former CPA’s response to the items referred to in Subparagraphs 6 (1) and (2) 3 of Article 10 of the Regulations: N/A.

VII. The Company's Chairman, General Manager or managers in charge of financial or accounting operations being employed by the external auditor’s firm or any of its affiliated company within the most recent year: None.

VIII. Any transfer of equity interest and pledge of or change in equity interest by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until to the date of publication of the annual report:

(I) Any transfer of equity interest and pledge of or change in equity interest by a director, supervisor, manager shareholder with a stake of more than 10 percent

Changes of the equity of directors, managers and major shareholders:

Unit: shares

Job Title	Name	2023		2024 until April 8		Remark
		Increase (decrease) in shares held	Increase (decrease) in Shares Pledged	Increase (decrease) in shares held	Increase (decrease) in Shares Pledged	
Directors and managers	Yen Te-Ho	(300,000)	-	-	-	
Director	Yen The-Wei	(64,000)	-	(10,000)	-	
Directors and major shareholders	Yuji Investment Co., Ltd.		12,000,000	-	(22,000,000)	
Representative of director, and manager	Chang Yun-Ching	367,000	-	-	-	
Independent director	Chen Chih-Cheng	-	-	-	-	
Independent director	Pan Yung-Shan	-	-	-	-	
Independent director	Tu Chin-Hsiang	-	-	-	-	
Independent director	Liu Hsin-Hung	15,000	-	-	-	
Manager	Yeh Mei-Yun	(243,000)	-	-	-	
Manager	Wu Huang-Yen	36,000	-	-	-	
Manager	Huang Ying-Hsueh	42,000	-	-	-	
Manager	Chu Pei-Chen	39,000	-	-	-	
Manager	Yen Po-Chien	-	-	-	-	

(II) Information about the counterparty of transfer of shares as a related party

Name	Cause of transfer of equity	Trading Date	Trading Counterparty	Relationship between the trading counterparty and the Company's directors, managers and shareholders with more than 10% shareholding	Shares	Trading price
Yen Te-Ho	Endowment	December 4, 2023	Yen Yun-Chen	Lineal relative by blood	100,000	15.25
Yen Te-Ho	Endowment	December 4, 2023	Yen Yi-Chen	Lineal relative by blood	100,000	15.25
Yen Te-Ho	Endowment	December 4, 2023	Yen Shao-Chen	Lineal relative by blood	100,000	15.25
Yeh Mei-Yun	Endowment	December 4, 2023	Chang Yun-Ching	Relatives within the second degree of kinship	300,000	15.25

(III) Information about the counterparty of pledge of shares as a related party: None.

IX. Disclosure of relationship, such as related party, spouse or relative within the second degree of kinship, among the top ten shareholders

Disclosure of relationship among the top ten shareholders

April 8, 2024; Unit: shares; %

NAME	SHARES HELD IN OWN NAME		SHAREHOLDING BY SPOUSE OR DEPENDENTS		SHARES HELD IN THE NAME OF A THIRD PARTY		IF THERE IS RELATIONSHIP, SUCH AS RELATED PARTY, SPOUSE, OR RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP, AMONG THE TOP TEN SHAREHOLDERS, PLEASE DISCLOSE THE DESIGNATION OR NAME AND RELATIONSHIP.		REMARK
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Designation (or Name)	Affiliation	
Yuji Investment Co., Ltd. Representative: Yen Po-Chien	37,731,750	22.68	-	-	-	-	Run Yang Investment Co., Ltd.	Relatives within 2nd degree of kinship among the company responsible persons	
							Yen Te-Ho, Yeh Mei-Yun and Yen Shih-Hang	Relatives within the second degree of kinship	
Yen Te-Ho	6,915,568	4.16	5,615,200	3.37	-	-	Yuji Investment Co., Ltd. and Run Yang Investment Co., Ltd.	Relatives within 2nd degree of kinship among the company responsible persons	
							Yeh Mei-Yun, Chan Yen Su-Chen, Yen The-Wei, Yen Po-Chien, Yen Shih-Hang, Hsiao Shu-Chin and Yeh Li-Yun	Relatives within the second degree of kinship	
Run Yang Investment Co., Ltd. Representative: Yen Shih-Hang	6,583,719	3.96	-	-	-	-	Yuji Investment Co., Ltd.	Relatives within 2nd degree of kinship among the company responsible persons	
							Yen Te-Ho, Yeh Mei-Yun and Yen Po-Chien	Relatives within the second degree of kinship	
Yeh Mei-Yun	5,615,200	3.37	6,915,568	4.16	-	-	Yuji Investment Co., Ltd. and Run Yang Investment Co., Ltd.	Relatives within 2nd degree of kinship among the company responsible persons	
							Yeh Te-Ho, Chan Yen Su-Chen, Yen The-Wei, Yen Po-Chien, Yen Shih-Hang, Hsiao Shu-Chin and Yeh Li-Yun	Relatives within the second degree of kinship	

NAME	SHARES HELD IN OWN NAME		SHAREHOLDING BY SPOUSE OR DEPENDENTS		SHARES HELD IN THE NAME OF A THIRD PARTY		IF THERE IS RELATIONSHIP, SUCH AS RELATED PARTY, SPOUSE, OR RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP, AMONG THE TOP TEN SHAREHOLDERS, PLEASE DISCLOSE THE DESIGNATION OR NAME AND RELATIONSHIP.		REMARK
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Designation (or Name)	Affiliation	
Yeh Li-Yun	3,840,441	2.31	-	-	-	-	Yen Te-Ho and Yeh Mei-Yun	Relatives within the second degree of kinship	
Chan Yen Su-Chen	3,311,455	1.99	-	-	-	-	Yen Te-Ho, Yeh Mei-Yun, Yen The-Wei and Hsiao Shu-Chin	Relatives within the second degree of kinship	
Yen Shih-Hang	2,574,492	1.55	-	-	-	-	Yuji Investment Co., Ltd.	Relatives within 2nd degree of kinship among the company responsible persons	
							Yen Te-Ho, Yeh Mei-Yun and Yen Po-Chien	Relatives within the second degree of kinship	
Hsiao Shu-Chin	2,389,113	1.44	-	-	-	-	Chan Yen Su-Chen, Yen Te-Ho, Yen The-Wei, Yen Ya-Hui and Yeh Mei-Yun	Relatives within the second degree of kinship	
Yen Ya-Hui	2,280,716	1.37	-	-	-	-	Hsiao Shu-Chin	Relatives within the second degree of kinship	
Yen The-Wei	2,226,482	1.34	160,894	0.1	-	-	Chan Yen Su-Chen, Yen Te-Ho, Yeh Mei-Yun and Hsiao Shu-Chin	Relatives within the second degree of kinship	

X. Number of shares held by the Company, and the Company's directors, supervisors and managers, and the entities directly or indirectly controlled by the Company in a single investee, and consolidated shareholding percentage of the above categories

Consolidated shareholding percentage

December 31, 2023; Unit: Thousand Shares

Investee	Investment by the Company		Investment by directors, supervisors, managers and enterprises controlled either directly or indirectly by the Company		Comprehensive investment	
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding
QIYI PRECISION METALS CO.,LTD	48,000	100%	-	-	48,000	100%
Surewin Global Limited (HK)	-	-	32,000	100%	32,000	100%
Ningbo Qiyi Precision Metals Co., Ltd.	-	-	Note	100%	Note	100%

Note: As Ningbo Qiyi Precision Metals Co., Ltd. is a limited company, it doesn't issue shares.

Four. Funding Status

I. Capital and Shares

(I) Source of Capital

1. Formation of capital stock:

April 30, 2024; Unit: share; NT$

Year / month	Issue price (NT$)	Authorized capital		Paid-in Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Offset share capital via properties other than cash	Others
July 1987	Note	Note	1,000,000	100	1,000,000	Capital stock for incorporation in cash	None	Note 1
March 1988	Note	Note	5,000,000	500	5,000,000	Cash capital increase by NT$4,000 thousand	None	Note 2
August 1991	Note	Note	10,000,000	1,000	10,000,000	Cash capital increase by NT$5,000 thousand	None	Note 3
September 1992	10,000	2,000	20,000,000	2,000	20,000,000	Cash capital increase by NT$10,000 thousand	None	Note 4
December 1994	10,000	4,000	40,000,000	4,000	40,000,000	Cash capital increase by NT$20,000 thousand	None	Note 5
September 1996	10,000	6,000	60,000,000	6,000	60,000,000	Cash capital increase by NT$20,000 thousand	None	Note 6
November 1997	10,000	9,000	90,000,000	9,000	90,000,000	Cash capital increase by NT$30,000 thousand	None	Note 7
September 1999	10,000	13,200	132,000,000	13,200	132,000,000	Cash capital increase by NT$42,000 thousand	None	Note 8
July 2000	10,000	19,800	198,000,000	19,800	198,000,000	Cash capital increase by NT$66,000 thousand	None	Note 9
June 2004	10	26,868,000	268,680,000	26,868,000	268,680,000	Cash capital increase by NT$70,680 thousand	None	Note 10
September 2005	10	31,968,000	319,680,000	31,968,000	319,680,000	Recapitalization of earnings by NT$51,000 thousand	None	Note 11
April 2007	10	38,000,000	380,000,000	38,000,000	380,000,000	Cash capital increase by NT$3,320 thousand Recapitalization of earnings by NT$57,000 thousand	None	Note 12

Year / month	Issue price (NT$)	Authorized capital		Paid-in Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Offset share capital via properties other than cash	Others
April 2008	10	48,000,000	480,000,000	48,000,000	480,000,000	Cash capital increase by NT$100,000 thousand	None	Note 13
October 2008	10	50,000,000	500,000,000	50,000,000	500,000,000	Cash capital increase by NT$20,000 thousand	None	Note 14
October 2011	19	110,000,000	1,100,000,000	110,000,000	1,100,000,000	Cash capital increase by NT$600,000 thousand	None	Note 15
October 2015	10	160,000,000	1,600,000,000	112,156,000	1,121,560,000	Recapitalization of earnings by NT$21,560 thousand	None	Note 16
May 2016	17.5	160,000,000	1,600,000,000	124,310,000	1,243,100,000	Cash capital increase by NT$121,540 thousand	None	Note 17
December 2016	10	160,000,000	1,600,000,000	122,110,000	1,221,100,000	Cancellation of treasury stock by NT$22,000 thousand.	None	Note 18
March 2017	17.2	160,000,000	1,600,000,000	127,167,976	1,271,679,760	Conversion of corporate bonds into shares amounting to NT$50,579,760.	None	Note 19
May 2017	17.2	160,000,000	1,600,000,000	132,917,860	1,329,178,600	Conversion of corporate bonds into shares amounting to NT$57,498,840.	None	Note 20
August 2017	17.2	160,000,000	1,600,000,000	133,970,169	1,339,701,690	Conversion of corporate bonds into shares amounting to NT$10,523,090.	None	Note 21
November 2017	16.1	160,000,000	1,600,000,000	140,582,988	1,405,829,880	Conversion of corporate bonds into shares amounting to NT$66,128,190.	None	Note 22
April 2018	16.1	160,000,000	1,600,000,000	141,235,151	1,412,351,510	Conversion of corporate bonds into shares amounting to NT$6,521,630.	None	Note 23
June 2018	16.1	160,000,000	1,600,000,000	141,937,001	1,419,370,010	Conversion of corporate bonds into shares amounting to NT$7,018,500.	None	Note 24
August 2018	16.1	160,000,000	1,600,000,000	142,582,951	1,425,829,510	Conversion of corporate bonds into shares amounting to	None	Note 25

Year / month	Issue price (NT$)	Authorized capital		Paid-in Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Offset share capital via properties other than cash	Others
						NT$6,459,500.		
October 2018	20	160,000,000	1,600,000,000	152,582,951	1,525,829,510	Cash capital increase by NT$100,000 thousand	None	Note 26
November 2018	15	160,000,000	1,600,000,000	153,046,111	1,530,461,110	Conversion of corporate bonds into shares amounting to NT$4,631,600.	None	Note 27
April 2019	15	160,000,000	1,600,000,000	154,166,101	1,541,661,010	Conversion of corporate bonds into shares amounting to NT$11,199,900.	None	Note 28
May 2019	15~27	160,000,000	1,600,000,000	156,386,836	1,563,868,360	Conversion of corporate bonds into shares amounting to NT$22,207,350.	None	Note 29
December 2021	28	220,000,000	2,200,000,000	166,386,836	1,663,868,360	Cash capital increase by NT$100,000 thousand	None	Note 30

Note: No information about the number of shares is available, as it is not a company limited by shares.

Note 1: Approval letter under Jian-She-II-Zi No. 86310.

Note 2: Approval letter under Jian-She-II-Zi No. 11630001.

Note 3: Approval letter under Jian-She-II-Zi No. 17245700.

Note 4: Approval letter under Jian-She-II-Zi No. 09991501.

Note 5: Approval letter under Kaohsiung City Jian-She-III-Zi No. 474506.

Note 6: Approval letter under Kaohsiung City Jian-She-III-Zi No. 226301.

Note 7: Approval letter under Kaohsiung City Jian-She-III-Zi No. 258166.

Note 8: Approval letter of the MOEA under (088) Shang-Zi No. 088132552 dated September 1, 1999.

Note 9: Approval letter of the MOEA under Jin-(089)-Shang-Zi No. 089123690 dated July 17, 2000.

Note 10: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 09300878470 dated June 30, 2004.

Note 11: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 09400604930 dated September 27, 2005.

Note 12: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 09600523690 dated April 27, 2007.

Note 13: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 09700501830 dated April 14, 2008.

Note 14: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 09701256240 dated October 9, 2008.

Note 15: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10001241810 dated October 19, 2011.

Note 16: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10401229530 dated October 30, 2015

Note 17: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10501102340 dated May 25, 2016.

Note 18: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10501275940 dated December 15, 2016.

Note 19: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10601026210 dated March 1, 2017.

Note 20: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10601063770 dated May 17, 2017.

Note 21: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10601120220 dated August 29, 2017.

Note 22: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10601158940 dated November 29, 2017.

Note 23: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10701033270 dated April 2, 2018.

Note 24: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10701053720 dated June 6, 2018.

Note 25: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10701106670 dated August 30, 2018.

Note 26: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10701131070 dated October 17, 2018.

Note 27: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10701144760 dated November 27, 2018.

Note 28: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10801038770 dated April 15, 2019

Note 29: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 10801061510 dated May 28, 2019.

Note 30: Approval letter of the MOEA under Jin-Shou-Shang-Zi No. 11001207150 dated December 3, 2021.

2. Capital Stock Categories:

April 8, 2024; Unit: shares

Share Categories	Authorized capital					Remark
	Outstanding Shares			Unissued shares	Total	
	TWSE/TPEx-listed	Non-TWSE/TPEx-listed	Total			
Ordinary shares	166,386,836	-	166,386,836	53,613,164	220,000,000	

3. Information related to the shelf registration: None.

(II) Shareholders structure

April 8, 2024

Shareholders structure / Quantity	Government agencies	Financial institution	Other juristic persons	Natural persons	Foreign institutions and foreigners	Total
Number of employees	-	3	20	13,433	34	13,490
Quantity of Shares Held (shares)	-	85,000	45,490,965	119,519,588	1,291,283	166,386,836
Shareholding Percentage (%)	-	0.05%	27.34%	71.83%	0.78%	100.00%

(III) Diversity of Ownership

1. Ordinary shares:

April 8, 2024; Unit: shares, %

Shareholding range	Number of shareholders	Quantity of Shares Held	Shareholding Percentage (%)
1~999	1,247	214,069	0.13%
1,000~5,000	9,435	19,478,312	11.71%
5,001~10,000	1,517	12,069,462	7.25%
10,001~15,000	416	5,274,159	3.17%
15,001~20,000	256	4,750,995	2.86%
20,001~30,000	240	6,084,813	3.66%
30,001~40,000	101	3,642,047	2.19%
40,001~50,000	67	3,100,161	1.86%
50,001~100,000	119	8,323,493	5.00%
100,001~200,000	42	5,384,855	3.24%
200,001~400,000	19	5,389,918	3.24%
400,001~600,000	9	4,000,278	2.40%
600,001~800,000	6	4,316,316	2.59%
800,001~1,000,000	1	950,000	0.57%
1,000,001 or above	15	83,407,958	50.13%
Total	13,490	166,386,836	100.00%

2. Preferred shares: None.

(IV) List of Major Shareholders

Shareholders with a shareholding ratio of 5% or more, or the shareholding stake thereof is on the top 10 list

April 8, 2024; Unit: shares, %

Shares / Name of major shareholder	Quantity of Shares Held	Shareholding Percentage (%)
Yuji Investment Co., Ltd.	37,731,750	22.68%
Yen Te-Ho	6,915,568	4.16%
Run Yang Investment Co., Ltd.	6,583,719	3.96%
Yeh Mei-Yun	5,615,200	3.37%
Yeh Li-Yun	3,840,441	2.31%
Chan Yen Su-Chen	3,311,455	1.99%

Name of major shareholder \ Shares	Quantity of Shares Held	Shareholding Percentage (%)
Yen Shih-Hang	2,574,492	1.55%
Hsiao Shu-Chin	2,389,113	1.44%
Yen Ya-Hui	2,280,716	1.37%
Yen The-Wei	2,226,482	1.34%

(V) Information relating to market price, net worth, earnings, dividends per share and others for the latest 2 years

Unit: NTD

Item \ Year			2022	2023	Current year until April 30, 2024 (Note 8)
Market price per share (Note 1)	Highest		38.5	21.90	18
	Lowest		18.85	15.15	15.7
	Average		30.37	19.20	16.35
Net Worth Per Share (Note 2)	Before distribution		24.85	22.71	22.71
	After Distribution		23.86	Not applicable	Not applicable
Earnings per share	Weighted Average Outstanding Shares (thousand shares)		165,037	165,307	165,307
	Earnings Per Share (Note 3)		1.16	(0.90)	(0.90)
Stock dividend per share	Cash Dividend		1	0.5	Not applicable
	Bonus shares	Stock dividend from retained earnings	-	-	Not applicable
		From capital surplus	-	-	Not applicable
	Accumulated Unpaid Dividends (Note 4)		-	-	Not applicable
Analysis on Return on Investment	P/E Ratio (Note 5)		22.25	(20.61)	Not applicable
	P/D Ratio (Note 6)		25.81	37.1	Not applicable
	Cash Dividend Yield (Note 7)		0.04	0.03	Not applicable

* In the event of recapitalization of earnings or capital surplus, please also disclose the retroactively adjusted market price and cash dividend subject to the number of shares as allocated.

Note 1: Please identify the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price based on the trading value and trading volume of each year.

Note 2: Please apply the number of the outstanding issued shares at the end of year as the basis and specify it based on the distribution resolved by the shareholders' meeting of next year.

Note 3: If retroactive adjustment is needed due to allocation of stock bonus, please identify the earnings per share before and after the adjustment.

Note 4: If the equity securities issue terms and conditions require that the stock dividends undistributed in the year may be accumulated and distributed until the year in which earnings are generated, please disclose the stock dividends accumulated and undistributed until the end of the year separately.

Note 5: P/E ratio = Average closing price per share for the year/Earnings per share.

Note 6: P/D Ratio = Average closing price per share for the year/Cash dividend per share.

Note 7: Cash Dividend Yield = Cash dividend per share/Average closing price per share for the year.

Note 8: The information about net worth per share and earnings per share shall refer to the information available during the most recent quarter until the date of publication of the annual report, which has been audited (reviewed) by the CPA, while the other sections shall specify the information available in the current year until the date of publication of the annual report.

(VI) Dividend policy and execution status

1. Dividend Policy:

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

2. The distribution of dividends proposed (resolved) this year:

   (1) The Company's annual general meeting dated June 9, 2023 passed the 2022 earnings appropriation proposal to distribute the cash dividend at NT$1.00 per share. Where the changes in the Company's capital stock, if any, affect the number of outstanding shares and thereby cause changes the payout ratio, in which case certain correction is needed, the Chairman shall be authorized by a shareholders' meeting to deal with it with full power.

   (2) On March 8, 2024, the Board of Directors resolved to distribute cash from the capital surplus, at NT$0.50 per share.

   (3) The Chairman of Board is authorized to determine the ex-dividend base date for distribution of cash dividends from capital surplus, once the proposal is resolved by the shareholders' meeting. The amount of cash dividend distributed to individual shareholders will be truncated to the nearest dollar. Fractional amounts of less than NT$1 will be rounded up as dollars. The price difference, if any, shall be stated as the Company's expenses.

3. Expected significant changes in the dividend policy: N/A.

(VII) Impacts posed by the proposed bonus shares on the Company's business performance and earnings per share.

Not applicable, as the Company doesn't prepare or publish any financial forecast, or distribute any bonus shares.

(VIII) Remuneration to employees and directors

1. The percentages or ranges with respect to remuneration to employees and directors, as set forth in the Company's Articles of Incorporation:

   Subject to the profit sought for the current year, the Company shall allocate 2% of the profit as the remuneration to employees. The Board of Directors may resolve to distribute the remuneration in the form of stock or in cash, and the receivers of such stock dividend or cash dividend shall include employees of associates that meet certain conditions. The Board of Directors may also resolve to allocate no more than 2% of said profit as the remuneration to directors. The remuneration to directors may be allocated in cash only.

   The circumstances referred to in the preceding paragraph shall resolved subject to approval of a majority of the directors attending a meeting of the Board of Directors at which at least two-third of directors are present, and reported to a shareholders' meeting.

   However, the profit must first be taken to offset against the Company's cumulative losses, if any, and then the remuneration to employees and directors may be allocated subject to the proportions referred to in the preceding paragraph.

2. The basis for estimating the amount of remuneration to employees and directors, for calculating the number of shares to be distributed as the stock dividends, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

   The remuneration to employees and directors is based on the estimate by the management. If the actual distributed amount resolved by a shareholders' meeting is different from the estimate materially, the difference shall be treated as the income of next year.

3. Distribution of remuneration approved by the Board of Directors:

   (1) Remuneration to employees and directors distributed in cash or in shares. If there is any discrepancy between the recognized amount and estimated amount, the discrepancy, cause and treatment shall be disclosed:
   Not applicable, as on March 8, 2024, the Board of Directors of the Company resolved not to distribute 2023 remuneration to employees and directors.

   (2) Percentage of remuneration to employees paid in shares as resolved, relative to net income and total remuneration to employees shown in the parent company only or individual financial statements:
   No remuneration to employees has been paid in shares.

4. Actual payment of the remuneration to employees and directors in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued) and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies):
The Board of Directors meeting on March 16, 2023 proposed to distribute the remuneration to employees, NT$6,140 thousand, and the remuneration to directors, NT$1,148 thousand. The proposal was also reported to the 2023 annual general meeting. Said remuneration to employees and directors is consistent with the estimate in 2022 without any difference.

(IX) Repurchase of the Company's Shares

Until April 30, 2024

Serial number of the term of buyback	2nd (Term)
Purpose of buyback	Transfer of shares to employees
Period of buyback	March 23, 2020 – May 19, 2020
Buyback price range	9.00~18.00 (The Company will continue the buyback if its stock price is less than the price range.)
Category and quantity of buyback	2,700,000 ordinary shares
Amount of buyback	NT$40,787,529
Quantity of buyback to the scheduled quantity of buyback (%)	54%
Quantity of shares having been canceled and transferred	2,700,000
Cumulative quantity of the issued shares held by the Company.	0
Cumulative quantity of the issued shares held by the Company to the total quantity of shares issued by the Company (%)	0%

II. Corporate Bonds

(I) Issuance of corporate bonds

Until April 30, 2024

<table>
<tr><td colspan="2">Type of corporate bond</td><td>Domestic 4th unsecured convertible corporate bonds</td></tr>
<tr><td colspan="2">Date of issuance</td><td>November 25, 2021 to November 25, 2024</td></tr>
<tr><td colspan="2">Par value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued at 111.60% of the par value
The fund raised actually was NT$334,809,610.</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$300 million</td></tr>
<tr><td colspan="2">Interest rate</td><td>Annual coupon rate 0%</td></tr>
<tr><td colspan="2">Term</td><td>3 years</td></tr>
<tr><td colspan="2">Guarantor</td><td>None</td></tr>
<tr><td colspan="2">Agent</td><td>Taishin International Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>Taishin Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certifying attorney-at-law</td><td>Chiu Li-Fei</td></tr>
<tr><td colspan="2">External auditor</td><td>Deloitte Taiwan
Hsu Kai-Ning, CPA and Wu Chiu-Yen, CPA</td></tr>
<tr><td colspan="2">Repayment method</td><td>According to Article 5 of the Regulations, the coupon rate for the convertible corporate bonds is 0%; therefore, it is not necessary to set the interest-bearing date and method. Except for that the convertible corporate bond holder has it converted into the common stock shares of the Company in accordance with Article 10 of the Regulations or exercises the put right in accordance with Article 19 of the Regulations, or the Company has it redeemed in advance according to Article 18 of the Regulations, or has it redeemed from TPEx and canceled, the Company will pay in cash at the par value of the convertible corporate bonds in full by 10th business day counted from the day following expiration of the convertible corporate bonds. If said-noted date falls on a day when the securities exchange market in Taipei City is closed, it shall be postponed until the next business day.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$000 million</td></tr>
<tr><td colspan="2">Terms and conditions for early redemption or repayment</td><td>Please refer to the regulations governing issuance and conversion for details.</td></tr>
<tr><td colspan="2">Restrictive clauses (Note 4)</td><td>Please refer to the regulations governing issuance and conversion for details.</td></tr>
<tr><td colspan="2">Name of credit rating agency, dates of rating, and ratings awarded</td><td>Not applicable</td></tr>
<tr><td>Attached with other rights</td><td>Amount of ordinary shares, GDR/ADR or other securities already converted until the date of publication of the annual report (swapped or subscribed for)</td><td>The number of share already converted into the Company's common share is 0.</td></tr>
</table>

	Please refer to the regulations governing issuance and conversion (swap or subscription) for details.	Please refer to the regulations governing issuance and conversion for details.
Status of potential dilution of equity by the Regulations for Issuance and Conversion, Swap or Subscription, and the issuing terms and conditions, and impact thereof on the existing shareholders' equity.		Please refer to the regulations governing issuance and conversion for details.
Custodian of exchanged assets		None

Note 1: The corporate bonds include corporate bonds through public offering and in private placement. The corporate bonds pending public offering mean those validated (approved) by the Commission. The corporate bonds in private placement mean those resolved and approved by the Board of Directors.
Note 2: The number of spaces shall be adjusted subject to the frequency of issuance.
Note 3: To be specified, in the case of ECB.
Note 4: For example, restricting release of cash dividends or external investment, or request for maintenance of specific proportion of assets, et al.
Note 5: The private placement, if any, shall be identified in a prominent manner.
Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method and corporate bonds with warrants by nature in a column format.

(II) Information about convertible corporate bonds

Unit: NT$

Type of corporate bond (Note 1)		Domestic 4th unsecured convertible corporate bonds	
Item / Year		2023	Current year until April 30, 2024 (Note 4)
Market value of convertible corporate bond (Note 2)	Highest	101.00	-
	Lowest	97.50	-
	Average	99.79	-
Conversion price		The conversion price was NT$28.8 on July 18, 2022. The conversion price was NT$27.3 on July 17, 2023.	
Issue (offering) date and conversion price at the time of issuance		Date of issuance: November 25, 2021 Conversion price: 31.5	
Approaches to perform the conversion obligation (Note 3)		Issuance of new shares	

Note 1: The number of spaces shall be adjusted subject to the frequency of issuance.
Note 2: In the case of multiple trading locations of ECB, please identify it by the trading locations.
Note 3: Deliver issued shares, or issue new shares.
Note 4: To specify the information available in the current year until the date of publication of the annual report.

III. Preferred shares: None.

IV. Global depository receipts: None.

V. Employee stock warrants: None.

VI. Restricted stock awards (RSAs): None.

VII. New shares issued for the acquisition or transfer of other shares: None.

VIII. Progress on the use of funds: The Company is free from any issuance or private placement of securities that was not completed or issuance/private placements that were completed in the most recent three years but have yet to achieve the intended benefits.

Five. Overview of business

I. Business activities

(I) Business scope

1. The Company's business activities comprise the following:
The Company is primarily engaged in the business lines including stainless steel coil surface processing, slitting, shearing and precision sizing.

2. Ratio of main products in the consolidated operating revenue, net:

Unit: NTD thousand

Item \ Year	2022		2023	
	Amount	Ratio %	Amount	Ratio %
Stainless steel coils	14,040,038	99.98	11,835,868	99.98
Others	2,627	0.02	1,984	0.02
Total	14,042,665	100.00	11,837,852	100.00

3. The Company’s current main products and services:
   (1) Main products: Stainless steel coils and plates
   (2) Main services:
      A. Stainless steel plate/coil shearing
      B. Stainless steel coil slitting
      C. Stainless steel plate surface processing
      D. Stainless steel coil/plate precision sizing

4. New products planned to be developed:
New products (or services) planned to be developed and improvement of existing products:
   (1) New product development: fuel cell board
   (2) Improvement of existing products: Removal of coil marks on cold-rolled sheets, and trim strips for automobiles

(II) Overview of industry

1. The industry’s current status and potential developments:
The Company is engaged in precision rolling, surface treatment, processing, manufacturing and sale of stainless steel coils. The overview of steel & iron industry and stainless steel industry is stated as follows:
   (1) Steel industry:
   The iron & steel industry is an industry primarily engaged in production of various iron and steel products, which is identified as the fundamental industry for the national infrastructure and also the mother of industry. It is a capital and technology-intensive industry, with the industrial correlations in depth and width. The food, clothing, housing, transportation, education and entertainment in people’s livelihood are all closely linked with the iron & steel industry. Therefore, the iron & steel industry requires more capital than the general industries. Meanwhile, it needs to take longer time to construct factories, and requires extremely delicate equipment and technology. The characteristics in the industry's business management include smaller production resilience, slow return on investment, higher energy consumption than the other industries, basic environmental protection issue about prevention of air pollution, and requirement for larger land for factory expansion. In consideration of

the extensive connection between the upstream and downstream segments in the industry, it has extensive scope of application. As the transportation industry, machinery industry, metal manufacturing industry, medical product industry, construction industry, aerospace industry, home appliance industry, and car industry are all closely linked with the iron & steel industry, the industry’s development is also closely linked with the economy.

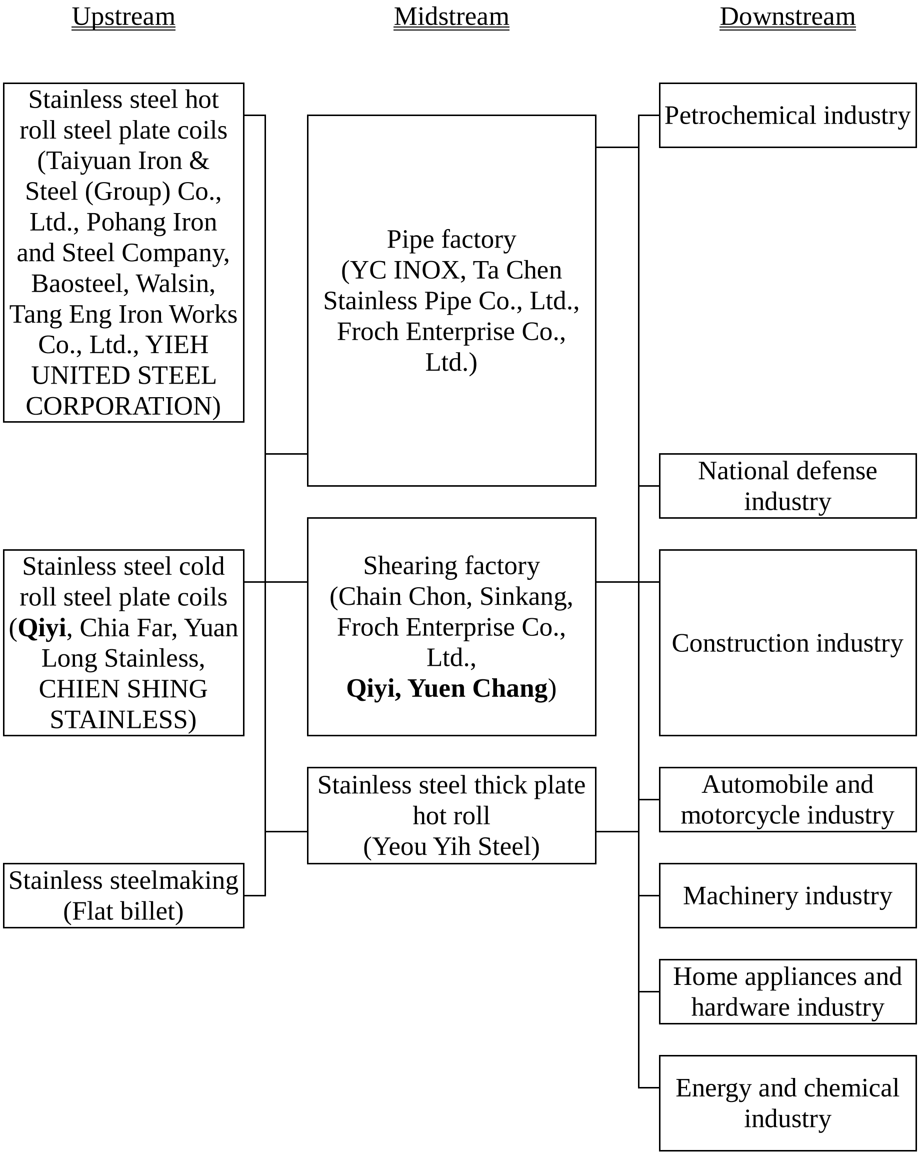
(2) Stainless steel industry:

The iron & steel products can be divided into ordinary steel and special steel subject to the manufacturing process. The reason why the special steel is different from the ordinary steel resides in that one or more special elements will be added in the refining process, in order to change the original property of the ordinary steel or present another special property to fit different purposes or special environments. The stainless steel is one of the special steel types, with the characteristics, such as anti-corrosion, high temperature resistance and aesthetics. Therefore, its application is very extensive. Generally speaking, with the GPD growth in any country, the consumption of stainless steel will increase relatively in that country.

In conclusion, stainless steel will continue to be extensively applied in construction, transportation, kitchen, electrical appliances and industrial machinery. Especially, the recent trend has emphasized long life cycle, energy conservation, environmental protection and informatization for materials. Therefore, stainless steel products are expected to be developed toward the following trends shortly: 1. Environmental protection - In order to suppress generation of carbon dioxide, more stainless steel with excellent heat resistance and high temperature corrosion resistance will be applied to high-temperature garbage incinerators, liquid natural gas power generators, and high-efficiency power generators that use coal. Meanwhile, electric vehicles will be made more practical; therefore, it is expected that more stainless steel will be applied to automotive batteries. Besides, in terms of water resource utilization, especially water quality protection, water pipes and water treatment devices equipped with excellent anti-corrosion stainless steel will be adopted by more people. 2. For long service life - countries, such as Europe countries and the United States, will, based on the LCC (life cycle and price ratio) evaluation method, adopt more stainless steel sections and bars in infrastructure projects including bridges, highways and tracks. In Japan, the life of buildings was designed as 20–30 years in the past. Now, it is designated as 100 years. Therefore, more stainless steel products will be adopted. 3. For informatization - require high-precision and high-performance materials, e.g. mobile phones requiring high-strength, elastic and non-magnetic materials; stainless steel can satisfy the requirements; manufacturing of semiconductors and various integrated circuit boards requires stainless steel, which delivers the characteristics, such as cleanliness and durability; therefore, the future demand for stainless steel is expected to be expanded further.

2. Correlation among up-stream, mid-stream, and down-stream segments in the industry:

The Company's main products include stainless steel coils, etc. The main source of raw materials refers to stainless steel strip. The dealers in the midstream segment include pipe manufacturers, surface treatment companies and shearing service companies, etc., covering the associated industries including construction, manufacturing, people's livelihood and national defense industries. etc.. Correlation among up-stream, mid-stream, and down-stream segments in the industry is stated as follows:



3. Product development trends:
In the past three decades, the stainless steel production technology has kept innovating; therefore, the consumption of raw materials and energy was decreasing. As a result, the productivity and yield ratio were improving. Compared with the large-scale production of general carbon steel, most stainless steel products adopt the various and small amount production model. Although certain products, such as flat stainless steel, may adopt the mass production due to the large market demand. Generally speaking, many stainless steel products cannot solicit for massive orders. Therefore, the dealers need to switch its product lines between different materials and sizes & specifications. In recent years, due to the market needs, the stainless steel industry is also developing high value-added products and responding to energy-conservation and carbon-reduction requirements. Eco-friendly products will be one of the future development trends.
The stainless steel products under development consist of the following: (1) Nickel-saving stainless steel. Considering that the fluctuation in nickel price would materially affect the price of nickel-chromium stainless steel, and the price of nickel raw materials has been increasing in recent years, thus making the cost of nickel-chromium stainless steel increasing, the chromium stainless steel and low-nickel stainless steel (e.g. 400 series) development has been valued increasing. Apparently, the consumption ratio of chromium-based and low-nickel stainless steel will increase in the future. (2) Develop new stainless steel types subject to the market demand: 1. new steel types which may resist local corrosion and corrosion under extreme conditions, e.g. high Si steel resistant to stress

corrosion, high Cr, high Mo and high N stainless steel resistant to pitting corrosion, new super duplex stainless steel and new super passivated ferritic stainless steel; 2. functional stainless steels, e.g. high anti-corrosion stainless steel, heat-resistant steel for automotive exhaust purification devices, stainless steel with excellent cold formability, stainless steel for cars, anti-bacterial stainless steel for kitchen and food processing, and non-magnetic stainless steel for the electronic industry, etc.

In recent years, China's urbanization rate has been increasing year by year. The continuous advancement of urbanization has led to changes in demographics and changes in people’s lifestyles, thereby boosting the growth of stainless steel tableware. Meanwhile, with the transformation of the business model of stainless steel tableware manufacturers, the sales of self-owned brands continue to increase, thereby promoting the growth of the stainless steel tableware market.

The future development trend of China's stainless steel tableware industry: 1. The demand is released by the two-child policy, and the market segment for children's tableware is growing rapidly; 2. The products are developed towards the high-end market.

In 2015, the Central Committee of the Chinese Communist Party Gazette indicated the comprehensive implementation of the policy allowing a couple to raise two children (hereinafter referred to as the "two-child policy") to promote balanced development of the population. The promotion of the two-child policy is considered as the main reason for the increase in the number of childbirth. In 2017, the second or more children accounted for more than 50% of the total childbirth. As the two-child policy continues to be implemented, the number of newborns in China continues to rise, and the huge group of children has released the demand for children's tableware in China.

As consumers’ living standards are improving increasingly in China, the consumers have higher requirements on the appearance and performance of tableware. In terms of performance, the antibacterial properties of stainless steel can be improved without reducing the mechanical properties and corrosion resistance of stainless steel. In terms of appearance, the tableware is diversified in color to attract consumers' attention, thus boosting the product sales. Meanwhile, some stainless steel tableware also combine color stainless steel with printing technology, and use the processes of etching, grinding, and dot-combination to produce high-end products, such as embossed frescoes and hanging screens, to increase the product premiums.

4. Product competition:

There are many domestic shearing and processing center manufacturers domestically, which are of different scales and form a fragmented market, especially those identifying their target market as the domestic marketing. Large-scale shearing and processing centers are primarily oriented toward export sale. Benefited from the scale of economy, the market tends to be that the winner takes it all. Large-scale shearing and processing centers require considerable management abilities, and also wide land and factory premises. Considering that it is difficult to acquire land in Taiwan and the price is expensive, competitors will have to face a major barrier for acquisition of land. The Company was incorporated in 1987, primarily engaged in the business lines including stainless steel coil processing and sale. The Company's industry category constitutes a part of the iron & steel industry. For the time being, the domestic peers similar to the Company in products, capital and business scale and already listed on TWSE/TPEx primarily include Chain Chon (5014), Froch Enterprise Co., Ltd. (2030) and Sinkang (2032). The comparison in terms of business lines and operating revenue is stated as follows:

Unit: NTD thousand

Company / Item	Yuen Chang (2069)	Chain Chon (5014)	Froch Enterprise(2030)	Sinkang (2032)
Main business lines	1. Stainless steel products 99.98% 2. Others 0.02%	1. Stainless steel products 99.51% 2. Others 0.49%	1. Stainless steel products 99.36% 2. Others 0.64%	1. Stainless steel products 99.95% 2. Others 0.05%
2023 Consolidated operating revenue, net	11,837,852	15,610,205	12,856,899	2,862,276

Source of data: Each company's 2023 consolidated financial statements or individual financial statements as audited and certified by CPAs.

(III) Overview of technology and R&D

1. R&D expenses invested in the most recent year and until the date of publication of the annual report:

Unit: NT$ Thousand; %

Item	2023	Current year until April 30, 2024
R&D expenses	20,216	7,245
To the operating revenue, net (%)	0.17	0.21

2. Technology or product developed successfully in the most recent year and until the date of publication of the annual report:

The Company's technology or product developed successfully in the most recent year includes the following:

Year	Technology or product developed successfully
2023	1. Improvement of REEL MARK of sand blasting production line. 2. Development of device used for removal of the foreign matters on work rolls of SKIN-PASS LINE, and completion of installation, test and use thereof. 3. TA furnace optimization and rectification. 4. Titanium alloy TA4 with thickness 0.10mm. 5. Nickel-based alloy 4J36 with thickness 0.04mm.
Current year until April 30, 2024	1. Improvement of REEL MARK of flying-shear production line. 2.316L nickel 12 with thickness 0.08mm soft compound

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

1. Mid- and long-term business development plan:

(1) Strengthen the introduction of automation and improve working environment, launch into other steel markets, and integrate both upstream and downstream segments.

(2) Act in response to potential customers' layout direction, look for potential products, and stabilize the future product export.

(3) Strengthen the improvement of stainless steel production process, increase the width and have the R&D oriented toward high-value-added products.

(4) Establish good communication and education & training to improve employee

benefits and protection.

(5) Adopt resilient procurement strategies to make the price of raw materials more adapted to the market and mitigate the operational and procurement risks.

2. Short-term business development plan:

(1) Make good use of the strength in bonded tax, adopt direct export and avoid anti-dumping.

(2) Strive to be stable, reduce inventory and increase inventory turnover.

(3) Improve the impact posed by the process operations to the environment, so as to achieve zero pollution and zero impact.

(4) Verify the nickel price volatility and keep in touch with the banking sector.

(5) Promote renewable energy and lease solar plates to generate power.

(6) Practice the green procurement and promote 5S to upgrade the Company's entire operations

II. Overview of market and production & marketing

(I) Market analysis

1. Territories where the main products are sold:

Unit: NT$ Thousand; %

Territory \ Year	2022		2023	
	Amount	Percentage	Amount	Percentage
China	3,526,404	25.11	2,698,083	22.79
Taiwan	4,042,315	28.79	3,152,899	26.63
the USA	2,243,251	15.97	1,538,487	13.00
Others	4,230,695	30.13	4,448,383	37.58
Total	14,042,665	100.00	11,837,852	100.00

2. Market share of the product:
The Company's main product is the stainless steel coil. The sales thereof accounts for more than 90% of the Company's overall operating revenue. Therefore, the industry in which the Company is engaged in is categorized into the iron & steel industry upon evaluation. Except said peers and the Company, the other dealers engaged in iron & steel products domestically are mostly small-size or medium-size enterprises which generate the output value considered not huge. According to the industrial production index-product statistics gathered by the Department of Statistics, MOEA, the sales of cold/hot-rolled stainless steel coils were NT$82.674 billion in 2023. The operating revenue identified in the Company's 2023 parent company only financial statements was NT$8,899,519 thousand and, therefore, the domestic market share was presumed to be 10.76%. Further, according to the worldstainless, April 2024, the global stainless steel output was 58,444 thousand mt in 2023. The Company's consolidated output was 159 thousand mt, i.e. 0.27%, in 2023.

Unit: NTD thousand

Item \ Company		Yuen Chang (2069)	Chain Chon (5014)	Froch Enterprise(2030)	Sinkang (2032)
2023 (Parent	Operating Revenue	8,899,519	1,660,759	9,259,594	2,862,276

company only financial statements)	Domestic market share (Note)	10.76%	2.01%	11.20%	3.46%

Source of data: Each company's financial reports as audited and certified by CPAs.
Note: The industrial production index-product statistics gathered by the Department of Statistics, MOEA

3. Future market demand and supply, and market's growth potential:
   With the increasing awareness toward global environmental protection, the characteristics of stainless steel, such as heat resistance, anti-corrosion and recyclability, coupled with the introduction of new production technology and expanded output of stainless steel, have caused the cost to keep declining. Therefore, high-quality stainless steel materials are replacing low-end iron & steel materials or plastic materials increasingly, and applied to various fields of life extensively. The stainless steel industry is expected to have certain development potential in the future.

4. Competitive niche:
   (1) Optimization of production technology to improve quality:
   The Company keeps improving the production technology level. In addition to improving and upgrading the production skills and procedures, the Company also carries out shearing of stainless steel coils in consideration of product optimization, in order to reduce any unnecessary waste. Meanwhile, the Company adopts the incentive system to stimulate employees' work efficiency to enhance the production stability.
   (2) Stable marketing channels:
   The Company has developed the stainless steel industry thoroughly for more than three decades. In recent years, it has kept moving towards the international market. It strives to keep the original customers and also develop customers in emerging countries, in order to disperse the Company's business risk. For this, the Company recruits and trains excellent talents engaged in foreign trade, hoping to acquire diversified marketing channels. So far, the Company's marketing channels have grown significantly.
   (3) Establish close cooperative relationship with suppliers:
   The stainless steel materials account for more than 90% of the product costs. Therefore, the control over stable and fine-quality source of supplies is a factor critical to the industry. For the time being, the Company's up-stream suppliers in Taiwan are primarily the three one-stop factories including Tang Eng, Walsin and YIEH UNITED STEEL, in addition to the cold roll factories including CHIEN SHING STAINLESS, Tung Mung, Chia Far and Yuan Long Stainless.
   The Company maintains a long-term supply relationship with major stainless steel materials suppliers, and acts in response to the supplier's market management strategy, in order to reduce the total costs and also satisfy down-stream dealers' immediate needs, thereby shortening the time spent in delivery to customer and mitigating the effect posed by fluctuations in the steel price or foreign exchange rate. Besides, the iron & steel industry is subject to the competition conditions, such as the scale of economy. The Company happens to have the strength in the cost of raw materials, production efficiency and product quality.
   (4) Integrate the cross-strait resources to become more competitive:
   At the very beginning, the Company chose Taiwan as its major production location. In December 2011, the Company acquired Surwin Global Limited (HK) and Ningbo Qiyi Precision Metals Co., Ltd. Indirectly via the investee, Qiyi Precision Metals Co., Ltd.. Since China has become the global largest production location of stainless steel materials with the strength in stable supplies, the Company will continue to develop

localized customer services in China, in order to join the red supply chain.

(5) Sound E-systems:
In order to reduce management costs, the Company utilizes the ERP informatization management to construct the wireless network at factory premises, use mobile devices and Apps to facilitate the rapid circulation of the Company's information and timely communication of any messages, thus improving the management efficiency and cut the business costs. Meanwhile, in order to improve the exchange between the Company and customers, the Company invests capital in online marketing platforms to provide customers with more direct and rapid services. The Company aims at the international market, develops a larger global customer base and also improve its high-level competitiveness at the same time.

(6) Establish bonded factories:
The iron & steel industry is under protection by multiple tariff barriers in various countries all over the world for the time being. The Company owns higher export sale ratio; therefore, if it establishes bonded factories, it may mitigate the burden of capital and cut the costs, and become more competitive than the other local manufacturers.

5. Positive factors and negative factors to the development outlook:

(1) Positive factors:

A. Continuing growth of market demand
The market development and product development of stainless steel have gradually expanded and improved as a result of changes in the social environment and development of customer needs. The characteristics, such as outstanding "anti-corrosion" and "designability" subject to purpose of stainless steel have made huge contributions to human life. Meanwhile, there is still the room for development and huge development value of it in the future. Given China, India and emerging countries keep promoting infrastructure projects, the demand for stainless steel appears to grow significantly and rapidly in the future and, therefore, may drive the growth of the stainless steel industry.

B. With the increasing awareness toward environmental protection, the product application scope is extensive.
In order to suppress generation of carbon dioxide, more stainless steel with excellent heat resistance, high temperature resistance and corrosion resistance will be applied to high-temperature garbage incinerators, liquid natural gas power generators, and high-efficiency power generators that use coal. Meanwhile, electric vehicles will be made more practical in this century; therefore, it is expected that more stainless steel will be applied to automotive batteries. Especially, in terms of water quality protection, water pipes and water treatment devices equipped with excellent anti-corrosion stainless steel will be adopted by more people.

C. In consideration of the industry’s high capital-intensive characteristics, it requires high barrier to entry.
It is necessary for the iron & steel industry to invest considerable capital in acquisition of land and design and installation of factory premises and machinery & equipment. Therefore, it is identified as a capital-intensive industry.

D. The effect posed by the economic cycle to products is limited.
Stainless steel products are applied extensively. The industries including petrochemical industry, construction industry, automobile industry, people’s livelihood industry and national defense industry all tend to make use of the characteristics of stainless steel for different purposes. In consideration of the dispersed applications of the industry, except the systematic risk, such as

economic contraction, it is not likely to encounter the circumstance that multiple industries bottom down at the same time, and there is no risk over low and peak seasons or products subject to significant fluctuations of customers or sales industries resulting from the supply to only one single industry. Besides, the market growth in China drives various industries to grow relatively and be applied more extensively. The demand for stainless steel grows accordingly.

(2) Negative factors:

A. Difficulty in employment of workers and costs increasing year by year.
Following the industry relocation and increasing loss of talents in the traditional industries, as well as the crowding out effect caused by high-tech industries, in order to deal with said circumstances, the Company will not only improve employee benefits, but also strengthen the implementation of automation and improvement of environment at the same time when it is upgrading the industry and continue to develop high value-added products.
Responsive measures:
The Company and its subsidiaries keep improving the production process and workmanship, and adopt the reward and punishment system to reduce re-work and unnecessary manpower consumption, in an attempt to improve the production efficiency, eliminate the cost pressure from increasing wages, establish a good communication channel with employees, and strengthen personnel management. It improves the employee benefits, and also establishes the sound education & training mechanism and integrate data system platforms' applications to prevent the loss of key human resources, and continue to improve the operating system's automation and working environment.

B. The drastic fluctuations in the raw material price affect the cost controls.
For the time being, the global stainless steel market still tends to identify the 300 series as the mainstream. The stainless steel product with high nickel contents is affected by the international quotes significantly and subject to huge cost volatility.
Responsive measures:
The Company shall establish the long-term fair interactive relations with upstream suppliers to mitigate the impact posed by the volatility in the price of raw materials and supplies, ensure the stability of supply, verify the raw materials and supplies price development precisely and take responsive measures immediately. Meanwhile, the Company shall use the best efforts to develop the market of stainless steel with low nickel content.

(II) Important purposes and production processes of main products

1. Important purposes of main products:

Items	Purpose
Stainless steel coils	Chemical tanks, pipes (structural pipes), hardware accessories, food industry, medical equipment, kitchen utensils, construction & decoration, home appliances, environmental protection industry, computers, communications, and consumer electronics and auto industry.

2. Production process:

(1) Taiwan-based parent company

Cold/hot roll stainless steel coils → Slitting Slinging Shearing → Stainless steel coils → Quality check → Shipping

(2) Subsidiary in China:

Cold/hot roll stainless steel coils → Rolling → Annealing → Leveling Tension leveling → Slitting Slinging Shearing

→ Stainless steel coils → Quality check → Shipping

(III) Supply of key raw materials

Key raw materials	Suppliers	Supply status
Stainless steel coils	Company A, CompanyB, Company C, Company D	Fair and stable

(IV) A list of any suppliers (customers) accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the most recent two years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each:

1. A list of any suppliers (customers) accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the most recent two years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each: Name of supplier representing more than 10% of total purchases in any of the previous two years:

Unit: NT$ Thousand; %

Item	2022				2023			
	Title	Amount	To the annual net purchase amount %	Relationship with the issuer	Title	Amount	To the annual net purchase amount %	Relationship with the issuer
1	Company A	3,263,856	30.19	None	CompanyB	2,833,093	26.96	None
2	CompanyB	2,229,238	20.62	None	Company A	2,737,336	26.05	None
3	CompanyC	1,622,279	15.00	None	CompanyD	1,712,117	16.29	None
4	CompanyD	1,236,171	11.43	None	CompanyC	1,277,110	12.15	None
	Others	2,461,521	22.76	-	Others	1,948,162	18.54	-
	Net purchase	10,813,065	100.00		Net purchase	10,507,818	100.00	

Note: If the contract requires that the supplier representing more than 10% of total purchases in the current year, if any, shall not be disclosed, or if the trading counterparty is an individual and also non-related party, the supplier or trading counterparty may be identified by code instead.

Explanation on ratio changes:

There is no major difference in the main suppliers between 2022 and 2023.

2. Name of customer representing more than 10% of total sales in any of the previous two years:
The Company had no customers representing more than 10% of total sales in the latest two years.

(V) Production volume and value in the latest two years

Unit: Ton; NTD thousand

Year / Production volume/ value / Main products	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Stainless steel coils	198,000	152,076	11,992,988	198,000	159,011	11,081,473

Explanation on ratio changes:

The Company's output increased in 2023, but the output value decreased due to the steel price decline in 2023.

(VI) Sale volume and value in the latest two years

Unit: Ton; NTD thousand

Year / Sale volume/value / Main products	2022				2023			
	Domestic marketing		Export sale		Domestic marketing		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Stainless steel coils	85,919	6,149,147	77,843	7,890,890	70,924	4,858,545	93,771	6,977,324
Others (Note)	-	1,618	-	1,010	-	767	-	1,216
Total	85,919	6,150,765	77,843	7,891,900	70,924	4,859,312	93,771	6,978,540

Note: The others refer to the commission revenue.

Explanation on ratio changes:

The demand declined due to the economic recession and nickel price decline in 2023. Therefore, the operating revenue declined in 2023 from 2022.

III. Number of employees, average service seniority, average age, and academic background distribution ratio in the latest two years and until the date of publication of the annual report

Unit: person; %

Year		By the end of 2022	By the end of 2023	2024 until April 30
Number of employees	Direct	396	285	267
	Indirect	215	344	335
	Total	611	629	602
Average Age		36.23		36.32
Average service seniority		6.88		7.09
Academic background distribution ratio	Master's/doctorate degree	4%	4%	4%
	Bachelor degree	33%	33%	33%
	Senior high school and below	63%	63%	63%

IV. Information about the expenses of environmental protection

Describe any losses suffered by the Company in the most recent two fiscal years and up to the date of publication of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(I) Any losses suffered by the Company due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None.

(II) An estimate of possible expenses that could be incurred currently and in the future, and responsive measures: None.

V. Labor-management relations

(I) The Company's employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefit measures:

   (1) Bonus: Year-end bonus, remuneration to employees, production bonus, sales bonus and business bonus.

   (2) Gift money: Gift money for wedding, gift money for childbirth, gift money for birthday, gift money for three major festivals, gift money for service seniority, consolation money for hospitalization, and consolation money for funeral.

   (3) Catering services: Employees may use rice steamers, microwave ovens, electric cookers and coffee machine provided by the Company. The Company also provides desserts and snacks at teatime each month. Employees are granted the allowance for staff party, as the Company wishes to enhance the exchange among colleagues.

   (4) Day care center and breastfeeding room: The Company executes the contract with the kindergarten to provide employees with preferential measures if they send their children to the kindergarten. A heartwarming breastfeeding room is also made available to employees who need to breastfeed children.

   (5) Subsidies: The Company provides disaster subsidies. Employees are granted subsidies for natural disaster. Meanwhile, the continuing education subsidies are granted in order to encourage to attend continuing education.

   (6) Healthcare: In addition to labor and national health insurance programs, the Company maintains the employee group medical and accident insurance programs additionally, in order to protect employees. The Company implements employee health checkup, provides on-site healthcare professionals' services every year, conducts health checkup analysis and management, prevention of occupational diseases and health promotion.

   (7) Leisure category: The Company will organize local and overseas tours and one-day tours from time to time, in order to have employees feel relaxed physically and mentally.

2. Employees' continuing education and training:

   Subject to employees' job requirements and in consideration of the Company's future business condition, the Company implements internal and external in-service training to improve the employees' principal occupational learning and their work efficiency.

3. Employees retirement system and implementation status:

   (1) Any employee may apply for voluntary retirement under any of the following conditions: where the worker attains the age of fifty-five and has worked for fifteen years; where the worker has worked for more than twenty-five years; where the worker attains the age of sixty and has worked for ten years.

   (2) Pension payment standards: Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months.

   (3) Percentage and status of contribution under the new and old systems: The employees who choose the old system shall appropriate 2% of their monthly salary pursuant to laws on a monthly basis. After the trial calculation of the appropriation of sufficient pension fund for the employees under the old system required by the Ministry of

Labor, the price difference in pension reserve will be supplemented in March each year. The existing employees who take office before July 1, 2005 still need to appropriate 2% of their salary pursuant to laws on a monthly basis, as their seniority under the old system has not yet been settled. Notwithstanding, the existing employees who take office before July 1, 2005 but choose the new system, and the employees who take office after July 1, 2005, shall appropriate 6% of their monthly salary to their personal labor pension accounts pursuant to laws.

(4) Procedures and conditions for an employee's application for retirement: The employee who applies for retirement voluntarily shall complete the retirement application form within the period of advance notice for the resignation, and the resignation shall become effective only upon approval. The employee whose application for retirement is approved may receive the pension fund in full within 30 days upon completion of the resignation procedures.

(5) For the companies in China: Pay the social security insurance premium (covering medical care, maternity, pension, occupational injury and unemployment) according to the local social security insurance operating procedures. After the Company enrolls the employees to the social security insurance program, the Company is held already starting to perform the obligation to pay the endowment insurance.

4. Status of labor-management agreements and measures for preserving employees' rights and interests:

In order to maintain the labor-management relations, the Company complies with various laws and regulations, preserves employees' interest and right, and also convenes the labor-management meetings on a quarterly basis. Before implementing various important policies, the Company would communicate with employees sufficiently to verify the employees' needs, in order to seek the employees ' support to create a win-win situation and amicable labor-management relations.

(II) Describe any losses suffered by the Company in the most recent two fiscal years and up to the date of publication of the annual report due to labor-management disputes (including any violations of the Labor Standards Act found in the labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

VI. Cyber security management

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework:

The Company's MIS is the unit responsible for the information security. The information manager is responsible for overall planning about information security management policies. Meanwhile, the Company delegates the information security personnel to promote information security-related operations, provides information security messages and awareness campaign to improve the security of business operations, and convenes the information security meetings from time to time each year to review and resolve information security and information protection policies and strategies to practice the effectiveness of the information security management policy.

2. The cyber security policy and concrete management programs:

In order to strengthen the cyber security management, ensure the availability, completeness and confidentiality of information, and prevent internal and external intentional or accidental threats, the cyber security policies and management methods may be divided into the following six categories:

(1) Computer equipment security management
The Company's hosts and application servers are installed in a dedicated control room which is equipped with the uninterrupted power supply system to avoid system down caused by any unexpected power outage, and to ensure that the unexpected power outage would not interrupt the computer application system's operation. The control room is equipped with an independent air conditioner to keep the computer equipment operating under the environment at appropriate temperature, and also a carbon dioxide fire extinguisher that can put out the fire caused by the general or electrical appliances.

(2) Network security management
Improve the network controls, install the enterprise-level firewall at the portal with external networks to stop hackers' illegal intrusion, and block the access to harmful URLs and contents or those denied by policy, strengthen network security to prevent bandwidth resources from misappropriation; any colleague who needs to log in to the Company's intranet access system from any external network shall apply for a VPN account via which he/she may be allowed to log in and access the intranet.

(3) Anti-virus management
The servers and terminal computer equipment are all equipped with endpoint protection software. The virus code will update automatically to ensure that the latest virus may be blocked, and it can detect and prevent the installation of any execution files that would pose potential threats. The mail server is also equipped with mail anti-virus and junk mails filtering mechanisms to prevent viruses or junk mails from accessing the user's computer.

(4) System access control
In order to access various application systems, the colleagues shall apply for approval from the responsible supervisors via the Company's internal system authority request procedure. After that, MIS will create their system accounts, and they may access the systems only upon receipt of the authority given by the system administrator subject to the functions they request. When any colleague applies for leave without pay or resignation, MIS shall be also notified to suspend the authority of access to the relevant account.

(5) Ensure the system's sustainable operation
Rent two data links from different telecommunications companies, and utilize the bandwidth management equipment to connect the two links in parallel as backup to keep the network communication uninterrupted. Construct the remote backup system to ensure that one copy of the system and database is stored by the Headquarters and the other copy stored in the control room of the Dafa factory premises; exercise the disaster recovery drill at least once per year to simulate rapid recovery of the information system to the normal available state in case any abnormality occurs.

(6) Information security awareness campaign and education & training
Demand that colleagues should regularly change their system password to keep their accounts safe, and also organize the information security protection seminars and send information security protection-related materials from time to time, in order to improve employees' knowledge about information security protection and enhance their protection awareness.

3. Resources invested in the cyber security management:

(1) Network hardware equipment: firewall, anti-virus and anti-hacking, junk mail filtering, and web switches, etc.

(2) Software system: endpoint protection software, backup management software, VPN authentication and encryption software, etc.

(3) Telecommunication service: multiple links and bandwidth load balancer.

(4) Manpower: Daily check on system status and remote backup, distribution of one message for information security awareness internally in 2023, organization of two information security promotional courses, attended by 59 trainees and for 59 man hours in total, information security personnel attendance at information security awareness campaign programs in 2023, attended by 2 training and for 2 man hours, annual system disaster recovery drills, annual internal audits on information cycles and external auditor's audits, etc.

(5) Information security manpower: One information security officer and one dedicated staff, responsible for the framework design, information security maintenance and monitoring, information security incident response and investigation, and review on and amendments to information security policies.

(II) List any losses suffered by the Company in 2023 and up to the publication date of the annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be take: None.

VII. Major contractual arrangements

Contract nature	Contracting parties	Term of Contract (from MM/DD/YY to MM/DD/YY)	Main contents	Restrictive clauses
Investment cooperation agreement	Ninghai Economic Development Zone Administration	August 2016 – August 2066	Transfer of the license to occupy the national land for construction	Industrial land in nature
Joint credit agreement	Syndicate consisting of 7 banks including E.SUN Bank, etc.	Date of execution: January 28, 2021 The credit period for each project is stated as follows: (I) Class A credit extension: From the first drawdown until expiration of five years. (II) Class B credit extension: From the first drawdown until expiration of five years.	The loan totaled NT$850 million and US$24 million. Class A credit extension: NT$850 million, revolving credit line. Class B credit extension: US$24 million, allowed to be drawn down in batches, not revolving credit line.	Financial ratio: 1. Current ratio [current assets/(current liabilities-long-term liabilities, current portion)]: at 100% or more. 2. Liability ratio (liability/tangible net worth): at 180% or less. 3. Minimum tangible net worth (net worth-intangible assets): NT$2.5 billion or more.
Joint credit agreement	E.SUN Bank and E.SUN Bank (China)	Date of execution: 11/25/2021 The credit period for each project is stated as follows: (I) Class A credit extension: From the first drawdown until expiration of five years. (II) Class B credit extension: From the first drawdown until expiration of five years.	The loan totaled RMB170 million and US$1 million (or equivalent Euro). Class A credit extension: RMB$170 million, revolving credit line within specific time limit. Class B credit extension: US$ 1 million or equivalent Euro, revolving credit line with specific time limit.	Financial ratio: 1. Current ratio [current assets/(current liabilities less long-term loans, current portion)]: at 100% or more. 2. Liability ratio (liabilities/tangible net worth): 180% or less. 3. Minimum tangible net worth (net worth-intangible assets): NT$2.5 billion or more.

Six. Financial Overview

I. Condensed Balance Sheet, Statement of Comprehensive Income and audit opinions for the latest five years

(I) Consolidated Condensed Balance Sheet and Statement of Comprehensive Income

1. Consolidated Condensed Balance Sheet:

Unit: NTD thousand

Item \ Year		Financial Data for the Last Five (5) Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		3,306,276	3,694,578	6,449,005	4,140,108	4,009,800
Property, plant and equipment		4,146,445	4,089,344	4,031,498	4,480,831	4,286,058
Intangible Assets		604	311	211	157	96
Other assets		629,156	631,714	665,041	339,538	383,289
Total Assets		8,082,481	8,415,947	11,145,755	8,960,634	8,679,243
Current liabilities	Before distribution	3,000,795	3,824,023	4,509,173	3,714,196	3,846,703
	After Distribution	3,077,639	3,909,293	4,872,254	3,879,233	Pending distribution
Non-current liabilities		1,757,547	1,332,835	2,381,231	1,112,159	1,054,649
Total liabilities	Before distribution	4,758,342	5,156,858	6,890,404	4,826,355	4,901,352
	After Distribution	4,835,186	5,242,128	7,253,485	4,991,392	Pending distribution
Equity attributable to the owners of the parent company		3,324,139	3,259,089	4,255,351	4,134,279	3,777,891
Share capital		1,563,868	1,563,868	1,663,868	1,663,868	1,663,868
Capital surplus	Before distribution	1,233,475	1,160,533	1,322,817	1,323,687	1,326,323
	After Distribution	1,156,631	1,117,898			Pending distribution
Retained earnings	Before distribution	750,100	790,648	1,488,153	1,319,653	1,005,467
	After Distribution		748,013	1,125,072	1,154,616	
Other equity		(223,304)	(215,172)	(199,093)	(152,535)	(217,767)
Treasury stocks		-	(40,788)	(20,394)	(20,394)	-
Total equity	Before distribution	3,324,139	3,259,089	4,255,351	4,134,279	3,777,891
	After Distribution	3,247,295	3,173,819	3,892,270	3,969,242	Pending distribution

Note 1: Said annual financial data have been audited and certified by the CPA.

2. Parent Company Only Condensed Balance Sheet:

Unit: NTD thousand

<table>
<tr><th colspan="2" rowspan="2">Year / Item</th><th colspan="5">Financial Data for the Last Five (5) Years (Note 1)</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td colspan="2">Current assets</td><td>1,699,163</td><td>1,940,755</td><td>4,426,559</td><td>2,560,075</td><td>2,054,172</td></tr>
<tr><td colspan="2">Property, plant and equipment</td><td>612,254</td><td>648,390</td><td>652,391</td><td>1,046,257</td><td>1,100,389</td></tr>
<tr><td colspan="2">Intangible Assets</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Other assets</td><td>2,865,994</td><td>2,981,880</td><td>3,147,049</td><td>2,694,863</td><td>2,577,038</td></tr>
<tr><td colspan="2">Total Assets</td><td>5,177,411</td><td>5,571,025</td><td>8,225,999</td><td>6,301,195</td><td>5,731,599</td></tr>
<tr><td rowspan="2">Current liabilities</td><td>Before distribution</td><td>836,040</td><td>1,529,066</td><td>2,361,691</td><td>1,821,370</td><td>1,329,979</td></tr>
<tr><td>After Distribution</td><td>912,884</td><td>1,614,336</td><td>2,724,772</td><td>2,184,451</td><td>Pending distribution</td></tr>
<tr><td colspan="2">Non-current liabilities</td><td>1,017,232</td><td>782,870</td><td>1,608,957</td><td>345,546</td><td>623,729</td></tr>
<tr><td rowspan="2">Total liabilities</td><td>Before distribution</td><td>1,853,272</td><td>2,311,936</td><td>3,970,648</td><td>2,166,916</td><td>1,953,708</td></tr>
<tr><td>After Distribution</td><td>1,930,116</td><td>2,397,206</td><td>4,333,729</td><td>2,529,997</td><td>Pending distribution</td></tr>
<tr><td colspan="2">Share capital</td><td>1,563,868</td><td>1,563,868</td><td>1,663,868</td><td>1,663,868</td><td>1,663,868</td></tr>
<tr><td rowspan="2">Capital surplus</td><td>Before distribution</td><td>1,233,475</td><td>1,160,533</td><td rowspan="2">1,322,817</td><td rowspan="2">1,323,687</td><td>1,326,323</td></tr>
<tr><td>After Distribution</td><td>1,156,631</td><td>1,117,898</td><td>Pending distribution</td></tr>
<tr><td rowspan="2">Retained earnings</td><td>Before distribution</td><td rowspan="2">750,100</td><td>790,648</td><td>1,488,153</td><td>1,319,653</td><td rowspan="2">1,005,467</td></tr>
<tr><td>After Distribution</td><td>748,013</td><td>1,125,072</td><td>956,572</td></tr>
<tr><td colspan="2">Other equity</td><td>(223,304)</td><td>(215,172)</td><td>(199,093)</td><td>(152,535)</td><td>(217,767)</td></tr>
<tr><td colspan="2">Treasury stocks</td><td>-</td><td>(40,788)</td><td>(20,394)</td><td>(20,394)</td><td>-</td></tr>
<tr><td rowspan="2">Total equity</td><td>Before distribution</td><td>3,324,139</td><td>3,259,089</td><td>4,255,351</td><td>4,134,279</td><td>3,777,891</td></tr>
<tr><td>After Distribution</td><td>3,247,295</td><td>3,173,819</td><td>3,892,270</td><td>3,771,198</td><td>Pending distribution</td></tr>
</table>

Note 1: Said annual financial data have been audited and certified by the CPA.

3. Consolidated Condensed Statement of Comprehensive Income:

Unit: NTD thousand

Item \ Year	Financial Data for the Last Five (5) Years (Note 1)				
	2019	2020	2021	2022	2023
Operating Revenue	8,727,904	7,433,603	14,260,416	14,042,665	11,837,852
Gross profit	513,134	506,582	1,932,790	1,170,881	412,007
Operating income	97,619	111,179	958,538	373,277	(53,865)
Non-operating revenue and expenses	(80,530)	(65,743)	(36,938)	(129,740)	(147,619)
Profit before tax	17,089	45,436	921,600	243,537	(201,484)
Current profit of continuing operations	7,906	40,157	740,740	191,610	(149,149)
Loss of discontinuing operations	-	-	-	-	-
Current net income	7,906	40,157	740,740	191,610	(149,149)
Other comprehensive income for the current period (Net after tax)	(70,932)	8,523	15,479	49,529	(65,232)
Total comprehensive income for the current period	(63,026)	48,680	756,219	241,139	(214,381)
Net income attributed to owners of the parent company	7,906	40,157	740,740	191,610	(149,149)
Total comprehensive income attributed to owners of the parent company	(63,026)	48,680	756,219	241,139	(214,381)
Basic earnings per share (NTD)	0.05	0.26	4.73	1.16	(0.90)
Diluted earnings per share (NTD)	0.05	0.26	4.68	1.08	(0.90)

Note 1: Said annual financial data have been audited and certified by the CPA.

4. Parent Company Only Condensed Statement of Comprehensive Income:

Unit: NTD thousand

Item \ Year	Financial Data for the Last Five (5) Years (Note 1)				
	2019	2020	2021	2022	2023
Operating Revenue	5,333,532	4,206,311	9,971,374	10,761,503	8,899,519
Gross profit	310,260	153,952	1,488,610	1,051,622	203,420
Operating income	103,427	(62,658)	774,361	453,044	(71,798)
Non-operating revenue and expenses	(61,501)	89,908	123,576	(153,818)	(93,825)
Profit before tax	41,926	27,250	897,937	299,226	(165,623)
Current profit of continuing operations	7,906	40,157	740,740	191,610	(149,149)
Loss of discontinuing operations	-	-	-	-	-
Current net income	7,906	40,157	740,740	191,610	(149,149)

Year / Item	Financial Data for the Last Five (5) Years (Note 1)				
	2019	2020	2021	2022	2023
Other comprehensive income for the current period (Net after tax)	(70,932)	8,523	15,479	49,529	(65,232)
Total comprehensive income for the current period	(63,026)	48,680	756,219	241,139	(214,381)
Basic earnings per share (NTD)	0.05	0.26	4.73	1.16	(0.90)
Diluted earnings per share (NTD)	0.05	0.26	4.68	1.08	(0.90)

Note 1: Said annual financial data have been audited and certified by the CPA.

(II) Names of external auditors and audit opinions for the latest five years

1. Names of external auditors and audit opinions for the latest five years:

Year	CPA Firm	Name of CPA	Audit Opinions
2019	Deloitte Taiwan	Kung Chun-Chi and Wu Chiu-Yen	Unqualified opinion
2020	Deloitte Taiwan	Hsu Kai-Ning and Wu Chiu-Yen	Unqualified opinion
2021	Deloitte Taiwan	Hsu Kai-Ning and Wu Chiu-Yen	Unqualified opinion
2022	Deloitte Taiwan	Hsu Kai-Ning and Wu Chang-Chun	Unqualified opinion
2023	Deloitte Taiwan	Hsu Kai-Ning and Wu Chang-Chun	Unqualified opinion

2. If the CPA has been replaced in the latest five years, please disclose the explanation of the Company, former CPA and succeeding CPA about the cause of replacement:

In 2013, according to the laws and regulations governing public offering, the Company added Kung Chun-Chi, CPA as the external auditor. In 2016, due to the internal job rotation of Deloitte Taiwan, the external auditor, Kung Chun-Chi, was replaced by Wu Chiu-Yen. In 2019, due to the internal job rotation of Deloitte Taiwan, the external auditor, Chen Chen-Li, was replaced by Kung Chun-Chi. In 2020, due to the internal job rotation of Deloitte Taiwan, the external auditor, Kung Chun-Chi, was replaced by Hsu Kai-Ning. In 2022, due to the internal job rotation of Deloitte Taiwan, the external auditor, Wu Chiu-Yen, was replaced by Wu Chang-Chun.

II. Financial analysis for the latest five years

(I) Financial analysis - consolidated

Analysis Items	Year	Financial Analysis for the Last Five (5) Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure	Debt to assets ratio (%)	58.87	61.27	61.82	53.86	56.47
	Long-term capital as a percentage of property, plant and equipment (%)	122.55	112.29	164.61	117.08	112.75
Solvency	Current ratio (%)	110.18	96.61	143.01	111.46	104.23
	Quick ratio (%)	47.83	40.10	46.60	32.37	38.10
	Interest coverage ratio	1.10	1.37	7.64	2.62	(0.90)
Operational ability	Receivables turnover (times)	10.57	8.69	13.13	13.74	13.15
	Average cash collection days	34.53	42.00	27.79	26.56	27.75
	Inventory turnover (times)	4.51	3.83	3.99	3.66	4.28
	Payables turnover (times)	107.41	103.24	64.97	52.60	96.48
	Average inventory turnover days	80.93	95.30	91.47	99.72	85.28
	Property, plant and equipment turnover (times)	2.16	1.81	3.51	3.29	2.70
	Total asset turnover (times)	1.06	0.90	1.45	1.39	1.34
Profitability	Return on assets (ROA) (%)	1.68	1.68	8.70	3.09	(0.01)
	Return on equity (ROE) (%)	0.22	1.22	19.71	4.56	(3.77)
	Income before tax as a percentage of paid-in capital (%)	1.09	2.91	55.38	14.63	(12.10)
	Net profit margin (%)	0.09	0.54	5.19	1.36	(1.25)
	Basic earnings per share (NTD)	0.05	0.26	4.73	1.16	(0.90)
	Diluted earnings per share (NTD)	0.05	0.26	4.68	1.08	(0.90)
Cash flow	Cash flow ratio (%)	22.74	(1.48)	(25.18)	57.58	(2.38)
	Cash flow adequacy ratio (%)	31.18	18.73	11.78	43.36	56.72
	Cash reinvestment ratio (%)	4.65	(1.28)	(1.04)	25.03	(2.40)
Leverage	Operating Leverage	6.19	5.57	1.65	2.61	Note 2
	Financial leverage	(1.50)	(9.22)	1.16	1.66	Note 2

Reasons for changes in financial ratios in the latest two years: (Not required for changes less than 20%)

1. The decrease in the interest coverage ratio from the previous year is a result of the loss generated in 2023.
2. The increase in payables turnover from the previous year is a result of the decrease in payables at the end of the period in 2023.
3. The decrease in ROA, ROE, income before tax as a percentage of paid-in capital, net profit margin and earnings per share from the previous year is a result of the loss generated in 2023.
4. The decrease in cash flow ratio and cash reinvestment ratio from the previous year is a result of the decrease in net cash flow from operating activities in 2023.
5. The minor increase in cash flow adequacy ratio from the previous year is a result of the decrease in capital expenditure, inventory and cash dividend in 2023 from the previous year.

Note 1: Said annual financial data have been audited and certified by the CPA.

Note 2: The financial ratio about leverages is negative due to the operating income and, therefore, is excluded from the calculation.

The formula for financial analysis is stated as follows:

1. Financial Structure
   (1) Debt to Assets Ratio =Total liabilities/Total assets.
   (2) Long-term capital as a percentage of property, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment
2. Solvency
   (1) Current Ratio = Current assets/Current liabilities.
   (2) Quick ratio = (current assets-inventory-prepayments)/current liabilities.
   (3) Interest coverage ratio = income tax and income before interest expenses / interest expenses for the current period.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average cash collection days=365/Receivables turnover.
   (3) Inventory turnover=Cost of goods sold/Average inventory.
   (4) Payables (including accounts payables and notes payable resulting from operation) turnover = cost of goods sold/balance of average accounts payable (including accounts payable and notes payable resulting from operation)
   (5) Average inventory turnover days=365/Inventory turnover.
   (6) Property, plant and equipment turnover=net sales/average property, plant and equipment, net.
   (7) Total assets turnover=Net sales/Average total assets.
4. Profitability
   (1) ROA = [Profit or loss after tax + interest expenses × (1- tax rate)]/Average total assets.
   (2) ROE=Profit or loss after tax/Average total equity.
   (3) Net profit margin=Profit or loss after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent company - Preferred stock dividend)/Weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the latest 5 years /(capital expenditure+increase in inventories+cash dividends) for the latest 5 years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plants, and equipment + Long-term investments + Other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating income
   (2) Financial leverage = Operating income/(Operating income - Interest expenses).

(II) Financial Analysis - Parent Company Only

Analysis Items \ Year		Financial Analysis for the Last Five (5) Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure	Debt to assets ratio (%)	35.80	41.50	48.27	34.39	34.09
	Long-term capital as a percentage of property, plant and equipment (%)	709.08	623.38	898.89	428.18	400.01
Solvency	Current ratio (%)	203.24	126.92	187.43	140.56	154.45
	Quick ratio (%)	73.83	45.05	47.30	25.23	35.88
	Interest coverage ratio	2.24	2.08	27.31	10.15	(2.67)
Operational ability	Receivables turnover (times)	22.54	17.39	26.97	31.37	44.84
	Average cash collection days	16.19	20.98	13.53	11.63	8.14
	Inventory turnover (times)	4.22	3.47	3.72	3.59	4.73
	Payables turnover (times)	145.79	84.07	45.14	40.27	86.11
	Average inventory turnover days	86.49	105.18	98.11	101.67	77.16
	Property, plant and equipment turnover (times)	8.84	6.67	15.33	12.67	8.29
	Total asset turnover (times)	1.00	0.78	1.45	1.48	1.48
Profitability	Return on assets (ROA) (%)	0.65	1.12	11.13	3.00	(1.88)
	Return on equity (ROE) (%)	0.22	1.22	19.72	4.57	(3.77)
	Income before tax as a percentage of paid-in capital (%)	2.68	1.74	53.97	17.98	(9.95)
	Net profit margin (%)	0.15	0.95	7.43	1.78	(1.68)
	Basic earnings per share (NTD)	0.05	0.26	4.73	1.16	(0.90)
	Diluted earnings per share (NTD)	0.05	0.26	4.68	1.08	(0.90)
Cash flow	Cash flow ratio (%)	41.33	(5.24)	(52.74)	96.71	10.41
	Cash flow adequacy ratio (%)	51.16	30.95	15.24	53.16	60.64
	Cash reinvestment ratio (%)	(0.97)	(3.54)	(21.16)	28.29	(0.54)
Leverage	Operating Leverage	2.23	Note 2	1.27	1.39	Note 2
	Financial leverage	1.49	Note 2	1.05	1.08	Note 2

Reasons for changes in financial ratios in the latest two years: (Not required for changes less than 20%)

1. The increase in quick ratio from the previous year is a result of the decrease in current liabilities in 2023.
2. The decrease in the interest coverage ratio from the previous year is a result of the loss generated in 2023.
3. Due to the decrease in average receivables in 2023, the increase in receivables turnover and decrease in average collection days from the previous year is a result of the decrease in average receivables.
4. The increase in inventory turnover from the previous year is a result of the decrease in the inventory at the end of the period in 2023.
5. The increase in payables turnover and decrease in average sales days from the previous year is a result of the decrease in payables at the end of the period in 2023.
6. The decrease in property, plant and equipment turnover form the previous year is a result of the decrease in net sales in 2023.
7. The decrease in ROA, ROE, income before tax as a percentage of paid-in capital, net profit margin and earnings per share from the previous year is a result of the loss generated in 2023.
8. The decrease in cash flow ratio and cash reinvestment ratio from the previous year is a result of the decrease in net cash flow from operating activities in 2023.

Note 1: Said annual financial data have been audited and certified by the CPA.

Note 2: The financial ratio about leverages is negative due to the operating income and, therefore, is excluded from the calculation.

The formula for financial analysis is stated as follows:

1. Financial Structure
   (1) Debt to Assets Ratio =Total liabilities/Total assets.
   (2) Long-term capital as a percentage of property, plant and equipment= (total equity + non-current liabilities) / property, plant and equipment
2. Solvency
   (1) Current Ratio = Current assets/Current liabilities.
   (2) Quick ratio = (current assets-inventory-prepayments)/current liabilities.
   (3) Interest coverage ratio = income tax and income before interest expenses / interest expenses for the current period.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover =
   net sales / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average cash collection days=365/Receivables turnover.
   (3) Inventory turnover=Cost of goods sold/Average inventory.
   (4) Payables (including accounts payables and notes payable resulting from operation) turnover = cost of goods sold/balance of average accounts payable (including accounts payables and notes payable resulting from operation)
   (5) Average inventory turnover days=365/Inventory turnover.
   (6) Property, plant and equipment turnover=net sales/average property, plant and equipment, net.
   (7) Total assets turnover=Net sales/Average total assets.
4. Profitability
   (1) ROA = [Profit or loss after tax + interest expenses × (1- tax rate)]/Average total assets.
   (2) ROE=Profit or loss after tax/Average total equity.
   (3) Net profit margin=Profit or loss after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent company - Preferred stock dividend)/Weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operating activities for the latest 5 years /(capital expenditure
   +increase in inventories+cash dividends)
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plants, and equipment +
   long-term investment+Other non-current asset+working capital).
6. Leverage:
   (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating income
   (2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit Committee’s review report on the most recent financial statements: Please refer to [Appendix 1].

IV. Latest financial statements: Please refer to [Appendix 2].

V. Parent company only financial statements audited and certified by CPAs in the most recent year, excluding the statement of important accounting titles: Please refer to [Appendix 3].

VI. Whether the Company or its affiliates have experienced financial difficulties in the most recent fiscal year up to the date of publication of the annual report: None.

Seven. Review and Analysis on Financial Position and Business Performance, and Risk Management

I. Financial position

(I) Please explain the main reasons for major changes in the Company's assets, liabilities and shareholders' equity, and the impact posed by them:

Unit: NTD thousand

Item \ Year	2022	2023	Variance	
			Amount	%
Current assets	4,140,108	4,009,800	(130,308)	(3.15)
Property, plant and equipment	4,480,831	4,286,058	(194,773)	(4.35)
Other non-current assets	339,695	383,385	43,690	12.86
Total Assets	8,960,634	8,679,243	(281,391)	(3.14)
Current liabilities	3,714,196	3,846,703	132,507	3.57
Non-current liabilities	1,112,159	1,054,649	(57,510)	(5.17)
Total liabilities	4,826,355	4,901,352	74,997	1.55
Share capital	1,663,868	1,663,868	-	-
Capital surplus	1,323,687	1,326,323	2,636	0.20
Retained earnings	1,319,653	1,005,467	(314,186)	(23.81)
Other equity	(152,535)	(217,767)	(65,232)	42.77
Treasury stocks	(20,394)	-	20,394	(100.00)
Total equity	4,134,279	3,777,891	(356,388)	(8.62)

1. Description about the analysis of increase/decrease: (only for the increase/decrease by more than 20% and by more than NT$10 million before and after the period)
   (1) The decrease in retained earnings by NT$314,186 thousand in 2023 from 2022 is a result of the distribution of cash dividends.
   (2) The decrease in other equity by NT$65,232 thousand in 2023 from 2022 is primarily a result of the exchange difference on translation of subsidiaries' foreign currency financial statements.
   (3) The decrease in treasury shares by NT$20,394 thousand in 2023 from 2022 is primarily a result of execution of the employee stock options this year.
2. Future responsive plan, if the impact is significant: None.

II. Financial Performance

(I) The main reasons for any material change in operating revenues, operating income, and income before tax during the latest two fiscal years

Unit: NTD thousand

Item \ Year	2022	2023	Increase (decrease) in amount	Percentage of change (%)
Operating Revenue	14,042,665	11,837,852	(2,204,813)	(15.70)
Operating Cost	12,871,784	11,425,845	(1,445,939)	(11.23)
Gross profit	1,170,881	412,007	(758,874)	(64.81)
Operating expenses	797,604	465,872	(331,732)	(41.59)
Net operating profit	373,277	(53,865)	(427,142)	(114.43)
Non-operating revenue and expenses	(129,740)	(147,619)	(17,879)	13.78
Profit before tax	243,537	(201,484)	(445,021)	(182.73)
Current net income	191,610	(149,149)	(340,759)	(177.84)
Other comprehensive income for the current period (net after tax)	49,529	(65,232)	(114,761)	(231.70)
Total comprehensive income for the current period	241,139	(214,381)	(455,520)	(188.90)

Description about the analysis of increase/decrease: (only for the increase/decrease by more than 20% and by more than NT$10 million before and after the period):

(1) The decrease in gross profit in 2023 from 2022 is primarily a result of the increase in raw materials and supplies price and weak export sales, resulting in the decrease in operating revenue by 16% and decrease in operating costs by 11% only.

(2) The decrease in operating expenses in 2023 from 2022 is primarily a result of the weak export and significant decrease in related expenses.

(3) The decrease in the current other comprehensive income by NT$114,761 thousand in 2023 from 2022 is primarily a result of the exchange difference on translation of subsidiaries' foreign currency financial statements.

(II) Expected sales volume for the future year and basis of estimate, and the possible effect upon the Company's financial operations as well as measures to be taken in response

1. Expected sales volume for the future year and basis of estimate:
Subject to the industrial environment and supply and demand in the market, and in consideration of the Company's own production capacity and business development, the Company set the target sales volume as 172,130 tons for 2024.

2. The possible effect upon the Company's financial operations as well as measures to be taken in response:
The Company expects that the stainless steel industry should be able to grow stably in the long run. Notwithstanding, the Company will keep watching the market demand and changes, and invest capital in R&D to increase the Company's earnings.

III. Cash flow

(I) Analysis on changes in cash flows

Unit: NTD thousand

Item	2022	2023	Increase (decrease)
Net cash inflow (outflow) from operating activities	2,138,703	(91,680)	(2,230,383)
Net cash inflow (outflow) from investing activities	(3,624)	(140,371)	(136,747)
Cash inflow (outflow) from financing activities	(2,252,022)	292,186	2,544,208

Analysis on increase/decrease:

(1) The increase in net cash outflow from operating activities is mainly due to the loss in the current period, and the decrease in inventory amount in the current year from last year.

(2) The increase in the net cash inflow from investing activities is primarily a result of the decrease in deposits pledged in the pervious period while none this period.

(3) The increase in the short-term loan by NT$648,019 thousand and repayment of the corporate bonds, NT$300,584 thousand, in the current period resulted in the increase in net cash inflow from financing activities.

(II) Corrective measures against insufficient liquidity: The Company's capital is considered sufficient and, therefore, there is no concern about insufficient liquidity.

(III) Analysis on the liquidity of cash for the next year:

Unit: NTD thousand

Balance of Cash, Beginning A	Projected net cash flow from operating activities for the year B	Projected net cash flow from investing and financing activities for the year C	Expected cash surplus (deficit) A+B+C	Financing of projected cash deficits	
				Investment plans	Financing plans
224,686	337,904	(394,696)	167,894	-	-

Descriptions about the analysis:

(1) Operating activities : The Company's operation keeps seeking profit and the cost and expenses are controlled adequately, so as to generate the net cash inflow from operating activities.

(2) Investing and financing activities: The Company's repayment of loans and payment of dividends result in the net cash outflow.

IV. Material capital expenditures in the most recent year and impacts on business/finance:

(I) Material capital expenditure utilization status and source of capital: None.

(II) Expected effects: None.

V. Causes of profit or loss incurred on invested businesses in the latest year and any improvements or investments planned for the next year

(I) The Company’s investment policy

The Company's current investments include the investment in the indirect subsidiary in Ningbo, China via an investment holding company. With the efforts and hardworking through the past years, the investee in the mainland China has been on track. In the future, the Company will focus on the market demanding stainless steel in China, and will provide the products of consistent fine quality.

(II) Causes of profit gained from invested businesses in the latest year and any improvements or investments planned for the next year

Unit: NT$ Thousand, unless otherwise specified

Investee	Accumulated outward remittance for investment (Note 1)	Major causes for profits or losses thereof	
		2023 investment income	Explanation
QIYI PRECISION METALS CO., LTD.	1,140,000	(76,795)	In 2023, due to the downturn of the steel industry and the nature of the industry that materials must be prepared in advance, if the market price continues to decline, it will result in high inventory cost, decrease in gross profit margin, and also decrease in profit.
Surewin Global Limited (HK)	US$32,000 thousand	(76,687)	
Ningbo Qiyi Precision Metals Co., Ltd.	RMB$235,709 thousand	(77,837)	

Note 1: The original investment amount of each investee.

(III) Investment plan for next year: None.

VI. Analysis and evaluation on risk issues

(I) Impact posed by interest rate, exchange rate, and inflation on the Company’s earnings, and responsive measures

1. Changes in interest rate:
   The interest rate on the long-term and short-term bank loans of the Company and its subsidiaries ranged from 1.65% to 6.75% in 2023. Since 2022, Fed has lifted the rate for many times. Notwithstanding, the lift rate range has been slowed down recently. Therefore, Fed is expected to suspend the lift rate in the future. The dedicated personnel from the Company's Finance Section will, regularly or irregularly, evaluate the bank loan interest rate, keep watching the changes in international and domestic financial markets, and make related information available to the sales representatives and procurement personnel. Meanwhile, it will keep in touch with banks to seek more favorable loan interest rate and sufficient facility.

2. Changes in foreign exchange rate:
   The main markets of the Company and its subsidiaries cover Europe and the United States. Some of the Company's main raw materials, such as stainless steel strips, are purchased from foreign suppliers. Therefore, the offset between purchase and sale in the same currency may drive the natural hedge against changes in foreign exchange rate. The Company's exports and purchases have declined progressively recently. Therefore, the

effect to be posed by changes in foreign exchange rate to the Company's income is mitigated relatively. In order to evade the effect potentially posed to the earnings by foreign interest rate volatility, the Company takes the following responsive measures:

(1) Offset foreign-currency-denominated assets against foreign-currency-denominated liabilities, make the payment of imported goods with the foreign-currency-denominated payment received for the export directly to reduce the exchange difference generated from transactions in foreign currency.

(2) Collect the information about changes in foreign exchange rate and verify the foreign exchange trends sufficiently, in order to decide the timing to convert the foreign currency into NTD, or retain it in the foreign exchange account.

(3) Improve the product quality and the value-added value thereof, and adjust the selling price to reflect costs in a timely manner in the case of foreign exchange rate volatility.

3. Inflation:
The Company and its subsidiaries have not yet suffered any significant impact to the income due to inflation by the date of publication of the annual report. The Company will keep observing the commodity price volatility in the market and develop the sources of raw materials and supplies, in an attempt to cut the production cost and also to maintains fair relations with customers to reflect the production costs to customers in a timely manner. Therefore, this could help mitigate the effect posed by inflation to the Company's earnings effectively.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and derivatives trading, main causes of profit or loss incurred and future responsive measures
The Company insists on focusing on its core profession and following the practical principles in the business management. The Company also adopts the stable financial policy and refrains from engaging in any high-risk or highly leveraged transactions. The financial derivatives trading is intended for the purpose limited to hedge. There was no matured hedging trading at the end of 2023. Further, the loaning of funds to others and making of endorsements/guarantees, if any, shall be carried out in accordance with the “Operating Procedure for Loaning to Others” and “Operating Procedure for Making of Endorsements/Guarantees,” in order to mitigate potential risks.

(III) Future R&D plans and R&D expenses to be invested

1. Considering that the Company manufactures stainless steel products, the future R&D plan will focus on improvement of quality and production process. The Company has delegated dedicated personnel to take charge of the relevant R&D operations.

2. R&D expenses to be invested:

Unit: NTD thousand

R&D plan	R&D expenses to be invested in 2024
Steel plate automatic packaging equipment	10,000
Titanium alloy TA4 with thickness 0.1mm.	877,200

(IV) Impact on the Company’s business and finance due to changes in domestic or foreign policies and laws, and responsive measures
The Company always carries out its business in accordance with the ethical management principles and also laws and regulations promulgated by the relevant domestic/foreign governments and agencies. The Company carries out business according to the existing laws and regulations. Meanwhile, the Company keeps watching the domestic and foreign important policy orientation, formulation of the policy, legislative history and detailed contents related to

the Company's operations, and take the initiative to propose responsive measures in a timely manner. No impact has been posed by changes in domestic or foreign policies and laws on the Company's business and finance by the date of publication of the annual report.

(V) Impact posed to the Company's business and finance, and response measures, in the event of technological changes (including cyber security risk) or industrial changes

The new technology and new application development is a challenge and also an opportunity for industrial development. The Company will continue to deepen the application of information technology. Among the other things, the Company will continue to research and develop the optimization of the Enterprise Resource Planning (ERP) system independently, improves production and manufacturing conditions to increase production capacity and yield rate via the SFC, and successively implement the mobile devices and barcodes to improve warehousing management efficiency.

The Company has commissioned an information security consulting company to conduct network and server information security check, and completed front-office social engineering drills and back-office system vulnerability scanning. Regularly implement information security promotion to all colleagues throughout the Company, and fix the vulnerabilities in the server operating system, including system remote backup and disaster recovery drills, to avoid abnormal attacks from any third parties that would cause paralysis of the Company's operations. Update and control emails, firewalls, network equipment and anti-virus systems at any time. The Company is expected to implement the information security management system in 2024 and receive the ISO 27001:2022 information security management certification in 2025, in order to enhance information security protection.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate identity

Since the Company was established, it has always complied with related laws and regulations, strengthened internal management and improve management quality and performance proactively, and maintained the amicable labor-management relations to keep the excellent corporate identity. Therefore, no impact has been posed to the Company's corporate identity in the most recent year and by the date of publication of the annual report.

(VII) Expected benefits and possible risks of merger and acquisition, and responsive measures

The Company has had no plan to merge and acquire other companies in the most recent year and by the date of publication of the annual report. In the event of any event or plan involving merger and acquisition, the Company will follow various operational requirements and perform evaluation on the relevant effects and risk controls with care, in order to protect the Company's interest and shareholders' equity.

(VIII) Expected benefits and possible risks of facilities expansion, and responsive measures

The Company will adopt the optimal business strategies to carry out the production capacity expansion plan or adjust production, subject to customers' needs, supply and demand in market and source of capital. Notwithstanding, the Company has no factory expansion plan for the time being.

(IX) Risks and responsive measures associated with concentrated purchases or sales

1. Concentrated purchase:
   In consideration of the industrial characteristics, the Company purchases raw materials from major suppliers centrally, primarily in order to control the stable source of raw materials and fine and reliable quality. Meanwhile, the major suppliers have worked with the Company for a long term and, therefore, the Company is able to acquire the raw materials at reasonable cost. The Company also uses the best effort to increase the sources of raw materials and supplies in different territories, in order to seek more diversified and resilient sources of raw materials. Therefore, the risk over concentrated purchases is under the Company's control actually.

2. Concentrated sales:
In recent years, the Company's sales to any single customer didn’t exceed 10% of the annual operating revenue, net. Meanwhile, in consideration of the risk control, the Company maintains long-term cooperative relations with the existing customers, and also develops new customers proactively, in order to increase the dispersion of customers and expand the dispersed sources of business. The Company will also continue to evaluate customers’ financial position regularly, in order to mitigate risks. Therefore, there should be no risk over concentrated sales.

(X) Impacts and risks associated with major transfer or exchange of shares by directors, supervisors, or major shareholders with more than 10% ownership interest, and responsive measures

By the date of publication of the annual report, there was no major transfer or exchange of shares by the Company's major directors or major shareholders with more than 10% ownership interest. Even if there was, it was conducted per the shareholders’ personal wealth management plan, but no effect has been rendered to the Company’s actual operations. Therefore, no material effect has been caused to the Company.

(XI) Impact and risks on the Company due to a change of the right of management, and responsive measures: None.

(XII) If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving any of the Company’s directors, supervisors, General Manager, de facto responsible person, or major shareholders with a stake of more than 10 percent, and the matter was finalized or remained pending, in the most recent year and until the date of publication of the annual report, please disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case until the date of publication of the annual report: None.

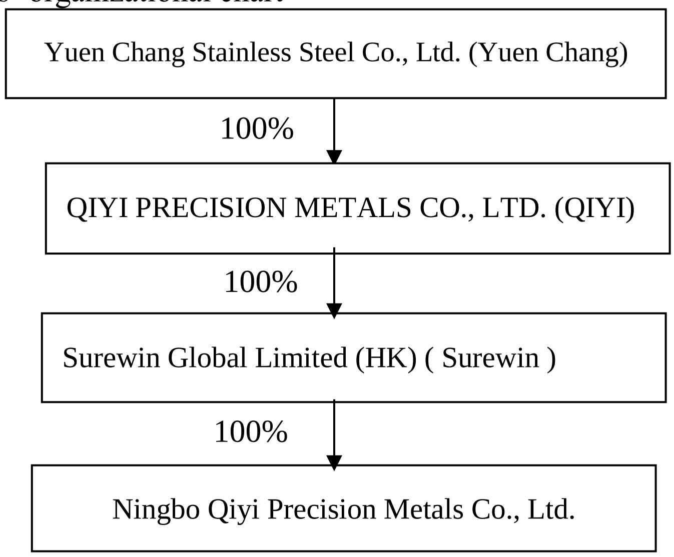
(XIII) Other major risks and responsive measures: None.

VII. Other important disclosures: None.

Eight. Special remarks

I. Affiliated companies

(I) Affiliated companies' organizational chart



(II) Profile of Affiliated Companies

December 31, 2023; Unit: NT$ Thousand, unless otherwise specified

Company Name	Date of Establishment	Address	Paid-in capital	Main Business or Production Lines
QIYI PRECISION METALS CO., LTD.	January 13, 2010 (2010.1.13)	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman, KY1-1208, Cayman Islands	480,000	Engaged in professional investment activities
Surewin Global Limited (HK)	May 16, 2008 (2008.5.16)	Room 1204, Yu Sung Boon Bldg., 107-111 Des Voeux Road Central, Hong Kong	US$32,000 thousand	Engaged in professional investment activities
Ningbo Qiyi Precision Metals Co., Ltd.	February 15, 2001 (2001.2.15)	No. 2, Nanbin N. Rd., Binhai New Area in the south of Ningbo, Ninghai County, Ningbo City, Zhejiang Province, China	RMB$500,297 thousand	Stainless steel shearing, splitting and cold rolling, processing and trading, and import & export of stainless steel products

(III) Information about the same shareholder presumed to have control and affiliation: None.

(IV) Explanation about business operated by all affiliated companies: stainless steel industry and holding companies.

(V) Information about directors, supervisors, and General Manager of each affiliated company

Company Name	Job Title	Name or the Name of Representative	Shares held	
			Shares (thousand shares)	Shareholding %
QIYI PRECISION METALS CO., LTD.	Director	Yen Te-Ho (Representative of Yuen Chang)	48,000	100%

Surewin Global Limited (HK)	Director	Yen Te-Ho (Representative of QIYI)	32,000	100%
Ningbo Qiyi Precision Metals Co., Ltd.	Chairman Director Director Supervisor	Yen Te-Ho (Representative of Surewin) Yen Po-Chien (Representative of Surewin) Yeh Mei-Yun (Representative of Surewin) Chang Yun-Ching (Representative of Surewin)	Note	100%

Note: As Ningbo Qiyi Precision Metals Co., Ltd. is a limited company, it doesn't issue shares.

(VI) Overview of Business of Affiliated Companies

December 31, 2023; Unit: NT$ Thousand

Company Name	Capital	Total Assets	Total liabilities	Net Worth	Operating Revenue	Operating Income (Loss)	Current income (after tax)	Earnings Per Share (NT$) (after tax)
Yuen Chang Stainless Steel Co., Ltd.	1,663,868	5,731,599	1,953,708	3,777,891	8,899,519	(71,798)	(149,149)	(0.90)
QIYI PRECISION METALS CO., LTD.	480,000	2,430,674	-	2,430,674	-	(239)	(76,795)	-
Surewin Global Limited (HK)	959,680	2,980,389	553,126	2,427,263	-	(186)	(76,687)	-
Ningbo Qiyi Precision Metals Co., Ltd.	2,309,450	5,380,405	2,960,367	2,420,038	2,983,523	18,358	(77,837)	-

Note 1: If the affiliated company is a foreign company, its capital is converted into NTD at the historical exchange rate.

Note 2: If the affiliated company is a foreign company, the total assets and liabilities of it are presented in NTD converted at the foreign exchange rate prevailing on the reporting date. The operating revenue, operating income and current income are presented at NTD converted at the average foreign exchange rate in the current year.

(VII) Consolidated financial statements of affiliated companies

The companies to be included by the Company in the consolidated financial statement of affiliated companies in 2023 pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to the Statement of International Financial Reporting Standards (IFRS) No. 7. Further, the related information to be disclosed in the consolidated financial statement of affiliates has been disclosed in said consolidated financial statements of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated companies separately.

II. Private placement of securities in the most recent year and until the date of publication of the annual report: N/A.

III. Holding or disposal of the Company's shares by subsidiaries in the most recent year and until the date of publication of the annual report: N/A.

IV. Other supplementary information: None.

Nine. Any occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year up till the date of publication of the annual report that significantly impacted shareholders’ equity or security price: None.

[Appendix 1]

Yuen Chang Stainless Steel Co., Ltd.
Audit Committee's Review Report

The Company's 2023 business report and financial statements (including consolidated financial statements) have been prepared and submitted by the Board of Directors. Among the other things, the financial statements (including consolidated financial statements) were already audited by Hsu Kai-Ning, CPA and Wu Chang-Chun, CPA of Deloitte Taiwan appointed by the Board of Directors, who issued the external auditor's report accordingly. Based on the Audit Committee's review on said report and statements prepared and submitted by the Board of Directors, it found no inconsistency existing. The Report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

The Company's 2024 Annual General Meeting

Yuen Chang Stainless Steel Co., Ltd.

Convener of Audit Committee: Chen Chih-Cheng

March 8, 2024

Stock Code: 2069

[Appendix 2]

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2023 and 2022

Address: 13F.-1., No. 235, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City
Tel: (07) 969-5858

§Table of Contents§

Statement of Consolidated Financial Report of Affiliated Companies

The companies to be included by the Company in the consolidated financial statement of affiliated companies in 2023 (from January 1 to December 31, 2023) pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to the Statement of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliates has been disclosed in said consolidated financial statements of the parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated companies separately.

Hereby declared by

Company name: Yuen Chang Stainless Steel Co., Ltd.

Chairman: Yen Te-Ho

March 8, 2024

External Auditor’s Report

To: Yuen Chang Stainless Steel Co., Ltd.

Audit Opinions

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

In our opinion, said consolidated financial statements in all major respects are in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission. They are sufficient to adequately express the consolidated financial status of the Company and its subsidiaries as of December 31, 2023 and 2022 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2023 and 2022.

Basis for the Audit Opinions

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

Key Audit Matters

Key audit matters refer to the most important matters for the audit of 2023 consolidated financial statements of the Company and its subsidiaries based on our professional judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Adequacy of the deadline for sales revenue

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

Meanwhile, we also perform the following primary audit procedures:

I. Test the internal control related to adequacy of the deadline for recognition of the revenue.

II. Perform the random check on customers' orders, shipping bills and sales invoices from the statement of operating revenue to identify whether the buyers identified in the customers' orders and sales invoices are identical, and whether the sales invoice amount is consistent with the recognized revenue, and also perform the random check on external shipment certificates from the statement of operating revenue close to the balance sheet date to confirm whether the sales revenue is recognized for the applicable accounting period.

Other information

The Company has prepared the parent company only financial statements for 2023 and 2022, and the audit reports with unqualified opinions that we have issued are on file for reference.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

External Auditors' Responsibilities for the Audit on Consolidated Financial Statements

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

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

I. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern, based on the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

V. Evaluate the overall presentation, structure, and contents of the consolidated financial statements, including the related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on the Group.

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

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

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

Deloitte Taiwan

CPA: Hsu Kai-Ning

CPA: Wu Chang-Chun

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

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

March 8, 2024

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2023 and 2022

Unit: NT$ Thousand

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 224,686	3	$ 190,822	2
1150	Notes receivable (Notes 8 and 19)	81,833	1	34,258	-
1170	Net accounts receivable (Notes 8, 19, 26 and 28)	926,142	11	757,189	9
1200	Other receivables	94,361	1	83,155	1
1310	Inventory (Note 9)	2,510,774	29	2,819,849	32
1410	Prepayments	33,430	-	117,888	1
1476	Other financial assets－current (Notes 10 and 28)	112,020	1	109,722	1
1479	Other current assets	26,554	-	27,225	-
11XX	Total current assets	4,009,800	46	4,140,108	46
	Non-current assets				
1600	Property, plant and equipment (Notes 11, 20, 24 and 28)	4,286,058	50	4,480,831	50
1755	Right-of-use assets (Notes 12, 20 and 28)	109,214	1	114,863	1
1760	Investment property (Notes 13 and 28)	45,380	1	45,380	1
1840	Deferred income tax assets (Note 21)	194,210	2	149,184	2
1915	Prepayments for equipment	29,820	-	24,693	-
1990	Other non-current assets (Note 20)	4,761	-	5,575	-
15XX	Total non-current assets	4,669,443	54	4,820,526	54
1XXX	Total assets	$ 8,679,243	100	$ 8,960,634	100

Code	Liabilities and equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities				
2100	Short-term loans (Notes 14 and 28)	$ 2,898,776	33	$ 2,393,344	27
2110	Short-term notes and bills payable (Note 14)	370,000	4	280,000	3
2120	Financial liabilities at fair value through profit or loss (Notes 7, 15 and 26)	-	-	2,812	-
2130	Contract liabilities－ current (Note 19)	156,739	2	190,992	2
2150	Notes payable	16,370	-	20,887	-
2170	Accounts payable	35,963	-	163,619	2
2219	Other payables (Note 16)	209,876	3	230,819	3
2230	Current income tax liabilities	4,297	-	116,031	1
2280	Lease liabilities - current (Note 12)	142	-	254	-
2321	Corporate bonds payable - current portion (Notes 15 and 26)	2,439	-	310,962	4
2322	Long-term loans - current portion (Notes 14 and 28)	147,648	2	-	-
2399	Other current liabilities	4,453	-	4,476	-
21XX	Total current liabilities	3,846,703	44	3,714,196	42
	Non-current liabilities				
2540	Long-term loans (Notes 14 and 28)	1,004,053	12	1,053,162	12
2570	Deferred income tax liabilities (Note 21)	39,254	-	45,741	-
2645	Deposit received	11,342	-	13,256	-
25XX	Total non-current liabilities	1,054,649	12	1,112,159	12
2XXX	Total liabilities	4,901,352	56	4,826,355	54
	Equity attributable to owners of the Company (Note 18)				
3110	Ordinary share capital	1,663,868	19	1,663,868	18
3200	Capital surplus	1,326,323	15	1,323,687	15
	Retained earnings				
3310	Legal reserve	315,505	4	296,047	4
3320	Special reserve	152,537	2	199,095	2
3350	Undistributed earnings	537,425	6	824,511	9
3300	Total retained earnings	1,005,467	12	1,319,653	15
3400	Other equity	(217,767)	(2)	(152,535)	(2)
3500	Treasury stocks	-	-	(20,394)	-
3XXX	Total equity	3,777,891	44	4,134,279	46
3X2X	Total liabilities and equity	$ 8,679,243	100	$ 8,960,634	100

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

Chairman: Yen Te-Ho　　General Manager: Yen Te-Ho　　Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2023 and 2022
Unit: NTD thousand, except for the earnings (loss) per share (NTD)

		2023		2022	
Code		Amount	%	Amount	%
4000	Operating revenue, net (Note 19)	$ 11,837,852	100	$ 14,042,665	100
5000	Operating costs (Notes 9 and 20)	11,425,845	97	12,871,784	91
5900	Gross profit	412,007	3	1,170,881	9
	Operating expenses (Notes 8 and 20)				
6100	Selling expenses	295,101	3	636,927	5
6200	Administrative expenses	150,510	1	131,452	1
6300	R&D expenses	20,216	-	29,373	-
6450	Loss on (gain on reversal of) expected credit impairment	45	-	(148)	-
6000	Total operating expenses	465,872	4	797,604	6
6900	Net operating profit (loss)	(53,865)	(1)	373,277	3
	Non-operating revenue and expenses (Note 20)				
7100	Interest revenue	10,730	-	10,700	-
7010	Other revenue	25,193	-	23,092	-
7020	Other gains and losses	3,064	-	(10,671)	-
7050	Financial costs	(186,606)	(1)	(152,861)	(1)
7000	Total non-operating revenue and expenses	(147,619)	(1)	(129,740)	(1)
7900	Net profit (loss) before tax	(201,484)	(2)	243,537	2
7950	Income tax expenses (gains) (Note 21)	(52,335)	(1)	51,927	-
8200	Net income (loss)	(149,149)	(1)	191,610	2

(Continued)

(Brought Forward)

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income				
	Items not reclassified to profit and loss				
8311	Defined benefit plan remeasurement	$ -	-	$ 1,834	-
8349	Income tax related to items not reclassified to profit and loss	-	-	1,137	-
8310		-	-	2,971	-
8360	Items that might be reclassified to profit and loss				
8361	Exchange differences on translation of foreign financial statements	(65,232)	(1)	46,558	-
8300	Other comprehensive income for the current period (net after tax)	(65,232)	(1)	49,529	-
8500	Total comprehensive income for the current year	($ 214,381)	(2)	$ 241,139	2
8600	Net income (loss) attributed to:				
8610	Owners of the Company	($ 149,149)	(1)	$ 191,610	1
8700	Total comprehensive income attributed to:				
8710	Owners of the Company	($ 214,381)	(2)	$ 241,139	2
	Earnings (loss) per share (Note 22)				
9750	Basic earnings per share (net loss)	($ 0.90)		$ 1.16	
9850	Diluted earnings per share (net loss)	($ 0.90)		$ 1.08	

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

Chairman: Yen Te-Ho General Manager: Yen Te-Ho Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: NT$ Thousand

		Equity attributable to owners of the Company								
				Retained earnings				Other equity items		
Code		Share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign financial statements	Treasury stocks	Total equity
A1	Balance on January 1, 2022	$1,663,868	$1,322,817	$ 222,033	$ 215,174	$1,050,946	$1,488,153	($ 199,093)	($ 20,394)	$4,255,351
	2021 Appropriation and distribution of retained earnings (Note 18)									
B1	Legal reserve	-	-	74,014	-	(74,014)	-	-	-	-
B3	Special reserve	-	-	-	(16,079)	16,079	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(363,081)	(363,081)	-	-	(363,081)
		-	-	74,014	(16,079)	(421,016)	(363,081)	-	-	(363,081)
C17	Other changes in capital surplus	-	870	-	-	-	-	-	-	870
D1	Profit 2022	-	-	-	-	191,610	191,610	-	-	191,610
D3	2022 Other comprehensive income after tax	-	-	-	-	2,971	2,971	46,558	-	49,529
D5	2022 Total comprehensive income	-	-	-	-	194,581	194,581	46,558	-	241,139
Z1	Balance on December 31, 2022	1,663,868	1,323,687	296,047	199,095	824,511	1,319,653	(152,535)	(20,394)	4,134,279
	2022 Appropriation and distribution of retained earnings (Note 18)									
B1	Legal reserve	-	-	19,458	-	(19,458)	-	-	-	-
B3	Special reserve	-	-	-	(46,558)	46,558	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(165,037)	(165,037)	-	-	(165,037)
		-	-	19,458	(46,558)	(137,937)	(165,037)	-	-	(165,037)
D1	Net loss 2023	-	-	-	-	(149,149)	(149,149)	-	-	(149,149)
D3	2023 Other comprehensive income after tax	-	-	-	-	-	-	(65,232)	-	(65,232)
D5	2023 Total comprehensive income	-	-	-	-	(149,149)	(149,149)	(65,232)	-	(214,381)
N1	Share-based payment transactions (Notes 23 and 27)	-	4,036	-	-	-	-	-	-	4,036
N1	Transfer of treasury stocks to employees (Note 18)	-	(1,400)	-	-	-	-	-	20,394	18,994
Z1	Balance on December 31, 2023	$1,663,868	$1,326,323	$ 315,505	$ 152,537	$ 537,425	$1,005,467	($ 217,767)	$ -	$3,777,891

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

Chairman: Yen Te-Ho General Manager: Yen Te-Ho Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2023 and 2022

Unit: NT$ Thousand

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit (loss) before tax for the current year	($ 201,484)	$ 243,537
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	236,820	229,841
A20200	Amortization expenses	58	58
A20300	Loss on (gain on reversal of) expected credit impairment	45	(148)
A20400	Net losses (gains) from financial assets and liabilities at fair value through profit or loss	(2,894)	3,570
A20900	Financial costs	186,606	152,861
A21200	Interest revenue	(10,730)	(10,700)
A21900	Compensation cost of employee stock options	4,036	-
A23700	Inventory valuation losses	61,627	11,585
A29900	Other items	(2,405)	(632)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(47,575)	50,925
A31150	Accounts receivable	(167,956)	409,043
A31180	Other receivables	(11,166)	168,491
A31200	Inventories	248,878	1,373,870
A31230	Prepayments	84,458	23,723
A31240	Other current assets	671	7,870
A32125	Contract liabilities－ current	(33,021)	(1,401)
A32130	Notes payable	(4,517)	(26,368)
A32150	Accounts payable	(126,908)	(94,636)
A32180	Other payables	(12,894)	(125,501)
A32990	Other business liabilities	59	(100)
A33000	Cash inflow from operating activities	201,708	2,415,888
A33100	Interest collected	5,156	4,545
A33300	Interest paid	(185,379)	(147,764)
A33500	Income tax paid	(113,165)	(133,966)
AAAA	Net cash inflow (outflow) from operating activities	(91,680)	2,138,703
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(138,826)	(240,495)
B02800	Proceeds from disposal of property, plant and equipment	-	2,027

(Continued)

(Brought Forward)

Code		2023	2022
B06500	Decrease (increase) in other financial assets	($ 2,298)	$ 235,546
B06700	Decrease (increase) in other non-current assets	753	(702)
BBBB	Net cash outflow from investing activities	(140,371)	(3,624)
	Cash flow from financing activities		
C00100	Increase in short-term loans	558,019	-
C00200	Decrease in short-term loans	-	(875,132)
C00500	Increase in short-term notes and bills payable	90,000	80,000
C01300	Repayment of corporate bonds	(300,584)	-
C01600	Borrowing of long-term loans	499,800	1,269,800
C01700	Repayment of long-term loans	(407,015)	(2,370,793)
C03000	Increase (decrease) in deposit received	(1,879)	6,397
C04020	Repayment of principal portion of lease liabilities	(112)	(83)
C04500	Allocation of cash dividends	(165,037)	(363,081)
C05000	Transfer of treasury stocks to employees	18,994	-
C09900	Other financing activities	-	870
CCCC	Cash inflow (outflow) from financing activities	292,186	(2,252,022)
DDDD	Effect of foreign exchange rate changes on cash	(26,271)	94,775
EEEE	Net increase (decrease) in cash and cash equivalents for the current year	33,864	(22,168)
E00100	Balance of cash and cash equivalents, beginning	190,822	212,990
E00200	Balance of cash and cash equivalents, ending	$ 224,686	$ 190,822

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

Chairman: Yen Te-Ho General Manager: Yen Te-Ho Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2023 and 2022
(NT$ Thousand, unless otherwise specified.)

I. Company history

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

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

The present consolidated financial statements are expressed in New Taiwan Dollars, the functional currency adopted by the Company.

II. Dates and procedures where the financial statements were resolved

The consolidated financial statements were issued upon approval by the Board of Directors on March 8, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

Newly promulgated/amended/revised standard rules and interpretations	Effective Date Promulgated by IASB (Note 1)
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”	TBD
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	Wednesday, January 1, 2025 (Note 2)

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

Note 2: Applicable to the annual reporting periods beginning after January 1, 2025. When the amendment is applied for the first time, the effect is recognized in the retained earnings on the date of the first-time adoption. When the Company and its subsidiaries use non-functional currencies as the presentation currency, they will affect the exchange differences of foreign operations under equity on the date of the first-time application.

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

IV. Summary of significant accounting policies

(I) Statement of compliance

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

(II) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(IV) Basis of consolidation

1. Principles for preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (namely, subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2. Subsidiaries included into the consolidated financial statements

The present consolidated financial statements include the following key entities:

Subsidiary's name	Main line of business	Establishment and operating location	% of ownership December 31, 2023	% of ownership December 31, 2022
QIYI PRECISION METALS CO., LTD	Holding company	British Cayman Islands	100.0	100.0
Surewin Global Limited (HK)	Holding company	Hong Kong, China	100.0	100.0
Ningbo Qiyi Precision Metals Co., Ltd. (Ningbo Qiyi)	Stainless steel shearing, splitting and cold rolling, processing and trading, and import & export of stainless steel products	Ningbo, China	100.0	100.0

(V) Foreign currency

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

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

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

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

(VI) Inventory

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

(VII) Property, plant and equipment

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

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

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

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

(VIII) Investment property

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

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

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

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

(IX) Intangible assets

The intangible assets with limited useful years that are acquired by the Company independently are measured at cost initially, and subsequently at cost less accumulated amortization and accumulated impairment losses. Amortization of intangible assets is recognized on a straight-line basis within the useful life thereof, and the estimated useful lives, residual values, and depreciation method are reviewed at the end of each year, with the effect of any changes in accounting estimates accounted for on a prospective basis.

(X) Impairment on property, plant and equipment, right-of-use assets and intangible assets.

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

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

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

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

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

1. Financial assets

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

(1) Measurement category

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

A. Financial assets measured at amortized cost

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

a. The financial assets are held within some business model whose objective is achieved by both holding the financial assets and collecting contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Credit-impaired financial assets refers to when there is a significant financial difficulty or a breach of contract of the issuer or debtor, the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market of the financial asset because of the financial difficulty.

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

B. Accounts receivable at fair value through other comprehensive income

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

a. The financial asset is held for a specific business model, and the purpose of which involves collection of contractual cash flow and resale of the financial asset; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(2) Impairment of financial assets

The Company and its subsidiaries recognize the impairment loss on financial assets measured at amortized cost (including accounts receivable) and accounts receivable at fair through other comprehensive income based on expected credit losses on each balance sheet date.

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

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

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities held for trading

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

(2) Derecognition of financial liabilities

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

4. Convertible corporate bond

The elements of the compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities or equity at the initial recognition, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

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

5. Derivative instruments

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

(XII) Recognition of revenue

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

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

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

<u>Revenue from sale of goods</u>

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

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

(XIII) Lease

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

1. The Company and its subsidiaries as the lessor

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

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

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

2. The Company and its subsidiaries as the lessee

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

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

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

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

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

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

(XIV) Costs of loan

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

(XV) Government subsidies

Government subsidies are recognized only when it is reasonably certain that the Company and its subsidiaries will comply with the conditions attached to the government subsidies and will receive the subsidies.

Government subsidies are recognized on a systematic basis during the period when the related costs that they intend to offset are recognized as expenses by the Company and its subsidiaries. The government subsidies for acquisition of noncurrent assets by the Company and its subsidiaries through procurement/construction or in any other manners should be debited into the carrying amount of the noncurrent assets, and recognized into profit or loss within the useful years of the assets by reducing the depreciation or amortization expenses for the noncurrent assets.

(XVI) Retirement benefits

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

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

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

(XVII) Share-based payment agreement

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

(XVIII) Income tax

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

1. Current income tax

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

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

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

2. Deferred income tax

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

Deferred income tax liability is generally recognized for all taxable temporary differences, while deferred income tax asset is recognized is recognized for deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

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

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

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

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

3. Current and deferred income taxes

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

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

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

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

VI. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 104	$ 286
Bank checks and demand deposit	169,674	182,024
Cash equivalents		
Time deposit with initial maturity date within three months	54,908	8,512
	$224,686	$190,822

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

	December 31, 2023	December 31, 2022
Bank time deposits (%)	1.70–4.70	3.25–3.45

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

VII. Financial instruments at fair value through profit or loss

	December 31, 2022
Financial liabilities held for trading	
Call options and put option for convertible corporate bond (Note 15)	$ 2,812

VIII. Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Notes receivable - from operations		
Measured at amortized cost	$ 81,833	$ 34,258
Accounts receivable, net - from operations		
Total carrying amount measured at amortized cost	$937,988	$797,343
Less: Loss allowance	(39,065)	(40,154)
	898,923	757,189
At fair value through other comprehensive income	27,219	-
	$926,142	$757,189

(I) Notes receivable and accounts receivable measured at amortized cost

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

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

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

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

December 31, 2023

	Trading counterparty has no sign of default.			
	Not past due	Overdue for 1–90 days	Trading counterparty has the sign of default.	Total
Expected credit loss rate (%)	-	0.5	100	-
Total carrying amount	$ 927,062	$ 53,924	$ 38,835	$1,019,821
Loss allowance (lifetime expected credit losses)	-	(230)	(38,835)	(39,065)
Amortized cost	$ 927,062	$ 53,694	$ -	$ 980,756

December 31, 2022

	Trading counterparty has no sign of default.						
	Not past due	Overdue for 1–90 days	Overdue for 91–180 days	Overdue for 181–270 days	Overdue for 365 days	Trading counterparty has the sign of default.	Total
Expected credit loss rate (%)	-	0.5	3	10	100	100	-
Total carrying amount	$ 743,692	$ 47,892	$ 44	$ 10	$ 93	$ 39,870	$ 831,601
Loss allowance (lifetime expected credit losses)	-	(191)	-	-	(93)	(39,870)	(40,154)
Amortized cost	$ 743,692	$ 47,701	$ 44	$ 10	$ -	$ -	$ 791,447

The information about changes in the loss allowance for notes and accounts receivable are as follows:

	2023	2022
Balance, beginning	$ 40,154	$ 39,620
Impairment loss (provided) reversed in the current year	45	(148)
Actual write-offs for the current year	(92)	-
Foreign currency exchange difference	(1,042)	682
Balance, ending	$ 39,065	$ 40,154

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

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

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

December 31, 2023

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

For the information about factoring of accounts receivable of the Company and its subsidiaries, please refer to Note 26. For the information about export bill negotiation for accounts receivable, please refer to Note 28.

IX. Inventories

	December 31, 2023	December 31, 2022
Finished goods	$ 944,746	$ 1,038,920
Goods in process	468,372	352,022
Raw materials	1,002,847	1,309,980
Supplies	94,809	118,927
	$ 2,510,774	$ 2,819,849

The operating costs related to inventories were NT$11,425,845 thousand and NT$12,871,784 thousand in 2023 and 2022, respectively, including the inventory valuation losses amounting to NT$61,627 thousand and NT$11,585 thousand.

X. Other financial assets－ current

	December 31, 2023	December 31, 2022
Pledged bank deposit	$108,793	$109,722
Time deposit with initial maturity date more than three months away	3,224	-
Others	3	-
	$112,020	$109,722

The annual interest rates for the bank deposits were 0.05%–4.33% and 0.25%–1.18% on December 31, 2023 and 2022, respectively.

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

For the amounts of other financial assets furnished by the Company and its subsidiaries to secure loans, please refer to Note 28.

XI. Property, plant and equipment

	December 31, 2023	December 31, 2022
For own use	$ 4,286,058	$ 4,480,831

2023

	Land	Building and ancillary equipment	Machinery and equipment	Other equipment	Construction in progress and equipment pending inspection	Total
Costs						
Balance on January 1, 2023	$ 681,489	$ 2,258,671	$ 3,155,925	$ 92,229	$ 139,198	$ 6,327,512
Additions	-	18,406	58,875	8,208	40,284	125,773
Disposal	-	-	-	(260)	-	(260)
Reclassified	-	104,482	73,212	-	(177,694)	-
Net exchange difference	-	(48,770)	(74,628)	(1,584)	(564)	(125,546)
Balance on December 31, 2023	$ 681,489	$ 2,332,789	$ 3,213,384	$ 98,593	$ 1,224	$ 6,327,479
Accumulated depreciation						
Balance on January 1, 2023	$ -	$ 358,159	$ 1,428,938	$ 59,584	$ -	$ 1,846,681
Depreciation expenses	-	68,921	154,202	10,980	-	234,103
Disposal	-	-	-	(260)	-	(260)
Net exchange difference	-	(5,052)	(32,827)	(1,224)	-	(39,103)
Balance on December 31, 2023	$ -	$ 422,028	$ 1,550,313	$ 69,080	$ -	$ 2,041,421
Net on December 31, 2023	$ 681,489	$ 1,910,761	$ 1,663,071	$ 29,513	$ 1,224	$ 4,286,058

2022

	Land	Building and ancillary equipment	Machinery and equipment	Other equipment	Construction in progress and equipment pending inspection	Total
Costs						
Balance on January 1, 2022	$ 363,816	$ 2,217,277	$ 2,963,848	$ 80,975	$ 5,590	$ 5,631,506
Additions	-	11,832	52,495	11,203	226,953	302,483
Disposal	-	(2,016)	-	(903)	-	(2,919)
Reclassified	317,673	-	93,720	-	(93,720)	317,673
Net exchange difference	-	31,578	45,862	954	375	78,769
Balance on December 31, 2022	$ 681,489	$ 2,258,671	$ 3,155,925	$ 92,229	$ 139,198	$ 6,327,512
Accumulated depreciation						
Balance on January 1, 2022	$ -	$ 287,881	$ 1,262,469	$ 49,658	$ -	$ 1,600,008
Depreciation expenses	-	68,385	148,521	10,226	-	227,132
Disposal	-	(133)	-	(900)	-	(1,033)
Net exchange difference	-	2,026	17,948	600	-	20,574
Balance on December 31, 2022	$ -	$ 358,159	$ 1,428,938	$ 59,584	$ -	$ 1,846,681
Net on December 31, 2022	$ 681,489	$ 1,900,512	$ 1,726,987	$ 32,645	$ 139,198	$ 4,480,831

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

Building and ancillary equipment	
Engineering, plant and office	15–40 years
Air conditioning, machine electronics and decoration	3–18 years
Machinery and equipment	1–30 years
Other equipment	3–10 years

For the amounts of property, plant and equipment for own use as furnished by the Company and its subsidiaries to secure loans, please refer to Note 28.

XII. Lease agreement

(I) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Land	$109,073	$114,610
Other equipment	141	253
	$109,214	$114,863

	2023	2022
Additions to right-of-use assets	$ -	$ 337
Depreciation expenses of right-of-use assets		
Land	$ 2,605	$ 2,625
Other equipment	112	84
	$ 2,717	$ 2,709

Except said recognized depreciation expenses, no sublease or impairment on the right-of-use assets of the Company and its subsidiaries has taken place in 2023 and 2022.

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$142	$254

Discount rate range (%) of lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Other equipment	1.15	1.15

(III) Important lease activities and terms

The right-of-use assets are primarily the rights to use the land rented in Ninghai County, Zhejiang Province, China, effective for 50 years and expired in August 2066.

(IV) Information about other leases

	2023	2022
Short-term lease expenses	$281	$294
Total cash outflows from lease	$395	$379

For the information about mortgage of the Company's and its subsidiaries' right-of-assets, please refer to Note 28.

XIII. Investment property

2023

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

2022

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

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

The investment property owned by the Company is in its own interests. For the amounts of investment property furnished to secure loans, please refer to Note 28.

XIV. Costs of loan

(I) Short-term loans

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

Annual interest rate (%)	December 31, 2023	December 31, 2022
Letter of credit and credit loan	1.65–6.17	1.38–5.13
Export bill negotiation	3.45–6.36	4.85

(II) Short-term notes and bills payable

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

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

(III) Long-term loans

	December 31, 2023	December 31, 2022
Pledged borrowings (Note 28)		
Matured between September 2025 and February 2026	$1,153,680	$1,056,080
Less: Unamortized deferred sponsorship fees	1,979	2,918
	1,151,701	1,053,162
Less: Long-term loans, current portion	147,648	-
Long-term loans	$1,004,053	$1,053,162
Annual interest rate (%)	1.90–6.75	1.77–6.05

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

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

XV. Corporate bonds payable

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

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

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

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

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

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

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

XVI. Other payables

	December 31, 2023	December 31, 2022
Insurance premium payable	$ 62,427	$ 61,435
Salary and bonus payable	42,276	46,412
Import & export expenses payable	30,379	27,579
Packaging expenses payable	14,515	14,911
Interest payable	8,549	8,675
Payables for equipment and engineering	6,310	14,236
Remuneration payable to employees and directors	-	7,288
Others	45,420	50,283
	$209,876	$230,819

XVII. Retirement benefits plan

(I) Defined contribution plan

1. The Company adopts a pension system under Taiwan's Labor Pension Act, which is a state-managed defined contribution plan. Under the plan, a company shall make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.
2. The subsidiary in China, Ningbo Qiyi, and its local workers also contribute the endowment insurance equivalent to specific percentage of the workers' wage, respectively, to the competent government agencies, in accordance with the related laws and regulations of China.

(II) Defined benefit plan only for 2022

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

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

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

XVIII. Equity

(I) Capital stock

Ordinary share capital

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

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

(II) Capital surplus

	December 31, 2023	December 31, 2022
It can be applied for make-up of losses, cash distribution, or capitalization (Note 1).		
Premium in stock issuance	$ 747,452	$ 747,452
Corporate bond conversion premium	155,165	155,165
Expired stock options	27,892	15,101
Treasury stock transaction (Note 23)	6,543	3,907
It can only be applied for make-up of losses.		
Recognition of changes in ownership interests in subsidiaries (Note 2)	388,298	388,298
Others	870	870
Not for any purposes		
Recognized equity elements of corporate bonds issued by the Company (Note 15)	103	12,894
	$1,326,323	$1,323,687

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

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

(III) Retained earnings and dividend policy

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

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

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

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

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

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

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

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

	Earnings appropriation proposal
Special reserve	$ 65,231

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

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

(IV) Special reserve

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

When distributing earnings, the Company shall provide the special reserve for the difference between the net deduction under other shareholders' equity and the special reserve provided upon the first-time adoption of IFRSs. After that, if there is any reversal for the deduction under other shareholders, the reversed portion may be distributed of earnings.

(V) Other equity items

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

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

(VI) Treasury stocks

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

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

XIX. Revenue

	2023	2022
Revenue from customer contracts		
Revenue from sale of goods	$ 11,837,852	$ 14,042,665

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

(II) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable (Note 8)	$ 81,833	$ 34,258	$ 85,183
Accounts receivable, net (Note 8)	926,142	757,189	1,166,766
	$ 1,007,975	$ 791,447	$ 1,251,949
Contract liabilities－ current			
Sale of goods	$ 156,739	$ 190,992	$ 192,183

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

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

Amount of the contract liabilities from the beginning of the year	2023	2022
Sale of goods	$190,279	$191,005

(III) Breakdown of revenue from customer contracts

For the information about breakdown of revenue, please refer to Note 32.

XX. Net profit (loss) before tax

(I) Interest revenue

	2023	2022
Bank deposits	$ 5,196	$ 4,553
Amortization of premium on convertible corporate bonds	5,534	6,147
	$ 10,730	$ 10,700

(II) Other revenue

	2023	2022
Revenue from government subsidies	$ 19,622	$ 15,958
Rental revenue	2,650	2,951
Others	2,921	4,183
	$ 25,193	$ 23,092

The revenue from government subsidies was primarily generated from the incentives granted by Ninghai Economic Development Zone Administration to the subsidiary, Ningbo Qiyi, for the subsidiary's contribution to the local economic development.

(III) Other gains and losses

	2023	2022
Net gains (losses) from financial assets and liabilities at fair value through profit or loss	$ 2,894	($ 3,570)
Gains on redemption of corporate bonds	2,405	-
Net foreign exchange gains (losses)	897	(5,723)
Gains from disposal of property, plant and equipment	-	141
Others	(3,132)	(1,519)
	$ 3,064	($ 10,671)

(IV) Financial costs

	2023	2022
Total interest expenses on financial liabilities measured at amortized cost	$184,303	$149,638
Other financial costs	2,303	3,223
	$186,606	$152,861

(V) Depreciation and amortization

	2023	2022
Property, plant and equipment	$234,103	$227,132
Right-of-use assets	2,717	2,709
Intangible Assets (stated into other non-current assets)	58	58
Total	$236,878	$229,899
Summarization of depreciation expenses by function		
Operating Cost	$215,196	$209,730
Operating expenses	21,624	20,111
	$236,820	$229,841
Summarization of amortization expenses by function		
Operating expenses	$ 58	$ 58

(VI) Employee benefit expenses

	2023	2022
Retirement benefits		
Defined contribution plan	$ 18,736	$ 17,050
Defined benefit plan (Note 17)	-	(491)
	18,736	16,559
Salary, dividend and bonus	307,208	303,053
Labor/national health insurance premium	11,463	11,380
Other employee benefits	35,432	39,143
Total employee benefit expenses	$ 372,839	$ 370,135
Summarization by function		
Operating Cost	$ 241,462	$ 246,472
Operating expenses	131,377	123,663
	$ 372,839	$ 370,135

(VII) Remuneration to employees and directors

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

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

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

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

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

(VIII) Net foreign exchange gains (losses)

	2023	2022
Total foreign exchange gains	$120,011	$174,753
Total foreign exchange losses	(119,114)	(180,476)
Net profit or loss	$ 897	($ 5,723)

XXI. Income tax

(I) Income tax recognized into the income

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

	2023	2022
Current income tax		
Those generated in the current year	$ -	$ 98,584
Levied on undistributed earnings	2,832	15,956
Adjustment of previous year(s)	(1,401)	(4,139)
	1,431	110,401
Deferred income tax		
Those generated in the current year	(53,166)	(59,097)
Adjustment of previous year(s)	(600)	623
	(53,766)	(58,474)
Income tax expenses (gains) recognized into the income	($ 52,335)	$ 51,927

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

	2023	2022
Net profit (loss) before tax	($201,484)	$243,537
Income tax on net profit before tax at statutory tax rate	($ 50,180)	$ 25,018
Expenses and losses not exempted from tax, and income not required to be included	405	(1,766)
Levied on undistributed earnings	2,832	15,956
R&D reserve deduction	(18,750)	(18,730)
The income tax expenses of previous year(s) adjusted in the current year	(2,001)	(3,516)
Unrecognized changes in temporary difference	15,359	34,965
Income tax expenses (gains) recognized into the income	($ 52,335)	$ 51,927

The subsidiary, Ningbo Qiyi, is entitled to the preferential tax rate applicable to high-tech enterprises, 15%, until 2026 and the income tax credit equivalent to specific multiples of the taxable income less R&D expenses, pursuant to the local tax laws.

(II) Income tax stated into other comprehensive income - for 2022 only

	2022
Deferred income tax gains	
Defined benefit plan remeasurement	$ 1,137

(III) Deferred income tax assets and liabilities

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

2023

	Balance, beginning	Recognized into the income	Exchange difference	Balance, ending
Deferred income tax assets				
Temporary difference				
Exchange differences on translation of foreign financial statements	$ 49,775	$ -	$ -	$ 49,775
Loss credit	83,479	38,114	(2,639)	118,954
Others	15,930	9,856	(305)	25,481
	$ 149,184	$ 47,970	($ 2,944)	$ 194,210
Deferred income tax liabilities				
Temporary difference				
Property, plant and equipment	$ 30,021	($ 5,182)	($ 691)	$ 24,148
Undistributed earnings of subsidiaries	15,106	-	-	15,106
Others	614	(614)	-	-
	$ 45,741	($ 5,796)	($ 691)	$ 39,254

2022

	Balance, beginning	Recognized into the income	Stated into other comprehensive income	Exchange difference	Balance, ending
Deferred income tax assets					
Temporary difference					
change differences on translation of foreign financial statements	$ 49,775	$ -	$ -	$ -	$ 49,775
ss credit	21,927	61,068	-	484	83,479
vernment subsidies	16,305	(16,557)	-	252	-
hers	19,240	(3,588)	-	278	15,930
	$107,247	$ 40,923	$ -	$ 1,014	$149,184
Deferred income tax liabilities					
Temporary difference					
Property, plant and equipment	$ 30,725	($ 1,229)	$ -	$ 525	$ 30,021
Undistributed earnings of subsidiaries	15,106	-	-	-	15,106
fined benefit pension plan	1,137	-	(1,137)	-	-
hers	16,678	(16,322)	-	258	614
	$ 63,646	($ 17,551)	($ 1,137)	$ 783	$ 45,741

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

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

(V) Unused loss credit

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

Balance to be deducted	Last year of credit
$ 56,119	2028
98,981	2029
19,828	2030
351,396	2032
250,295	2033
$ 776,619	

(VI) Authorization of income tax

The tax collection authorities have authorized the profit-seeking enterprise income tax returns of the Company until 2020. Ningbo Qixi has settled the corporate income tax until 2022.

XXII. Earnings (loss) per share

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

Net income (loss)

	2023	2022
Net income (loss) attributable to owners of the Company	($149,419)	$191,610
Effect of potentially dilutive ordinary shares		
Conversion of corporate bonds	-	(2,668)
Net income (loss) used to calculate diluted earnings per share	($149,419)	$188,942

Shares

Unit: Thousand Shares

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

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

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

XXIII. Share-based payment agreement

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

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

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

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

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

XXIV. Transactions other than those in cash

(I) Non-cash transactions

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

	2023	2022
Investing activities that affect cash and non-cash items at the same time		
Increase in property, plant and equipment	$125,773	$302,483
Increase (decrease) in prepayments for equipment	5,127	(54,517)
Decrease (increase) in payables for equipment and engineering (stated into other payables)	7,926	(7,471)
Cash paid for procurement of property, plant and equipment Cash	$138,826	$240,495

(II) Changes in liabilities from financing activities

2023

	Short-term loans	Short-term notes and bills payable	Corporate bonds payable (including the current portion)	Long-term loans (including current portion)	Lease liabilities	Deposit received	Total
Balance on January 1, 2023	$ 2,393,344	$ 280,000	$ 310,962	$ 1,053,162	$ 254	$ 13,256	$ 4,050,978
Net cash flow from financing activities	558,019	90,000	(300,584)	92,785	(112)	(1,879)	438,229
Non-cash changes							
Amortization of premium and issue cost	-	-	(5,534)	1,145	-	-	(4,389)
Gains on redemption of corporate bonds	-	-	(2,405)	-	-	-	(2,405)
Exchange rate fluctuations	(52,587)	-	-	4,609	-	(35)	(48,013)
Balance on December 31, 2023	$ 2,898,776	$ 370,000	$ 2,439	$ 1,151,701	$ 142	$ 11,342	$ 4,434,400

2022

	Short-term loans	Short-term notes and bills payable	Corporate bonds payable (including the current portion)	Long-term loans (including current portion)	Lease liabilities	Deposit received	Total
Balance on January 1, 2022	$ 3,235,124	$ 200,000	$ 317,109	$ 2,080,064	$ -	$ 6,844	$ 5,839,141
Net cash flow from financing activities	(875,132)	80,000	-	(1,100,993)	(83)	6,397	(1,889,811)
Non-cash changes							
Additional lease	-	-	-	-	337	-	337
Amortization of premium and issue cost	-	-	(6,147)	1,134	-	-	(5,013)
Exchange rate fluctuations	33,352	-	-	72,957	-	15	106,324
Balance on December 31, 2022	$ 2,393,344	$ 280,000	$ 310,962	$ 1,053,162	$ 254	$ 13,256	$ 4,050,978

XXV. Capital risk management

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

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

Except Note 14, the Company and its subsidiaries are not required to comply with any other external capital requirements.

XXVI. Financial instruments

(I) Information about fair value

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

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

1. Fair value hierarchy

December 31, 2022

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

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

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

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

(III) Financial instrument category

	December 31, 2023	December 31, 2022
Financial assets		
At fair value through other comprehensive income	$ 27,219	$ -
Measured at amortized cost (Note 1)	1,416,246	1,179,685
Financial liabilities		
At fair value through profit or loss	-	2,812
Measured at amortized cost (Note 2)	4,696,467	4,466,049

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

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

(IV) Financial risk management objectives and policies

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

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

1. Market risk

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

(1) Foreign exchange rate risk

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

For the non-functional currency-denominated monetary assets and liabilities (including the non-functional currency-denominated monetary items already written off in the consolidated financial statements) of the Company and its subsidiaries rendering significant impacts on the balance sheet date, please refer to Note 30.

Sensitivity analysis

The Company and its subsidiaries are primarily exposed to the fluctuation in the foreign exchange rate in USD.

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

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

	2023	2022
Profit or loss	$ 758	$ 5,440

(2) Interest rate risk

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

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	$ 94,134	$ 14,512
Financial liabilities	2,447,389	793,228
Cash flow interest rate risk		
Financial assets	242,469	285,745
Financial liabilities	1,977,648	3,247,412

For the assets and liabilities with floating interest rate, when the Company and its subsidiaries report the interest rates to the major management internally, the variable interest rates applied is the interest rate increase or decrease by 100 base points. If the interest rate increases for 100 base points (1%), while other variables are kept the same, the net profit before tax of the Company and its subsidiaries in 2023 and 2022 will decrease by NT$17,000 thousand and NT$30,000 thousand, respectively. The main reason is the Company’s and its subsidiaries’ bank loans and deposits with floating interest rate.

2. Credit risk

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

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

3. Liquidity risk

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

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

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

	Repayment on demand or less than 1 month	1–3 months	3 months – 1 year	1–5 years
December 31, 2023				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 254,855	$ 1,355	$ 5,999	$ 11,342
Lease liabilities	10	19	115	-
Floating interest rate instruments	61,038	182,795	785,812	1,047,086
Fixed interest rate instruments	675,658	485,146	1,191,932	-
	$ 991,561	$ 669,315	$1,983,858	$1,058,428
December 31, 2022				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 396,126	$ 4,513	$ 14,686	$ 13,256
Lease liabilities	10	19	229	-
Floating interest rate instruments	281,812	365,393	1,634,074	1,146,449
Fixed interest rate instruments	150,192	300,042	300,000	-
	$ 828,140	$ 669,967	$1,948,989	$1,159,705

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

(V) Transfer of financial assets

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

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

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

Unit: Any currency thousand

	December 31, 2023	December 31, 2022
USD	$ 23,675	$ 24,675

XXVII. Transactions with related parties

The transactions, account balances, income and expenses between the Company and its subsidiaries have been eliminated on consolidation and, therefore, are not disclosed in the Note. The transactions between the Company and its subsidiaries and other related parties are stated as follows:

Endorsements/guarantees

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

Salary and compensation to key management level

	2023	2022
Short-term employee benefits	$ 17,755	$ 20,300
Share-based payment	673	-
	$ 18,428	$ 20,300

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

XXVIII. Assets pledged as collateral or for security

The Company and its subsidiaries have provided the following assets as collateral or security for the bank loans:

	December 31, 2023	December 31, 2022
Property, plant and equipment	$ 1,800,842	$ 1,869,287
Accounts receivable	127,503	32,012
Right-of-use assets	109,073	114,610
Other financial assets－ current	108,793	109,722
Investment property	45,380	45,380
	$ 2,191,591	$ 2,171,011

XXIX. Major contingent liabilities and unrecognized contractual commitments

The Company and its subsidiaries have the following major commitments on the balance sheet date:

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

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

	December 31, 2023	December 31, 2022
Purchase agreement	$153,074	$447,484
Purchase of property, plant and equipment	$ 41,336	$ 70,280

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

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

	Foreign currency (NT$ Thousand)	Foreign exchange rate	NT$ Thousand
December 31, 2023			
Monetary financial assets			
USD	$ 6,175	USD1=NTD30.76	$ 189,948
USD	13,574	USD1=CNY7.1286	417,528
Monetary financial liabilities			
USD	3,923	USD1=NTD30.76	120,683
USD	18,291	USD1=CNY7.1286	562,616
December 31, 2022			
Monetary financial assets			
USD	5,133	USD1=NTD30.67	157,419
USD	7,971	USD1=CNY6.9233	244,475
Monetary financial liabilities			
USD	6,618	USD1=NTD30.67	202,979
USD	24,224	USD1=CNY6.9233	742,963

For the significant realized and unrealized gains (losses) on foreign exchange of the Company and its subsidiaries, please refer to the foreign currency exchange gains (losses), net referred to in Note 20(8).

XXXI. Disclosures in notes

(I) Information on significant transactions

1. Fund loaned to others: Please refer to Schedule 1 hereto.
2. Making of endorsements/guarantees for others: Please refer to Schedule 2 hereto.
3. Marketable securities held at the end of year (exclusive of investment in subsidiaries, affiliated companies and joint ventures): None.
4. Cumulative amount of the same marketable security purchased or sold reaching NT$300 million or more than 20% of the paid-in capital: None.
5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the paid-in capital: None.
6. The amount of real estate disposed of exceeds NT$300 million or 20% of paid-in capital: None.
7. Purchase/sale amount of transactions with related parties reaching NT$100 million or more than 20% of the paid-in capital: None.
8. Accounts receivable-related party reaching NT$100 million or more than 20% of the paid-in capital: Please refer to Schedule 3 hereto.
9. Derivatives trading: Please refer to Note 7.
10. Other information: Business relationship and amount of major transactions between parent company and subsidiaries and among subsidiaries: Please refer to Schedule 6 hereto.

(II) Information on investees (if the issuer directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee not in the territories of the mainland China): Please refer to Schedule 4 hereto.

(III) Information on investment in the mainland China

1. Investees' name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, profit or loss for the period and recognized investment gain or loss, investment year end carrying amount, investment income and loss inward, and investment limits in the mainland China: Please refer to Schedule 5 hereto.
2. Any of the following significant transactions with investees in the mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
   (1) Purchase amount and percentage and the related payables ending balance and percentage: Please refer to Schedule 6 hereto.
   (2) Sale amount and percentage and the related receivables ending balance and percentage: Please refer to Schedule 6 hereto.
   (3) The amount of property transactions and the amount of the resultant gains or losses: None.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Please refer to Schedule 2 hereto.
   (5) The highest balance, the end of period balance, the interest rate range, and total current interest with respect to financing of funds: Please refer to Schedule 1 hereto.
   (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the provision or acceptance of services: None.

(IV) Information on major shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Please refer to Schedule 7 hereto.

XXXII. Information by department

The departments to be reported by the Company and its subsidiaries shall include the stainless steel processing business departments of the Company and Ningbo Qiyi. The stainless steel processing business department is primarily engaged in stainless steel shearing, splitting and cold rolling, surface treatment and trading, and import & export of stainless steel products. The Company and its subsidiaries also have set up the segment that does not meet the quantitative threshold, namely, the holding company.

The income generated by the Company's and its subsidiaries' operating department is primarily measured based on the net operating income by department, and serve as the basis for performance evaluation. Meanwhile, the accounting policy adopted by the operating department is not significantly different from the summary of significant accounting policies referred to in Note 4.

(I) Information about operating department:

	Yuen Chang (the Company)	Ningbo Qiyi	Others	Adjustment and write-off	Total
2023					
Revenue from external customers	$ 8,855,209	$ 2,982,643	$ -	$ -	$11,837,852
Inter-departmental revenue	44,310	880	-	(45,190)	-
Department revenue	$ 8,899,519	$ 2,983,523	$ -	($ 45,190)	$11,837,852
Net operating profit (loss)	($ 71,798)	$ 18,358	($ 425)	$ -	($ 53,865)
Financial costs	(45,117)	(141,220)	(269)	-	(186,606)
Subtotal	($ 116,915)	($ 122,862)	($ 694)	$ -	($ 240,471)
Interest revenue					$ 10,730
Other revenue					25,193
Other gains and losses					3,064
Department net loss before tax					(201,484)
Income tax gains					(52,335)
Consolidated net loss					($ 149,149)
December 31, 2023					
Department assets	$ 3,300,925	$ 5,380,404	$ 563,763	($ 565,849)	$ 8,679,243
Department liabilities	$ 1,953,708	$ 2,960,367	$ 553,126	($ 565,849)	$ 4,901,352
2022					
Revenue from external customers	$10,706,296	$ 3,336,369	$ -	$ -	$14,042,665
Inter-departmental revenue	55,207	1,188	-	(56,395)	-
Department revenue	$10,761,503	$ 3,337,557	$ -	($ 56,395)	$14,042,665
Net operating profit (loss)	$ 453,044	($ 79,448)	($ 319)	$ -	$ 373,277
Financial costs	(32,708)	(119,895)	(258)	-	(152,861)
Subtotal	$ 420,336	($ 199,343)	($ 577)	$ -	$ 220,416
Interest revenue					10,700
Other revenue					23,092
Other gains and losses					(10,671)
Department net profit before tax					243,537
Income tax expense					51,927
Consolidated net income					$ 191,610
December 31, 2022					
Department assets	$ 3,728,494	$ 5,234,070	$ 744,855	($ 746,785)	$ 8,960,634
Department liabilities	$ 2,166,916	$ 2,670,961	$ 735,263	($ 746,785)	$ 4,826,355

(II) Information by product type:

	2023	2022
Stainless steel shearing and processing	$ 11,837,852	$ 14,042,665

(III) Information by territory

The information about the Company's and its subsidiaries' revenue from external customers and non-current assets is stated by the territory where the customers and assets are situated:

Revenue from external customers	2023	2022
Taiwan	$ 3,152,899	$ 4,042,315
China	2,698,083	3,526,404
Canada	1,745,304	1,200,654
the USA	1,538,487	2,243,251
Others	2,703,079	3,030,041
	$ 11,837,852	$ 14,042,665

Non-current assets	December 31, 2023	December 31, 2022
China	$3,296,911	$3,553,947
Taiwan	1,173,899	1,112,856
	$4,470,810	$4,666,803

Non-current assets exclude financial instruments and deferred income tax assets.

(IV) Information about major customers

In 2023 and 2022, the revenue from any single customer didn't exceed 10% of the Company's and its subsidiaries' total operating revenue.

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

Schedule 1

Unit: NT$ Thousand

No.	Loaner	Debtor	Accounting title	Related Party or not	Maximum balance for the current period	Balance, ending	Drawdown, ending	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Limit of lending to an individual debtor (Note 1)	Limit of total lending (Note 2)	Remark
													Title	Value			
0	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Other receivables	Yes	$ 300,000	$ 300,000	$ -	-	Short-term financing	$ -	Business turnover	$ -	-	$ -	$ 1,511,156	$ 1,511,156	
1	Surewin Global Limited (HK)	Ningbo Qiyi Precision Metals Co., Ltd.	Other receivables	Yes	974,400	922,800	553,680	6.3–6.75	Short-term financing	-	Business turnover	-	-	-	4,854,526	4,854,526	Note 3

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

Note 2: The limit of total lending by the Company to others shall be no more than 40% of the Company's net worth. The limit of total lending by Surewin Global Limited (HK) to others shall be no more than 200% of its new worth.

Note 3: Already written off when preparing the consolidated financial statements.

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

Schedule 2

Unit: NT$ Thousand

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

Note 1: The maximum amount of the endorsement/guarantee to a single subsidiary wholly owned by the Company shall not exceed 200% of the Company's net worth.
Note 2: The total amount of the endorsement/guarantee for others shall not exceed 200% of the Company's net worth.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Statement of Significant Accounts Receivable - Related Party
December 31, 2023

Schedule 3

Unit: NT$ Thousand

Stated company of account receivable	Trading counterparty	Affiliation	Balance of receivables - related party	Turnover rate	Overdue receivables - related party		Subsequent recovered amount of receivables - related party	Provision of loss allowance
					Amount	Treatment		
Surewin Global Limited (HK)	Ningbo Qiyi Precision Metals Co., Ltd.	Subsidiaries	$553,680	-	$ -	-	$ -	$ -

Note: Primarily the financing receivable; please refer to Schedule 1 for details, and already written off when preparing the consolidated financial statements.

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

Schedule 4

Unit: NT$ Thousand
(Unless otherwise noted)

Investor's name	Investee's name	Location	Main business lines	Original investment amount		Holding at end of year			Investee's current income	Investment income recognized in the current year	Remark
				End of the current year	End of last year	Shares	Percentage (%)	Carrying amount			
The Company	QIYI PRECISION METALS CO., LTD	British Cayman Islands	Engaged in professional investment activities	$ 1,140,000	$ 1,140,000	480,000,000	100	$ 2,430,674	($ 76,795)	($ 76,795)	Subsidiaries (Note)
QIYI PRECISION METALS CO., LTD	Surewin Global Limited (HK)	Hong Kong	Engaged in professional investment activities	US$32,000 thousand	US$32,000 thousand	32,000,000	100	2,427,263	(76,687)	(76,687)	Subsidiaries (Note)

Note: Already written off when preparing the consolidated financial statements.

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

Schedule 5

Unit: NT$ Thousand
(Unless otherwise noted)

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

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

Note 1: To invest in the mainland China companies through remittance from a company existing in a third area.
Note 2: Limit of investment amount by Yuen Chang Stainless Steel Co., Ltd. In the mainland China is calculated as follows: $3,777,891×60%=$2,266,735.
Note 3: Including the recapitalization of earnings of Ningbo Qiyi Precision Metals Co., Ltd., US$40,000 thousand.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Business relationship and amount of major transactions between parent company and subsidiaries and among subsidiaries
January 1 to December 31, 2023

Schedule 6

Unit: NT$ Thousand

No.	Name of trader	Trading counterparty	Affiliation to trader	Transaction (Note)			
				Title	Amount (Note)	Trading conditions	Percentage in total consolidated operating revenue or total assets (%)
0	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Parent Company to subsidiaries	Operating Revenue	$ 44,310	Same as the general suppliers.	-
				Operating Cost	880	Same as the general suppliers.	-
				Accounts receivable	3,824		-
				Accounts payable	8,345		-
1	Surewin Global Limited (HK)	Ningbo Qiyi Precision Metals Co., Ltd.	Subsidiaries to subsidiaries	Other receivables	553,680		6

Note: Already written off when preparing the consolidated financial statements.

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

Schedule 7

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

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

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

Stock Code: 2069

[Appendix 3]

Yuen Chang Stainless Steel Co., Ltd.

Parent Company Only Financial Statements and Independent Auditor's Report

2023 and 2022

Address: 13F.-1., No. 235, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City
Tel: (07) 969-5858

§Table of Contents§

External Auditor’s Report

To: Yuen Chang Stainless Steel Co., Ltd.

Audit Opinions

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

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

Basis for the Audit Opinions

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

Key Audit Matters

Key audit matters refer to the most important matters for the audit of 2023 consolidated financial statements of the Company based on our professional judgment. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Adequacy of the deadline for sales revenue</u>

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

Meanwhile, we also perform the following primary audit procedures:

I. Test the internal control related to adequacy of the deadline for recognition of the revenue.

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

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

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

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

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

External Auditors' Responsibilities for the Audit on Parent Company Only Financial Statements

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

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

I. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern, based on the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

V. Evaluate the overall presentation, structure, and contents of the parent company only financial statements, including the related notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Deloitte Taiwan

CPA: Hsu Kai-Ning	CPA: Wu Chang-Chun
Approval reference of the Financial Supervisory Commission Jin-Guan-Zheng-Shen-Zi No. 1090347472	Approval reference of the Financial Supervisory Commission Jin-Guan-Zheng-Shen-Zi No. 1110348898

March 8, 2024

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

Unit: NT$ Thousand

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 48,777	1	$ 38,022	1
1150	Notes receivable (Notes 8 and 20)	644	-	1,061	-
1170	Accounts receivable (Notes 8, 20, 27, 28 and 29)	208,676	4	186,595	3
1200	Other receivables	93,412	2	81,953	1
1310	Inventory (Note 9)	1,577,021	27	2,100,474	33
1410	Prepayments	15,562	-	40,049	1
1476	Other financial assets－current (Notes 10 and 29)	108,660	2	109,642	2
1479	Other current assets	1,420	-	2,279	-
11XX	Total current assets	2,054,172	36	2,560,075	41
	Non-current assets				
1550	Investments under equity method (Note 11)	2,430,674	42	2,572,701	41
1600	Property, plant and equipment (Notes 12, 21, 25 and 29)	1,100,389	19	1,046,257	16
1755	Right-of-use assets (Notes 13 and 21)	141	-	253	-
1760	Investment property (Notes 14 and 29)	45,380	1	45,380	1
1840	Deferred income tax assets (Note 22)	72,763	1	55,472	1
1915	Prepayments for equipment	27,747	1	20,086	-
1990	Other non-current assets	333	-	971	-
15XX	Total non-current assets	3,677,427	64	3,741,120	59
1XXX	Total assets	$ 5,731,599	100	$ 6,301,195	100

Code	Liabilities and equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities				
2100	Short-term loans (Notes 15 and 29)	$ 746,268	13	$ 692,667	11
2110	Short-term notes and bills payable (Note 15)	370,000	7	280,000	5
2120	Financial liabilities at fair value through profit or loss (Notes 7, 16 and 27)	-	-	2,812	-
2130	Contract liabilities－ current (Note 20)	102,165	2	158,662	3
2150	Notes payable	16,370	-	20,887	-
2170	Accounts payable (Note 28)	11,310	-	153,404	2
2219	Other payables (Note 17)	73,182	1	81,879	1
2230	Current income tax liabilities	4,297	-	116,031	2
2280	Lease liabilities - current (Note 13)	142	-	254	-
2321	Corporate bonds payable - current portion (Notes 16 and 27)	2,439	-	310,962	5
2399	Other current liabilities	3,806	-	3,812	-
21XX	Total current liabilities	1,329,979	23	1,821,370	29
	Non-current liabilities				
2540	Long-term loans (Notes 15 and 29)	598,575	11	317,899	5
2570	Deferred income tax liabilities (Note 22)	15,106	-	15,720	-
2645	Deposit received	10,048	-	11,927	-
25XX	Total non-current liabilities	623,729	11	345,546	5
2XXX	Total liabilities	1,953,708	34	2,166,916	34
	Equity (Note 19)				
3100	Ordinary share capital	1,663,868	29	1,663,868	26
3200	Capital surplus	1,326,323	23	1,323,687	21
	Retained earnings				
3310	Legal reserve	315,505	6	296,047	5
3320	Special reserve	152,537	3	199,095	3
3350	Undistributed earnings	537,425	9	824,511	13
3300	Total retained earnings	1,005,467	18	1,319,653	21
3400	Other equity	(217,767)	(4)	(152,535)	(2)
3500	Treasury stocks	-	-	(20,394)	-
3XXX	Total equity	3,777,891	66	4,134,279	66
3X2X	Total liabilities and equity	$ 5,731,599	100	$ 6,301,195	100

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

Chairman: Yen Te-Ho　　General Manager: Yen Te-Ho　　Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2023 and 2022
Unit: NTD thousand, except for the earnings (loss) per share (NTD)

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

(Continued)

(Brought Forward)

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

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

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

Chairman: Yen Te-Ho General Manager: Yen Te-Ho Accounting Manager: Chu Pei-Chen

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

Unit: NT$ Thousand

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

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

Chairman: Yen Te-Ho General Manager: Yen Te-Ho Accounting Manager: Chu Pei-Chen

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

Unit: NT$ Thousand

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

(Continued)

(Brought Forward)

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

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

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

Chairman: Yen Te-Ho General Manager: Yen Te-Ho Accounting Manager: Chu Pei-Chen

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

I. Company history

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

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

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

II. Dates and procedures where the financial statements were resolved

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

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

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

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

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

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

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

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

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

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

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

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

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

Newly promulgated/amended/revised standard rules and interpretations	Effective Date Promulgated by IASB (Note 1)
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”	TBD
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 "Lack of Exchangeability"	Wednesday, January 1, 2025 (Note 2)

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

Note 2: Applicable to the annual reporting periods beginning after January 1, 2025. When the amendment is applied for the first time, the effect is recognized in the retained earnings on the date of the first-time adoption. When the Company use non-functional currencies as the presentation currency, they will affect the exchange differences of foreign operations under equity on the date of the first-time application.

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

IV. Summary of significant accounting policies

(I) Statement of compliance

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

(II) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;

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

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

(IV) Foreign currency

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

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

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

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

(V) Inventories

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

(VI) Investment in subsidiaries

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

The subsidiaries refer to the entities controlled by the Company.

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

The unrealized gains (losses) from downstream transactions between the Company and its subsidiaries were written off in the parent company only financial statements. For the profit or loss incurred in upstream transactions between the Company and subsidiaries, the Company only recognized those within the scope irrelevant to the subsidiaries into the parent company only financial report.

(VII) Property, plant and equipment

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

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

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

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

(VIII) Investment property

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

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

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

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

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

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

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

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

(X) Financial instruments

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

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

1. Financial assets

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

(1) Measurement category

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

A. Financial assets measured at amortized cost

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

a. The financial assets are held within some business model whose objective is achieved by both holding the financial assets and collecting contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Credit-impaired financial assets refers to when there is a significant financial difficulty or a breach of contract of the issuer or debtor, the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market of the financial asset because of the financial difficulty.

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

B. Accounts receivable at fair value through other comprehensive income

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

a. The financial asset is held for a specific business model, and the purpose of which involves collection of contractual cash flow and resale of the financial asset; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(2) Impairment of financial assets

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

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

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

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities held for trading

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

(2) Derecognition of financial liabilities

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

4. Convertible corporate bond

The elements of the compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities or equity at the initial recognition, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

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

5. Derivative instruments

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

(XI) Recognition of revenue

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

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

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

<u>Revenue from sale of goods</u>

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

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

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

Commission revenue

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

(XII) Lease

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

1. The Company as a lessor

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

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

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

2. The Company as a lessee

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

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

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

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

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

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

(XIII) Costs of loan

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

(XIV) Retirement benefits

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

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

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

(XV) Share-based payment agreement

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

(XVI) Income tax

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

1. Current income tax

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

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

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

2. Deferred income tax

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

Deferred income tax liability is generally recognized for all taxable temporary differences, while deferred income tax asset is recognized is recognized for deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

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

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

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

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

3. Current and deferred income taxes

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

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

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

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

VI. Cash and cash equivalents

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

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

	December 31, 2023	December 31, 2022
Bank time deposits (%)	1.70	-

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

VII. Financial instruments at fair value through profit or loss

	December 31, 2022
Financial liabilities held for trading	
Call options and put option for convertible corporate bond (Note 16)	$ 2,812

VIII. Notes and accounts receivable

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

(I) Notes receivable and accounts receivable measured at amortized cost

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

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

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

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

December 31, 2023

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

December 31, 2022

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

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

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

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

December 31, 2023

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

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

IX. Inventories

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

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

X. Other financial assets－ current

	December 31, 2023	December 31, 2022
Pledged bank deposit	$108,660	$109,642

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

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

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

XI. Investments under equity method

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

XII. Property, plant and equipment

	December 31, 2023	December 31, 2022
For own use	$1,100,389	$1,046,257

2023

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

2022

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

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

Building and ancillary equipment	
Engineering, plant and office	15–40 years
Air conditioning, machine electronics and decoration	3–18 years
Machinery and equipment	1–20 years
Other equipment	3–10 years

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

XIII. Lease agreement

(I) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Other equipment	$141	$253

	2023	2022
Additions to right-of-use assets	$ -	$337
Depreciation expenses of right-of-use assets		
Other equipment	$112	$ 84

Except said recognized depreciation expenses, no sublease or impairment on the right-of-use assets of the Company has taken place in 2023 and 2022.

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$142	$254

Discount rate range (%) of lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Other equipment	1.15	1.15

(III) Information about other leases

	2023	2022
Short-term lease expenses	$281	$294
Total cash outflows from lease	$395	$379

XIV. Investment property

2023

Costs	Land	Building and ancillary equipment	Total
Balance on January 1 and December 31, 2023	$ 45,380	$ 9,953	$ 55,333

Accumulated depreciation	Land	Building and ancillary equipment	Total
Balance on January 1 and December 31, 2023	$ -	$ 9,953	$ 9,953
Net on December 31, 2023	$ 45,380	$ -	$ 45,380

2022

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

Accumulated depreciation	Land	Building and ancillary equipment	Total
Balance on January 1 and December 31, 2022	$ -	$ 9,953	$ 9,953
Net on December 31, 2022	$ 45,380	$ -	$ 45,380

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

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

XV. Loans

(I) Short-term loans

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

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

(II) Short-term notes and bills payable

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

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

(III) Long-term loans

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

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

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

XVI. Corporate bonds payable

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

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

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

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

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

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

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

XVII. Other payables

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

XVIII. Retirement benefits plan

(I) Defined contribution plan

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

(II) Defined benefit plan only for 2022

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

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

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

XIX. Equity

(I) Capital stock

Ordinary share capital

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

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

(II) Capital surplus

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

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

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

(III) Retained earnings and dividend policy

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

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

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

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

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

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

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

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

	Earnings appropriation proposal
Special reserve	$ 65,231

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

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

(IV) Special reserve

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

When distributing earnings, the Company shall provide the special reserve for the difference between the net deduction under other shareholders' equity and the special reserve provided upon the first-time adoption of IFRSs. After that, if there is any reversal for the deduction under other shareholders, the reversed portion may be distributed of earnings.

(V) Other equity items

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

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

(VI) Treasury stocks

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

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

XX. Revenue

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

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

(II) Contract balance

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

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

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

	2023	2022
Amount of the contract liabilities from the beginning of the year		
Sale of goods	$158,361	$181,359

(III) Breakdown of revenue from customer contracts

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

XXI. Net profit (loss) before tax

(I) Interest revenue

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

(II) Other revenue

	2023	2022
Rental revenue	$ 2,650	$ 2,951
Others	2,725	4,152
	$ 5,375	$ 7,103

(III) Other gains and losses

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

(IV) Financial costs

	2023	2022
Total interest expenses on financial liabilities measured at amortized cost	$ 45,117	$ 32,708

(V) Depreciation

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

(VI) Employee benefit expenses

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

(VII) Remuneration to employees and directors

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

Estimate on ratio	2022
Remuneration to employees (%)	2.00
Remuneration to directors (%)	0.37

Amount	
Remuneration to employees	$ 6,140
Remuneration to directors	1,148

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

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

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

(VIII) Net foreign exchange gains (losses)

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

XXII. Income tax

(I) Income tax recognized into the income

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

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

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

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

(II) Income tax stated into other comprehensive income - for 2022 only

	2022
Deferred income tax gains	
Defined benefit plan remeasurement	$ 1,137

(III) Deferred income tax assets and liabilities

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

2023

Deferred income tax assets	Balance, beginning	Recognized into the income	Balance, ending
Temporary difference			
Exchange differences of foreign financial statements	$ 49,775	$ -	$ 49,775
Loss credit	-	9,853	9,853
Others	5,697	7,438	13,135
	$ 55,472	$ 17,291	$ 72,763

Deferred income tax liabilities	Balance, beginning	Recognized into the income	Balance, ending
Temporary difference			
Undistributed earnings of subsidiaries	$ 15,106	$ -	$ 15,106
Others	614	(614)	-
	$ 15,720	($ 614)	$ 15,106

2022

Deferred income tax assets	Balance, beginning	Recognized into the income	Balance, ending
Temporary difference			
Exchange differences of foreign financial statements	$ 49,775	$ -	$ 49,775
Others	2,382	3,315	5,697
	$ 52,157	$ 3,315	$ 55,472

Deferred income tax liabilities	Balance, beginning	Recognized into the income	Stated into other comprehensive income	Balance, ending
Temporary difference				
Undistributed earnings of subsidiaries	$ 15,106	$ -	$ -	$ 15,106
Defined benefit pension plan	1,137	-	(1,137)	-
Others	84	530	-	614
	$ 16,327	$ 530	($ 1,137)	$ 15,720

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

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

(V) Unused loss credit

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

Balance to be deducted	Last year of credit
$ 49,265	2033

(VI) Authorization of income tax

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

XXIII. Earnings (loss) per share

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

Net income (loss)

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

Shares

Unit: Thousand Shares

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

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

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

XXIV. Share-based payment agreement

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

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

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

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

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

XXV. Transactions other than those in cash

(I) Non-cash transactions

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

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

(II) Changes in liabilities from financing activities

2023

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

2022

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

XXVI. Capital risk management

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

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

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

XXVII. Financial instruments

(I) Information about fair value

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

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

1. Fair value hierarchy

December 31, 2022

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

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

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

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

(III) Financial instrument category

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

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

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

(IV) Financial risk management objectives and policies

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

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

1. Market risk

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

(1) Foreign exchange rate risk

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

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

Sensitivity analysis

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

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

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

	2023	2022
Profit or loss	($693)	$456

(2) Interest rate risk

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

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

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

2. Credit risk

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

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

3. Liquidity risk

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

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

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

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

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

(V) Transfer of financial assets

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

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

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

Unit: Any currency thousand

	December 31, 2023	December 31, 2022
USD	$ 23,675	$ 24,675

XXVIII. Transactions with related parties

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

(I) Name of related party and relationship

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

(II) Operating Revenue

Category of related party	2023	2022
Subsidiaries	$ 44,310	$ 55,207

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

(III) Purchase of goods

Category of related party	2023	2022
Subsidiaries	$ 880	$ 1,188

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

(IV) Receivables - related party

Account title	Category of related party	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiaries	$ 3,824	$ 1,087

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

(V) Accounts payable - related party

Account title	Category of related party	December 31, 2023	December 31, 2022
Accounts payable	Subsidiaries	$ 8,345	$ 9,617

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

(VI) Commission revenue

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

(VII) Endorsements/guarantees

Category of related party	December 31, 2023	December 31, 2022
Subsidiaries	$2,759,880	$3,050,596

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

(VIII) Salary and compensation to key management level

	2023	2022
Short-term employee benefits	$ 16,254	$ 19,189
Share-based payment	673	-
	$ 16,927	$ 19,189

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

XXIX. Assets pledged as collateral or for security

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

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

XXX. Major contingent liabilities and unrecognized contractual commitments

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

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

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

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

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

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

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

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

XXXII. Disclosures in notes

(I) Information on significant transactions

1. Fund loaned to others: Please refer to Schedule 1 hereto.
2. Making of endorsements/guarantees for others: Please refer to Schedule 2 hereto.
3. Marketable securities held at the end of year (exclusive of investment in subsidiaries, affiliated companies and joint ventures): None.
4. Cumulative amount of the same marketable security purchased or sold reaching NT$300 million or more than 20% of the paid-in capital: None.
5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the paid-in capital: None.
6. The amount of real estate disposed of exceeds NT$300 million or 20% of paid-in capital: None.
7. Purchase/sale amount of transactions with related parties reaching NT$100 million or more than 20% of the paid-in capital: None.
8. Accounts receivable-related party reaching NT$100 million or more than 20% of the paid-in capital: None.
9. Derivatives trading: Please refer to Note 7.

(II) Information on investees (if the issuer directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee not in the territories of the mainland China): Please refer to Schedule 3 hereto.

(III) Information on investment in the mainland China

1. Investees’ name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, profit or loss for the period and recognized investment gain or loss, investment year end carrying amount, investment income and loss inward, and investment limits in the mainland China: Please refer to Schedule 4 hereto.
2. Any of the following significant transactions with investees in the mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

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

(IV) Information on major shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Please refer to Schedule 6 hereto.

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

Schedule 1

Unit: NT$ Thousand

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

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

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

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

Schedule 2

Unit: NT$ Thousand

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

Note 1: The maximum amount of the endorsement/ guarantee to a single subsidiary wholly owned by the Company shall not exceed 200% of the Company's net worth.
Note 2: The total amount of the endorsement/ guarantee for others shall not exceed 200% of the Company's net worth.

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

Schedule 3

Unit: NT$ Thousand

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

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

Schedule 4

Unit: NT$ Thousand
(Unless otherwise noted)

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

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

Note 1: To invest in the mainland China companies through remittance from a company existing in a third area.
Note 2: Limit of investment amount by Yuen Chang Stainless Steel Co., Ltd. In the mainland China is calculated as follows: $3,777,891×60%=$2,266,735.
Note 3: Including the recapitalization of earnings of Ningbo Qiyi Precision Metals Co., Ltd., US$40,000 thousand.

Yuen Chang Stainless Steel Co., Ltd.

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

2023

Schedule 5

Unit: NT$ Thousand
(Unless otherwise noted)

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

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

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

Schedule 6

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

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

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

§Table of Contents for Major Accounting Titles§

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

Statement 1

Unit: NT$ Thousand, unless otherwise specified

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

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

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

Statement 2 Unit: NT$ Thousand

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

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

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

Statement 3

Unit: NT$ Thousand

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

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

Statement 4

Unit: NT$ Thousand

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

Note 1: The changes refer to the share of profit or loss or other comprehensive income of subsidiaries accounted for using equity method.
Note 2: The net worth of equity is calculated based on the financial statements of QIYI PRECISION METALS CO., LTD. and the Company’s shareholding.

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

Statement 5 Unit: NT$ Thousand

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

Note: Please refer to Note 29.

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

Statement 6 — Unit: NT$ Thousand

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

Note: Please refer to Note 29.

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

Statement 7 Unit: NT$ Thousand

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

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

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

Statement 8 Unit: NT$ Thousand

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

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

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

Statement 9 Unit: NT$ Thousand

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

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

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

Statement 10 Unit: NT$ Thousand

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

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

Statement 11 Unit: NT$ Thousand

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

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

Statement 12 Unit: NT$ Thousand

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

Note:

I. The Company hired 185 employees and 182 employees in 2023 and 2022. Among them, 5 and 4 directors didn’t work as employees concurrently in both years.

II. The average employee benefit expenses were NT$698 thousand and NT$734 thousand in 2023 and 2022;

III. The average employee salary expenses were NT$549 thousand and NT$578 thousand in 2023 and 2022, decreasing by 5% in 2023 from 2022.

IV. The Company has established the Audit Committee. Therefore, no compensation to supervisors was paid.

V. The Company's remuneration policy:

1. Director

The Remuneration Committee proposes the remuneration to directors/supervisors based on their involvement in, and the value contributed by them to, the Company's operations, and then submits the proposal to the Board of Directors for resolution. According to the Articles of Incorporation, no more than 2% of the net profit before tax before deduction of the remuneration to employees and directors for the current year should be distributed to directors.

2. Managers

The Remuneration Committee reviews and proposes the reasonable remuneration to them subject to their involvement in, and the value contributed by them to the Company's operations, and submits the proposal to the Board of Directors for discussion and approval.

3. Employees

The employee salary standards are adopted in reference to the salary market condition, and the Company's financial position and organizational structure. Meanwhile, according to the Articles of Incorporation, no less than 2% of the net profit before tax before deduction of the remuneration to employees and directors for the current year should be distributed to employees.

Yuen Chang Stainless Steel Co., Ltd.

Chairman: Yen Te-Ho

Headquarters

Address: 13 F., No. 235, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City

Tel. No.: (07)969-5858 Fax No.: (07)968-5768

http://www.yuenchang.com.tw

Stainless Steel Processing Center of Dafa Plant

Address: No. 12, Huaxi Rd., Daliao Dist., Kaohsiung City

Tel. No.: (07)787-9118 Fax No.: (07)787-9728

Ningbo Qiyi Precision Ultra-Thin Stainless Steel Rolling Mill

Address: No. 2, Nanbin N. Rd., Binhai New Area in the south of Ningbo, Ninghai County, Ningbo City

Tel. No.: (86)574-59996888 Fax No.: (86)574-59990532

http://www.qiyi.com.cn